YOUR PRIVATE BANK

ANNUAL REPORT 2021

BANCA PRIVADA E CORPORATIVA

Edifício Garden Towers - Torre B, Piso 15
Complexo Comandante Gika, Luanda
ANGOLA

INDEX

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01

PRESENTATION OF BCS

1.1 JOINT MESSAGE

RESILIENCY AND INNOVATION

In 2021, BCS continued to demonstrate the strength and resilience of its business model, supported by disciplined execution based on our strategic priorities, despite the continuous need to adapt to an environment strongly marked by the developments in the pandemic emergency.

It was a very challenging year for all our teams. Carrying out a digital transformation in a pandemic environment is a time-consuming, difficult, but urgent process. However, we know that Customers demand it: and we want to continue to be their Bank of choice.

As a result of everyone's commitment and the trust placed in the Bank, there was significant growth in digital Customers and in the use of automatic means of payment.

With the mission to create value for Customers, Shareholders and Employees through a range of simplified financial solutions, seeking to operate in the market as an institution recognised for its EXCELLENCE, EFFICIENCY, CONSISTENCY and INNOVATION.

We cannot hesitate to manage our resources well, control costs, guarantee the Bank's future sustainability and consolidate a distinct corporate culture.

Against this background, BCS is optimistic about the implementation of the Strategic and Business Plan approved for the five-year period starting in 2021, based on 5 fronts:

1. Strengthening of the positioning in Private and Corporate Banking;

2. Growth of business by focusing on customer loyalty and value creation;

3. Commitment on Human Capital as a pillar for the future;

4. Monitoring regulatory developments and the effectiveness of internal control and compliance;

5. Digital transformation and innovation at the centre of the business;

The strategy adopted allowed BCS to generate in 2021 a net income of more than 8.8 billion kwanzas, which is in line with the results forecast for the same year, and an increase compared to 2020 of 32% in total assets, 89% in customer funds and 15% in net customer loans.

The Bank maintained a sound liquidity position and very high levels of capitalisation.

ANGOLA A COUNTRY WITH A PROMISING FUTURE

The appreciation of the kwanza, stimulated by a rise in the price of a barrel of oil, bodes well for the domestic dynamics ahead.

Foreign investment in Angola is increasing significantly in various sectors, with particular impact on Petroleum, Diamonds, Gold and other Ores, Industry and, finally, Agriculture and Fisheries, which enables us to foresee years of strong growth for our economy. This trend will undoubtedly lead to the acquisition of foreign financing and investment for the implementation of infrastructure essential for the development of our country.

With the increase in the price of a barrel of oil and with the structural reforms that are being enacted under the ambit of the IMF restructuring programme, it is expected that the Angolan economy will begin to show more robust growth rates as early as 2022.

With regard to the foreign exchange market and with the adoption of the new flexible exchange rate system, in 2021 there was a consistent appreciation of the kwanza against the dollar and the euro over the course of the year. This appreciation was due to the implementation of a raft of monetary policy measures, the greater opening of foreign exchange sales on the Bloomberg platform, the emergence of other entities in the foreign exchange market, namely oil, diamonds and insurance companies, and a greater supply of foreign currency.

The appreciation of the kwanza is expected to continue throughout the year 2022, considering the increase in the price of a barrel of oil witnessed in 2022.

As far as monetary policy is concerned, in an effort to stabilise prices and reduce growing inflation, the BNA decided to increase reference interest rates from 15.5% to 20% in July 2021 to slow down the rise in prices. Despite this, the inflation rate remained above 27% in 2021.

For the year 2022, the January 2022 IMF report pointed to a potential decline in the inflation rate, arguing that its causes are closely linked to short-term supply side disruption.

For the year 2022, the BNA forecasts an Inflation rate of 18%. This decrease is based on the stabilisation of the foreign exchange market, strong appreciation of the kwanza and the strategy of increasing the strategic food reserve, which allows for an increased supply of products and stabilisation of the prices of the items in the basket of basic foodstuffs.

SUSTAINABILITY

In harmony with the goals set by the United Nations, which constitute a global call to action to eradicate poverty, protect the environment and climate, ensuring that people everywhere can enjoy peace and prosperity, BCS has adopted 4 Sustainable Development Goals (SDGs) in line with its corporate, organisational and strategic positioning, namely:

- ODS5: Gender Equality;
- ODS8: Decent Work and Economic Growth;
- ODS9: Industry, Innovation and Infrastructure;
- ODS17: Partnerships and means of implementation;

Finally, we should like to express our gratitude to all Employees for their dedicated contribution, sense of mission and team spirit, which have led the Bank on the road to success. We extend the same gratitude to our Customers, Shareholders, Regulators and Partners for the support and trust they have shown the Bank since its foundation, giving us the honour of sharing with them a path of excellence in service.

Maria do Céu Figueira
Chair of the Board of Directors

Rafael Arcanjo Kapose
Chair of the Executive Board

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02

BCS BANK

2.1

ABOUT THE BANK

BCS - Banco de Crédito do Sul, SA (hereinafter referred to as the "Bank", "Banco BCS" or the "Institution") started operating in 2015 and, since then, has sought to become a flagship company in the Angolan financial sector, with particular focus on activities in the *Private* and *Corporate segments*.

In 2021, the Bank continued to gain market share and increase its customer base, as a result of providing a service that seeks excellence and offering a range of financial products and services appropriate to the respective profiles.

The Bank currently has 5 Customer Service Centres in the provinces of Luanda and Lubango. In 2019, international expansion to Dubai began with the opening of a representative office. BCS intends to intensify its positioning in Luanda, especially with industrial *clusters*, though not necessarily through the opening of new customer service centres. It also intends to increase its representation in other provinces in the medium term, in a phased manner and finally to assess its international expansion for the next 2 years.

The main focus of the Bank's operations is its customers and partners, and its employees represent the main driving force behind the achievement and maintenance of its current position of prestige. Accordingly, in order to achieve maximum potential in the management of the capacities of its human capital, particular attention is paid to training, motivation, performance, talent management, benefits, internal social responsibility, and occupational health and safety.

In parallel, the Bank remains committed to a proactive and consistent process of development, improving the experience of its customers by providing alternative channels, new features and services adapted to present needs.

2.2

CORPORATE STRUCTURE

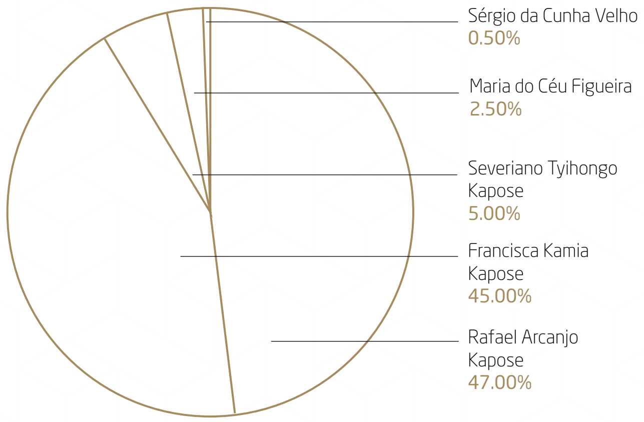
The Bank was incorporated in 2015 with a share capital of AOA 2 500 000 000, represented by 2.5 million shares, each with a par value of AOA 1 000, fully subscribed and paid up in cash.

In March 2016, the BNA approved a capital increase of AOA 6 000 000 000 by means of the issue of 3.5 million shares with a par value of AOA 1 000, subscribed proportionally by the shareholders, an increase that had been approved by the General Meeting on 1 October 2015.

On 30 October 2017, it was resolved at the General Meeting to proceed with a capital increase in an amount of AOA 4 000 000 000, raising the Bank's share capital to AOA 10 000 000 000. The aforementioned increase was paid up by the shareholders in March 2018 and was authorised by the BNA on 11 June 2018.

Finally, an increase in the Bank's share capital by means of the incorporation of reserves in an amount of AOA 7 000 000 000 was approved at the General Meeting of Shareholders held on 30 July 2019, the Bank's share capital thus rising to AOA 17 000 000 000.

The Bank's shareholder structure as of 31 December 2021 is as follows:



It should be still noted that, with reference to 31 December 2021, the Bank does not hold own shares and there are no shares with differentiated rights.

2.3

VISION, MISSION AND VALUES

VISION

To be a leading brand in the financial system through differentiation, solidity and excellence in the services provided.

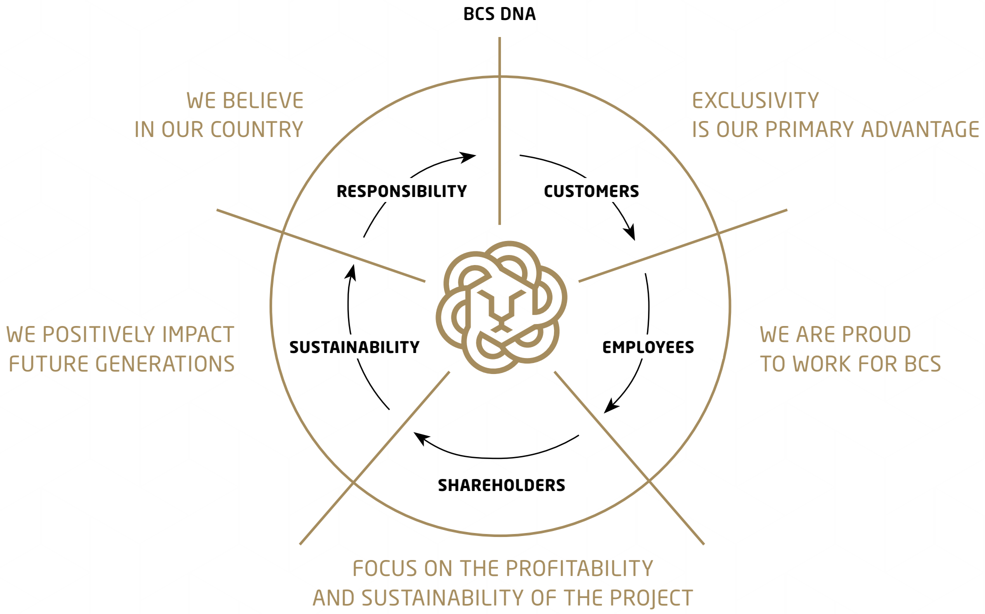
VALUES

Our values are guided by excellence, trust, ethics, responsibility, customer focus and respect for people and institutions.

MISSION

To create value for customers, shareholders and employees through a range of simplified financial solutions, seeking to operate in the market as an institution recognised for its excellence, efficiency, consistency and innovation.

BCS' DNA



Together we are creating our history with sustainability

2.4

EXPECTATIONS FOR 2022

The main impacts of COVID-19 observed in the global banking sector have allowed for a more sustained reflection on the business. Since the beginning of 2020, a change has been observed in the customer relations models, in internal organisation, in the definition of risk and capital and in the regulation itself.

New challenges have also emerged having an impact on BCS' activity, which have been a matter of observation, evaluation and constant evolution:

- Digitisation, imposed in previous years, was embraced by the Bank and led to the large-scale adoption of autonomous service technologies for customers and remote work tools for employees, thus breaking the inertia of the adoption of digital tools/services;
- Remote work, which, like most organisations, resulted in the Bank implementing new flexible work models and policies, leveraged by the use of technological tools that facilitate remote work;
- Social responsibility, which is not expected to dampen, returns to the radar and to the Bank's list of priorities, changing the paradigm that banks aim only to provide returns to shareholders, leading to an intensification of the allocation of capital to economic activities that are positive for society;
- The possibility of disrupting the value-added chain, encouraging the Bank to rethink its business model beyond traditional banking, suggesting the creation of an ecosystem of partnerships that will allow the creation of new sources of revenue;
- The priority of reducing structural costs (leveraged in the adoption of new technological tools) to ensure business continuity;
- The exponential increase in the volume of cyber attacks, which makes it necessary to adopt advanced technologies such as *Analytics* and artificial intelligence to detect fraud;
- Decreased appetite for credit risk among major credit institutions, requiring government intervention to secure lines of credit for certain segments;
- And last but not least, with the crisis scenario, the emergence of new regulations and financial supervision models with a focus on business continuity, pandemic planning and *cyber*-resilience.

For 2022, the bank will continue to take as its main objective the maintenance of the quality of services provided to its customers and prudent and careful management of its balance sheet, in order to achieve the sustainability necessary to protect its depositors. At the same time, it embraces in its strategic *core* the need to review the operating model, the search for new sources of revenue, efficiency and cost reduction, the adjustment of the value proposition for customers, the reduction of risk appetite, the intensification of restructuring, digital transformation and resilience and review of financial supervision models.

Investment in staff training and bolstering close ties with customers will remain crucial. The Bank will likewise bolster its investment in digital channels, so as to offer solutions appropriate to their needs and adapted to the growing demands of the market.

Thus, the commitment and dedication that have made Banco BCS a partner in supporting society in the development of the national economy will remain unchanged.

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03

ECONOMIC ENVIRONMENT

3.1

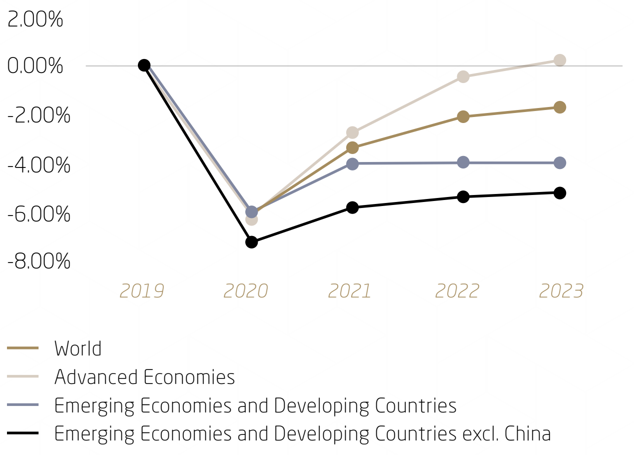
INTERNATIONAL ECONOMY

ECONOMIC ACTIVITY

After the historic recession of 2020 associated with the restrictions imposed by governments to mitigate the spread of Covid-19, the year 2021 was marked by an unprecedented economic recovery, with the most recent estimates by the World Bank pointing to growth of approximately 5.5%. The approval and dissemination of vaccines and the more efficient control of measures to mitigate the virus by governments are two crucial factors that explain the recovery of the global economy.

However, despite positive economic growth, the path to recovery has been uneven. While the GDP of the most advanced economies was only 2.7% of pre-pandemic estimates for the year 2021, the GDP of the economies of emerging and developing countries (excluding China) stood at 5.7%[1]. As we can see in Figure 1, in addition to these countries being the most affected in 2020, their recovery has also been less substantial.

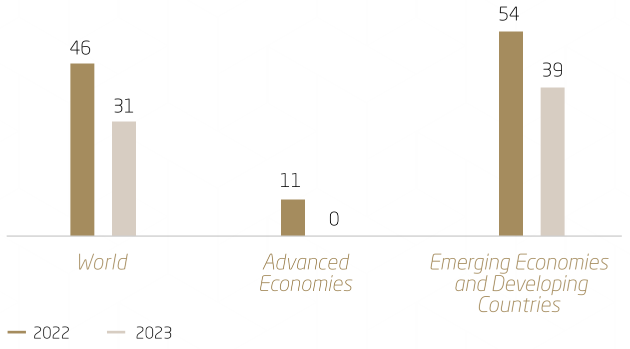
FIG. 1 **GDP DEVIATION FROM PRE-PANDEMIC TRENDS**



The slower recovery in these countries may be explained by several factors, such as inequality in the distribution of vaccines, less efficient management of restrictions, or lower levels of economic support from governments. As they are usually more dependent on the informal economy and their governments are not as capable of providing social support, these countries have suffered a much higher cost as a result of the restrictive measures.

In emerging commodity-exporting countries, the situation was much more favourable. Since oil prices rose 67.2% in 2021, these economies ended up growing by 4.5%[2], a rate above the average of other emerging countries.

FIG. 2 **PERCENTAGE OF COUNTRIES WITH GDP LOWER THAN IN 2019**



Although 2021 was a year marked by economic recovery, many countries will still not have fully recovered the losses of the previous year. As can be seen in Figure 2, in 2022, 46% of countries will still not have reached the *output* levels of 2019. And even in 2023, 31% will still not have fully recovered, a situation that could be exacerbated by the recent war between Russia and Ukraine. This percentage of countries is even higher if we restrict the analysis to emerging and developing countries.

With regard to forecasts for 2022, the IMF estimates a continuation of the recovery process, albeit at a slower pace, with global growth remaining at 4.4%. These estimates predate the start of the conflict between Ukraine and Russia.

1. (World Bank, 2022).
2. According to estimates by (World Bank, 2022).

MAIN RISKS AND UNCERTAINTIES FOR 2022

COVID-19 PANDEMIC

Despite the rapid growth in the number of COVID-19 cases at the end of 2021 due to the appearance of the *Omicron* variant, this growth did not translate into a proportional increase in the number of deaths[3]. Vaccines have been shown to be effective in combating the virus, and many treatments have also begun to enter the market. In addition, the WHO (World Health Organization) indicates that 2022 should be the year that marks a return to pre-pandemic life.

However, some risks persist with the possibility of the emergence of new, more infectious and/or more aggressive variants of COVID-19. If vaccination coverage and existing treatments are not effective in combating a new strain, countries would need to adopt new restrictive measures, which could shake up economic activity again.

GEOPOLITICAL TENSIONS - CONFLICT BETWEEN UKRAINE AND RUSSIA

Geopolitical tensions are also a major factor of uncertainty for the year 2022. The latest conflict between Russia and Ukraine could have a major impact on the world economy. Although the magnitude and consequences are still uncertain, taking into account the fact that Russia and Ukraine are major exporters of energy and foodstuffs, this conflict could influence developments in various markets.

In fact, food and energy prices have been rising steadily since the beginning of the conflict. Furthermore, with the sanctions that have been imposed mainly by European countries, the United States and Canada, and with the general boycott of Russian products, it is possible that the prices of many goods will continue to rise, further contributing towards the inflationary pressures that were already being felt.

CLIMATE CHANGES

Climate change is another risk for 2022. According to the IPCC (*The Intergovernmental Panel on Climate Change*) report, the regions of the planet that are most vulnerable to this type of extreme event are, in general, the regions that also face other developmental challenges, namely the continent of Africa, South Asia, Central and South America, and some more isolated islands. The report also states that, between 2010 and 2020, the number of deaths recorded in floods, droughts, or storms was 15 times higher in these most vulnerable regions compared to other regions of the world.

Additionally, these climatic events can seriously affect food markets, and price trends, given that there is an increasing risk of crops being destroyed simultaneously in various regions around the globe.

INTERNATIONAL TRADE

The year 2021 was also marked by a recovery in International Trade. After a 9.6% drop in 2020[4], trade with foreign countries increased by 8% in 2021, according to World Trade Organization (WTO) estimates. This recovery was mainly driven by the demand for durable goods, and not yet by the massive upturn in tourism, which is only expected to fully recover in 2023 or 2024[5].

If, on the one hand, there was a significant increase in demand for durable goods, on the other, supply experienced major difficulties in meeting this demand. One of the major factors that explained this difficulty was the various constraints on production and distribution chains associated with the successive interruptions of economic activities. These constraints led to the price of transporting goods reaching an all-time high[6]. However, World Bank forecasts point to these prices falling and stabilising as the constraints associated with restrictions also decrease.

The pandemic context has brought major challenges to international trade. However, in its report on the State of International Trade in 2021, the WTO concluded that, despite the risks, the economies with stronger foreign trade links are more agile and resilient in recovering from shocks and crises. Therefore, even if the economies that are more dependent on foreign trade feel the shocks from abroad more quickly, they are also more agile in responding to them, and so overcome them more easily.

3. *Our World in Data*
4. (International Trade Organisation, 2021)
5. (*World Tourism Organization*, 2022)
6. (World Bank, 2022)

COMMODITIES

After sharp declines in the price of various *commodities* in 2020 - a year in which the price of oil dropped by around 60%[7] - the year 2021 was marked by a sharp reversal of this trend.

With regard to the coal and natural gas markets, figure 3 illustrates the sharp rise in the prices of these raw materials, which was accentuated in the last quarter, when natural gas reached $ 45.7/mmbtu[8,9], (in the European market), and coal reached $ 280/mmbtu[7,8].

In the oil market, while demand increased by 5.7/mbd[10] compared to 2020, supply increased by only 3/mbd, which resulted in a market imbalance that led to a rise in prices[11]. Compared to the 2020 average, the price of a barrel of oil rose 67%, reaching $ 69[12].

Regarding the outlook for 2022, the World Bank estimates that demand for oil will continue to rise, as can be seen in Figure 5, and the IMF points to a growth in prices of around 12%.

FIG. 3 **PRICES OF NATURAL GAS AND COAL**

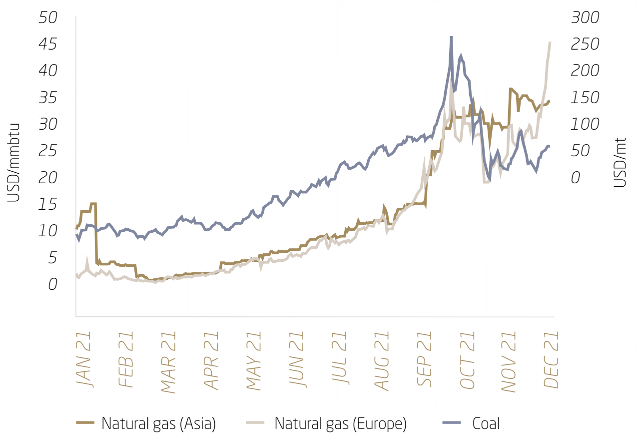
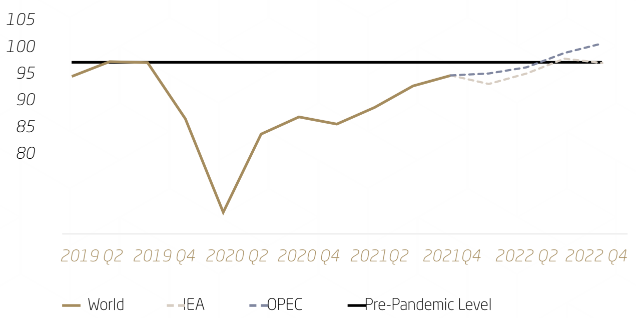


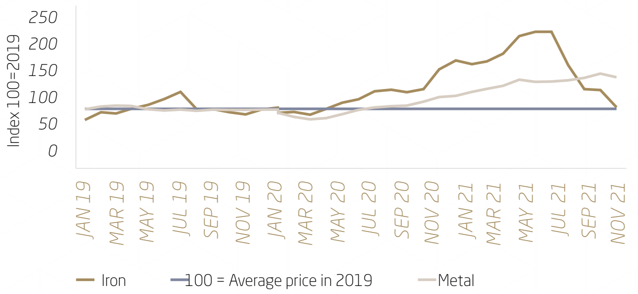
FIG. 5 **DEMAND FOR OIL**
MB/D



The metals market also reported price increases, mainly in the second half of 2021. However, these rises were not symmetrical. As can be seen in Figure 4, the price of metals rose steadily from January to the end of the year, while the price of iron rose sharply between November 2020 and May 2021, and then fell back sharply until the end of the year.

The most recent armed conflict between Russia and Ukraine and the uncertainty surrounding its duration and impact give rise to uncertainties regarding the development of energy markets, and it is possible and likely that price increases will be greater than initially expected, as there has already been a significant rise in the price of oil and natural gas in the first quarter of 2022.

FIG. 4 **PRICE OF METAL AND IRON**



7. (International Monetary Fund, 2021)
8. mmtb - per million BTUs (*British Thermal Units*)
9. (World Bank, 2022)
10. Million barrels per day
11. (OPEC - *Organisation of the Petroleum Exporting Countries*, 2021)
12. (World Bank, 2022)

MONETARY POLICY AND INFLATION

During the pandemic, global debt amounted to 226 trillion, corresponding to 256% of global GDP[13]. Despite the considerable rise in private debt, this increase was mainly due to the growth of public debt, which reached 40% of total debt in 2020. The need to support economies led many governments to apply expansionary fiscal policies, considerably increasing levels of public expenditure in a context of declining tax revenues, which has generated major imbalances.

Mainly during the first half of 2021, various central banks continued their strong investment in expansionary monetary policies focused on increasing the monetary base and maintaining favourable conditions of access to credit to stimulate economic recovery after an unprecedented recession. In addition to maintaining low, and in some cases even negative, interest rates, various central banks continued their securities purchase programmes. The European Central Bank (ECB) continued to implement the (PEPP – *Pandemic emergency purchase programme*) and the Federal Reserve also continued its asset purchase programme.

However, with the risk of inflation materialising, from the second half of 2021 onwards, various Central Banks began to reconsider the direction of their policies. More than a third of Central Banks in emerging and developing countries – particularly in energy-importing economies – responded to the inflationary risk by raising interest rates. In November 2021, the United States Federal Reserve began to slow down its asset purchase programme and, in December, decided to double the pace of its tapering, with the programme expected to end in March 2022. The European Central Bank also decided to end the application of the PEPP in March 2022, ensuring the maintenance of an agile and flexible monetary policy that pursues the objective of maintaining the medium-term inflation target at 2%.

There are multiple causes for the price rises seen over the course of 2021. On the one hand, the pandemic generated a decrease in demand for services, but led to a strong increase in demand for goods which, due to constraints in production and distribution, was not accompanied by the necessary increase in supply. On the other hand, another cause was the rise in the price of basic foodstuffs (cereals, grains, etc.) and energy products. Furthermore, the continuous expansionary monetary policies that facilitated access to credit and aimed at supporting the agents most badly affected by the pandemic crisis will have had an impact on inflationary pressure. Finally, in some countries, imbalances in the labour market, which led to wage increases, may have also contributed to higher prices.

As we can analyse in Figures 6 and 7, in 2021, 51% of emerging and developing countries reported inflation rates above the established *target*. In response to inflationary pressure, it was found that 27% of energy-exporting countries and 41% of energy-importing countries implemented contractionary monetary policies in 2021[14].

FIG. 6 **PERCENTAGE OF DEVELOPING COUNTRIES WITH INFLATION ABOVE *TARGET***

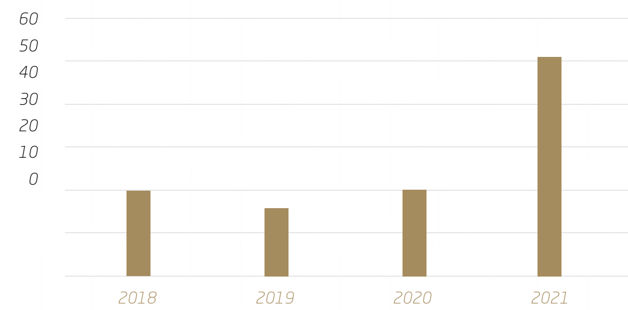
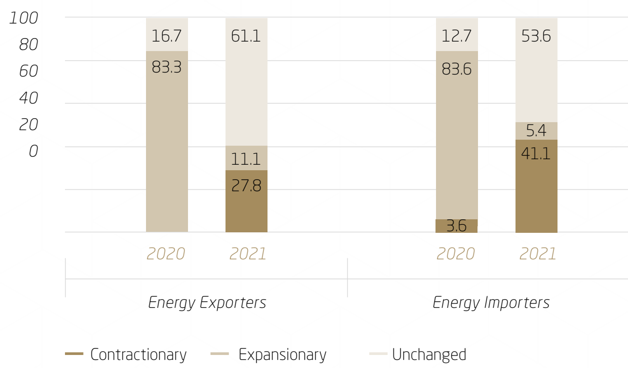


FIG. 7 **MONETARY POLICY DEVELOPING COUNTRIES**
(% OF COUNTRIES)



The IMF estimates that, in 2022, the inflation rate in developed countries will be, on average, 3.9% and in developing countries, 5.9%. However, forecasts point to a stabilisation of the inflation rate in 2023[15].

However, due to the still unknown impacts of the most recent armed conflict in Europe, which could severely affect energy markets, inflation rate estimates may be revised upwards for 2022 and 2023.

13. (IMF, 2021)
14. (World Bank, 2022)
15. (International Monetary Fund, 2022)

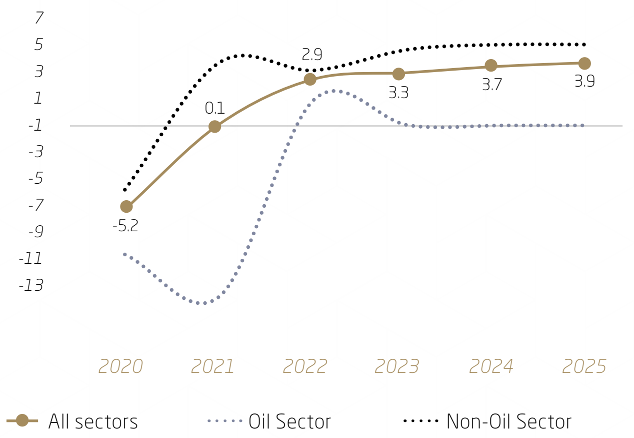
3.2

ANGOLAN ECONOMY

ECONOMIC ACTIVITY

After five years of economic recession, 2021 was a more favourable year for the Angolan economy. IMF projections at the end of December 2021 pointed to a rate of change in total GDP of around 0.1% (although other projections point to a rate of change of less than zero)[16]. As can be seen from Figure 8, the non-oil sector started recovering in 2021, with positive growth of 3.9%, but the oil sector did not follow this growth, reporting a drop of around 10.6%, which ended up harming the overall performance of the economy.

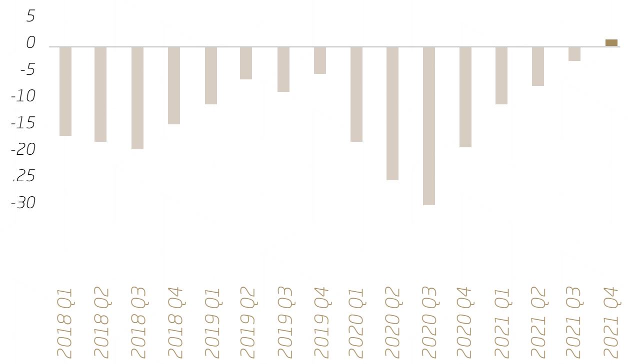
FIG. 8 **FORECAST GROWTH OF THE ANGOLAN ECONOMY (%)**



With the increase in the price of oil and with the structural reforms that are being achieved under the ambit of the IMF restructuring programme, the Fund estimates that the Angolan economy will begin to show more robust growth rates as early as 2022 – estimated growth of 2.9%, which may be revised upwards with the evolution of the oil price in the first quarter of 2022 – and continue on this path of economic growth in 2023, 2024 and 2025, as shown in Figure 8. According to the Fund's estimates, the oil sector will tend to stagnate from 2023 onwards, as a result of which growth will be leveraged by the development of other economic sectors.

The report on the Angolan economic cycle for the last quarter of 2021[17], which calculates the confidence index (CI) based on the outlooks of businesspeople in different sectors, reveals that the indicator global economic climate maintained its upward trend, having been positive and above average. These business people's outlooks are consistent with international estimates that point to the onset of a phase of growth starting in 2022.

FIG. 9 **GLOBAL ECONOMIC CLIMATE INDICATOR**



Of the seven sectors analysed in the report, four reported a favourable economic environment in the last quarter of 2021: Manufacturing Industry, Commerce, the Communication sector, and Mining. With respect to Manufacturing Industry, the confidence indicator has maintained an upward trend for five consecutive quarters, passing over into positive territory in 2021, something that had not happened since 2014. The outlook has also been increasingly favourable for commercial companies. The confidence index in this sector has been growing since the beginning of 2020 and has been positive since the end of the same year. As for the Communication sector, its Confidence Index has been growing successively since the end of 2020, indicating an effectively favourable environment for a sector that has registered one of the best confidence indices in the entire Angolan economy. Finally, Mining also has a positive confidence index and is on an upward trend in the last quarter of 2021, which is consistent with international forecasts of growth in energy prices.

On the other hand, the Construction, Tourism and Transport sectors recorded negative Confidence Indices in the last quarter of 2021. With regard to the Construction sector, despite an upward trend, the indicator has not yet passed over into positive territory, and prospects remain unfavourable. In the Tourism sector, one of the most affected by the pandemic, despite having been negative in the last quarter of 2021, it started to show an upward trend from the beginning of that same year, which is also in line with the shift in the Tourism sector at a global level. Finally, the transport sector, also considerably affected by the restrictions on movement enforced during the pandemic, is one of those that still has not achieved a positive index as of the end of 2021. However, it has also shown an upward trend since the beginning of 2021 and should accompany the reduction of restrictions on movement, as the pandemic situation improves.

According to the report, the main constraints on the growth of Angolan companies have been a lack of raw materials, mechanical breakdowns of equipment, difficulties in accessing credit, excessive bureaucracy and state regulation, a lack of specialised labour, and high levels absenteeism among employees.

16. (International Monetary Fund, 2021)
17. (National Statistics Institute, 2022)

RISKS AND UNCERTAINTIES FOR THE YEAR 2022

The growth expected for the Angolan economy in 2022 is subject to various risks and uncertainties.

The greatest uncertainty stems from the conflict between Ukraine and Russia, which is already having a significant impact on the world economy, mainly in terms of energy and cereal markets. Angola could benefit from rising fuel prices, but could also feel the negative effects of rising food prices.

Another major factor of uncertainty is the fact that China is going through a process of changing strategy, and is negotiating debt in African economies, especially those that expose it to the volatility of energy markets. This could be a negative factor for the Angolan economy, which will find it more difficult to finance itself abroad.

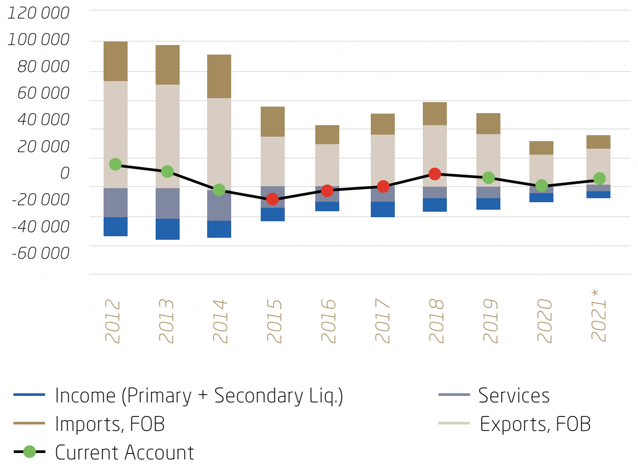
With regard to the development of the COVID-19 pandemic, although apparently under control, there major uncertainty remains regarding the emergence of new, more infectious and/or more aggressive variants of the virus, which could change the trend towards opening up economies.

In addition to all the risks already enumerated, there are also risks associated with climate change and natural disasters, now increasingly likely, which, if they occur, may significantly impact estimates of economic growth in Angola.

FOREIGN TRADE

Despite the reforms that have been implemented with the support of the IMF in order to diversify the economy, 98% of Angolan exports continue to be mining products, without processing: oil and diamonds. On the other hand, Angola mainly imports products with higher added value, such as electronic equipment, machinery, refined oil and other processed products.

FIG. 10 **BREAKDOWN AND MOVEMENT IN CURRENT ACCOUNT BALANCE** (MILLION USD)



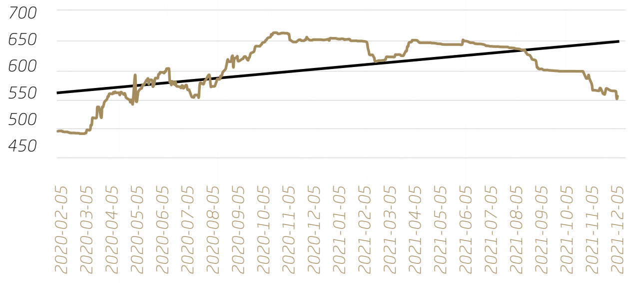
As Figure 10 shows, the current account balance has been positive since 2018, despite continuing recessions and the most recent pandemic crisis. This balance increased in 2021 compared to 2020, mainly due to the increase in the price of petroleum products, which contributed towards an increase in the value of exports. Despite the good performance of the current account, the major dependence on the development of oil prices is a major risk for the Angolan economy, in which only 2% of exports relate to non-oil and non-diamond products.

In terms of trading partners, Angola mainly exports to China, India and the United States and imports mainly from China, Portugal, Belgium and the United States[18], and still has plenty of scope to explore economic relations with African countries. Accordingly, the signing of the African Continental Free Trade Agreement, which came into force in January 2021, may represent a highly relevant opportunity to develop other types of opportunities that also allow the objectives of diversification of the Economy to be achieved.

EXCHANGE POLICY

With the support of the IMF, since 2020, Angola has adopted a flexible exchange rate system. This policy has helped the economy to accommodate the various external shocks and has allowed for the constitution of foreign exchange reserves. As we can see in the chart in Figure 11, after the shock of COVID-19, there was consistent depreciation of the value of the Kwanza until the beginning of 2021. Over the course of 2021, the currency steadily recovered its value, although it has not yet reached pre-pandemic levels.

FIG. 11 **NOMINAL EXCHANGE RATE**
(USD/AOA)



18. (IMF, 2021)

INFLATION AND MONETARY POLICY

Inflation in Angola has persisted over recent years. Despite the disinflation that began in early 2019, the 2020 pandemic crisis has further aggravated the situation. On the one hand, the depreciation of the Kwanza increased the price of many imported goods and, on the other, constraints on the supply side, with the major economic restrictions in force in 2020 and 2021, limited the production and distribution of goods. Therefore, even when the Kwanza stabilised in the second half of 2021, inflation levels remained relatively high.

As we can see in the graph in Figure 12, inflation has risen steadily since the beginning of 2020. The IMF's January 2022 report points to a potential decline in the inflation rate in 2022, arguing that its causes are closely linked to short-term supply side disruptions. However, given the international context, the inflation forecasts may not be met.

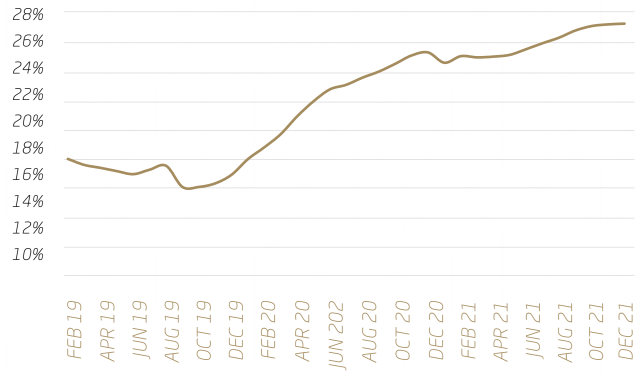
In terms of monetary policy, the BNA changed its strategy, starting to operate with a clear objective of maintaining price stability in accordance with a short-, medium- and long-term inflation target. That said, and taking into account the change in prices, in July 2021, the BNA decided to increase interest rates from 15.5% to 20% in order to slow down the pace of the creation of money and contribute towards a decline in the inflation rate.

In addition to raising interest rates, in order to try to stop the inflationary spiral, in 2021 the Angolan government also temporarily suspended some tariffs on imports and encouraged the domestic production of various products.

For the year 2022, the National Bank of Angola estimates inflation of 18% which, despite being relatively milder than that observed over the last two years, will still remain above the medium-term target of single-digit inflation. The expected decrease is based in particular on the stabilisation of the foreign exchange market and on the strategy of increasing the Strategic Food Reserve, which allows for a greater stabilisation of prices.

It is expected that, in the coming years, the monetary policy of the BNA will remain restrictive, aiming to reduce inflation to single digits in order to continue progress towards the convergence band established by the SADC (Southern African Development Community), which is 4%.

FIG. 12 **YOY INFLATION RATE**



FISCAL POLICY

As reported by the IMF in December 2021, despite the social support created during the pandemic to compensate the agents most heavily impacted by the restrictions, the Angolan government was still able to reduce public debt (as a percentage of GDP). Forecasts point towards public debt remaining below 100% of GDP in 2021.

The main objective of the Angolan government, in cooperation with the IMF, is to reduce the debt to 60% of GDP by 2025. The plan is, on the one hand, to increase tax revenues from the non-oil sector and, on the other, to keep expenditures stable and focused on matters related to health and education.

Another major objective in the coming years is for fiscal policy to become a stabilisation mechanism for the Angolan economy, accommodating energy market shocks. Thus, the Angolan government will focus on building up reserves in favourable periods, and will support the economy at times when energy markets are down. This will enable economic agents to benefit from a more stable environment more conducive to medium and long-term investments, thus contributing towards the growth and diversification of the Angolan economy.

3.3

REGULATORY AMENDMENTS

JANUARY 2021

Directive 01/DRO/2021, of 06 January
Constitution of Impairments for Exposure to the State, Denominated in Foreign Currency.

FEBRUARY 2021

Notice 01/2021, of 12 February
Credit Risk Information Centre.

Directive 01/DMA/PSD/2021, of 02 February
Procedures for Operationalisation of Commercial Bank Reserve Accounts in Local Currency (LC).

MARCH 2021

Notice 02/2021, of March
Payment of Goods and Port Services Supplied in the Country to Foreign Exchange Non-Residents.

APRIL 2021

Circular Letter 02/DSP/2021, of 28 April
Payment of Social Security Contributions under the RTPS.

Instruction no. 06/2021, of 15 April
Annual Prize for Contributions from Financial Institutions Participating in the Deposit Guarantee Fund in Angola.

Notice no. 06/2021, of 14 April
Granting of Loans to the Real Sector of the Economy Extension of the Periods of Validity of Notice no. 10/2020.

Notice no. 05/2021, of 14 April
Rules and Procedures for Conducting Foreign Transactions by Natural Persons.

Notice no. 04/2021, of 14 April
Rules and procedures applicable to exchange transactions for the import and export of goods

Notice no. 03/2021, of 12 April
Specific Exchange Rules Applicable to the Sale of Natural Gas.

Law no. 11/21, of 22 April
Law on the Legal Arrangements for Securities Guarantees.

MAY 2021

Notice no. 07/2021, of 31 May
Prudential Treatment of Credits Subject to Moratorium under the Ambit of the Covid-19 Pandemic.

Instruction no. 08/2021, of 14 May
Central Government Balances Reported in the Balance Sheets of Banking Financial Institutions.

Instruction no. 07/2021, of 10 May
Foreign Currency Purchase and Sale Auctions Organised by the National Bank of Angola.

Directive no. 06/DMA/2021, of 06 May
Procedures for Movement of Central Government Balances in Local Currency (LC).

Directive no. 05/DSB/DRO/2021, of 06 May
Reporting of Information on Credits Granted to Holders of Qualifying Holdings.

Directive no. 04/DMA/2021, of 06 May
Deadlines for Reporting Information via the Financial Institutions Portal (PIF)

Directive no. 03/DMA/2021, of 06 May
Reporting of Statistical Information on Simplified Bank Accounts.

Directive no. 02/DMA/2021, of 05 May
Suspension of the Statement of Requirements (MdN).
Registration of Transactions on the *Bloomberg FXGO* Platform.

Directive no. 05/DMA/2021, of 05 May
Requirements for Calculation and Compliance with Compulsory Reserves

Law no. 14/21, of 19 May
Law on the General Arrangements for Financial Institutions.

JUNE 2021

No publications in this month.

JULY 2021

Notice no. 10/2021, of 14 July
Corporate Governance Code for Financial Institutions Code.

Circular Letter no. 04/DCF/2021, of 07 July
Promotion of Savings Products and Adjustment of Interest Rates.

Instruction no. 11/2021, of 07 July
Internal Liquidity Adequacy Assessment Process (ILAAP).

Instruction no. 10/2021, of 07 July
Internal Capital Adequacy Assessment Process (ICAAP).

Instruction no. 09/2021, of 07 July
Payment Card Protection Service.

Directive no. 08/DMA/2021, of 06 July
Basic Interest Rate (BNA Rate).
Standing Overnight Liquidity Facilities (OLF) and Overnight Liquidity Absorption Facilities.

Directive no. 07/DMA/2021, of 06 July
Requirements for Calculation and Compliance with Compulsory Reserves in Foreign Currency (FC).

Notice no. 09/2021, of 05 July
External Audit.

Notice no. 08/2021, of 05 July
Prudential Requirements.
Own Funds Requirements.
Supervision Process and Risk Management.
Market Discipline.

AUGUST 2021

Circular Letter 01/DRO/2021, of 12 August
Opening of Bank Accounts Owned by Supervised Entities.

Circular Letter no. 05/DCF/2021, of 2 August
Declaration of Good Standing in Process of Changing Domicile.

SEPTEMBER 2021

Instruction no. 14/2021, of 27 September
Liquidity Risk.

Instruction no. 13/2021, of 27 September
Regulatory Own Funds Calculation and Requirement for Operational Risk and respective Provision of Information Period.

Instruction no. 12/2021, of 14 September
Cash Withdrawal at Automatic Payment Terminal

Directive no. 10/DIF/DRO/2021, of 14 September
Alteration of the Remuneration Interest Rate on the Bankita a Crescer Savings Product.

Directive no. 09/DSP/DCF/2021, of 14 September
Customer Services.

OCTOBER 2021

Instruction no. 23/2021, of 29 October
Foreign Currency Purchase and Sale Transactions on the *Bloomberg FXGO* Platform by Companies in the Aviation and Insurance Sectors.

Instruction no. 18/2021, of 27 October
Regulatory Own Funds Calculation and Requirement for Credit Rating Adjustment Risk.

Instruction no. 17/2021, of 27 October
Regulatory Own Funds Calculation and Requirement for Settlement Risk and Incomplete Transactions.

Instruction no. 16/2021, of 27 October
Regulatory Own Funds Calculation and Requirement for Market Risk and Respective Provision of Periodic Information.

Instruction no. 19/2021, of 27 October
Provision of Information on the Composition of Own Funds and Capital Ratios.

Instruction no. 15/2021, of 27 October
Regulatory Own Funds Calculation and Requirement for Credit Risk and Counterparty Risk and Respective Provision of Periodic Information.

Instruction no. 20/2021, of 27 October
Leverage Ratio.

Instruction no. 21/2021, of 27 October
Prudential Limits on Large Exposures.
Interests of Banking Financial Institutions in the Capital of Non-Financial Companies.

Instruction no. 22/2021, of 27 October
Interest Rate Risk in the Banking Book.

Directive no. 11/DSB/DRO/2021, of 5 October
Implementation Guide on Business Continuity Management at Financial Institutions.

Law no. 24/21, of 18 October
National Bank of Angola Act.

NOVEMBER 2021

Circular Letter no. 07/DCF/2021, of 26 November
Customer Service.

Directive no. 13/DSB/DRO/2021, of 22 November
Eligible External Rating Agencies.

Directive no. 14/DSB/DRO/2021, of 22 November
Widely Relevant Stock Indices.

DECEMBER 2021

Notice no. 12/2021, of 23 December
Foreign Exchange Position Limit.

Notice no. 11/2021, of 23 December
Procedures for Foreign Investment Operations to be Carried Out by Foreign Exchange Non-Residents in the Country.

Instruction no. 24/2021, of 07 December
Value limits on transactions carried out in payment systems.

YOUR
PRIVATE
BANK

04

STRATEGIC PLAN 21-25

4.1

STRATEGIC PLAN 21-25

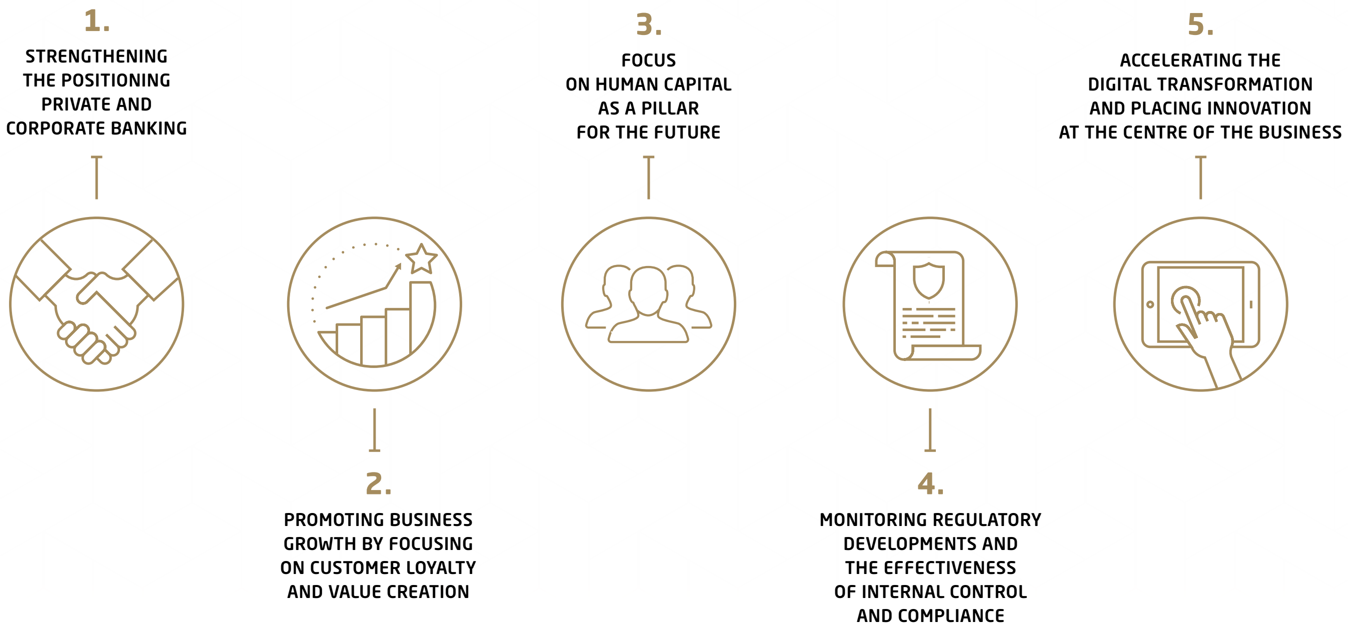
The Bank's first five years having elapsed, with results exceeding the expectations of the Shareholders and Directors, and following changes to the environment in which BCS – Banco de Crédito do Sul, SA operates, it was decided to reassess the Bank's strategic positioning and ensure that the strategic objectives remain current and appropriate for the next five years, promoting efficient responses to the new global challenges. Thus, BCS embarked on a process of reflection and definition of its Strategic Plan for the years 2021 to 2025.

The BCS Strategic Plan, also known as BCS 21-25, is based, on the one hand, on the continuity of its current activity, based on the Bank's guiding principles and, on the other, on the appropriate positioning of its strategic objectives in relation to the new challenges.

A total of 5 Strategic Fronts, 18 strategic initiatives and 48 action plans were defined for the next 5 years. Associated with the Strategic Fronts and to add value, the Bank's ambitions for the same period were laid down, giving rise to 12 ambitious quantitative objectives that reflect the Bank's strategic priorities.

Anticipating the future, BCS intends to consolidate its current bases of action and evolve the skills and business models that will allow it to achieve its strategic objectives and aspirations, while at all times keeping in mind the Bank's distinctiveness, profitability, efficiency and growth.

The fronts, initiatives and action plans of the BCS 21-25 were jointly created by the Directors and Managers, guided by what could best be offered to BCS customers.



YOUR
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BANK

05

DEVELOPMENT OF THE BUSINESS

5.1

KEY INDICATORS

AOA'000

BALANCE SHEET	2021	2020	%
Total Assets	130 887 841	99 231 249	31.9%
Customer loans (net)	20 196 479	17 588 175	14.8%
Customer funds and other loans	76 172 042	40 340 342	88.8%
Equity	47 034 465	38 199 736	23.1%
RETAINED			
Net interest income	9 520 274	4 651 133	104.7%
Non-interest revenue	11 376 304	18 974 712	-40.0%
Proceeds from banking activity	20 896 578	23 625 845	-11.6%
Structural costs	(10 132 396)	(9 866 851)	2.7%
Operating income	10 757 791	13 443 759	-20.0%
Net earnings for the year	8 834 729	9 352 715	-5.5%
PROFITABILITY			
Return on assets (ROA)	6.7%	9.4%	-28.4%
Return on equity (ROE)	18.8%	24.5%	-23.3%
Cost-to-Income ratio	48.5%	41.8%	16.1%
Total assets/Employee	884 377	793 850	11.4%
Transformation ratio	26.5%	43.6%	-39.2%
Regulatory own funds	46 985 060	38 195 458	23.0%
Solvency ratio	45.6%	43.8%	5.0%
QUALITY OF CUSTOMER LOANS			
Non-performing loans/Total credit	1.3%	5.3%	-75.4%
Coverage of non-performing loans by impairment	339.1%	94.9%	257.4%
Coverage of loans by impairment	4.4%	5.0%	-12.1%
BRANCHES AND EMPLOYEES			
Number of branches	5	5	0.0%
Number of employees	148	125	18.4%

In another year marked by the COVID-19 Pandemic, which had devastating impacts on the world economy, in 2021, Banco BTS' performance exceeded expectations. At the end of this financial year, the Bank reported even more robust solvency indicators than in 2020, and a return on equity of 18.8%.

We highlight the movement of the key business indicators:

Number of Customers
5 195
+48.9%
over 2020

Customer Funds
tAOA 76 172 042
+ 88.8%
over 2020

Assets
tAOA 130 887 841
+ 31.9%
over 2020

Customer Loans
tAOA 20 196 479
+14.8%
over 2020

Proceeds from Banking Activity
tAOA 20 896 578
-11.6%
over 2020

Net Earnings for the Year
AOA 8 834 729
-5.5%
over 2020

Regulatory Own Funds
AOA 46 985 060
+23.0%
over 2020

Regulatory Solvency Ratio
45.6%
217 pb
over 2020

5.2

THE BANK CLOSER TO ITS CUSTOMERS

LCD – Large Corporate Division

In March 2019, upon the creation of the *Large Corporate* Division, referred to using the acronym "DLC", the Bank decided to reorganise the segmentation of its Corporate Customers in order to provide a distinctive service, dedicated management and a value proposition for this type of Bank customer.

The year 2020 was one of consolidation of the Management Structure and of the business dynamics inherent to large companies.

The DLC plays a strategic and crucial role for BCS, as an essential element for attracting Business from Companies with high turnover and profitability, contributing decisively towards the Bank's results.

Physically present with a dedicated centre at the Bank's commercial headquarters, the DLC's mission is to manage *Large Corporate* Customers, define strategies for attracting customers and high-value and highly profitable business, provide financial advice regarding the optimal management of resources and investments through on-site visits to customers and potential customers, as well as interconnection with the Administration and other areas of the Bank, guaranteeing quality, efficiency and a level of service that exceeds the expectations of the Bank's *Large Corporate* customers.

DPC – Private and Corporate Division

Supported by our business model of proximity to the customer and customisation of our solutions, meeting the most diverse needs manifested in the commercial relationship cycle, the *Private* and *Corporate* Division contributed towards the growth of BCS in 2021.

Since the beginning of the project's launch and the consequent creation of the DPC – *Private* and *Corporate* Division, customisation has been the template that guides the services it provides, driven by the development and use of digital solutions and by the Bank's close ties with its partners, which have enabled the consolidation of the BCS brand in the Angolan market and an expansion of partnerships that we proudly support and defend.

We raise the profile of the name BCS by focusing on the priorities of the national economy in supporting families and companies, investing in the multiple communication and access channels in our relationship with customers, providing a more convenient, straightforward and effective Banking experience, with the promotion of partnerships consistent with the needs of the ecosystem and excellent management of our customers' assets.

Currently, having a staff of 32 employees, four business centres for customer service, with the opening of a new centre already planned in accordance with the policy of expansion across the country, six correspondent banks, a commitment to staff training, financial literacy and an appropriate response to cyclical challenges, multifaceted action *tailor made* for each customer, the DPC maintains the innate conviction that the customer as the centre of its operations, guiding the creation of solutions in a qualitative positioning for our *stakeholders*.

Banking requires high levels of trust, for which transparency is essential. This is the DPC's daily commitment in its entirety, maintaining authentic and open exchanges of information, flexibility, speed and diligence in interaction. A knowledge of the BCS customer in its genesis and essence allows DPC to guide the relationship towards the solution that best suits each situation, guaranteeing growth, gain and sustainability for the Bank's partners.

5.3

SUSTAINABLE BALANCE SHEET

AOA'000

	2021	2020	Change	Change %
NET ASSETS				
Cash balances	47 329 484	32 611 244	14 718 240	45.1%
Investments in credit institutions	15 332 538	9 917 536	5 415 002	54.6%
Customer loans	20 196 479	17 588 175	2 608 304	14.8%
Investments in securities and Financial holdings	36 038 855	21 178 449	14 860 406	70.2%
Other tangible and intangible assets	9 808 099	10 458 803	(650 704)	-6.2%
Other assets	2 182 386	7 477 042	(5 294 656)	-70.8%
TOTAL ASSETS	130 887 841	99 231 249	31 656 592	31.9%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Funds at credit institutions	158 766	5 158 598	(4 999 832)	-96.9%
Customer funds	76 172 042	40 340 342	35 831 700	88.8%
Provisions	801 082	137 441	663 641	482.9%
Other liabilities	6 721 486	15 395 132	(8 673 646)	-56.3%
Equity	47 034 465	38 199 736	8 834 729	23.1%
TOTAL LIABILITIES AND EQUITY	130 887 841	99 231 249	31 656 592	31.9%

The Bank's Balance Sheet increased by 32% during 2021, corresponding to a rise of tAOA 31 656 592 in assets over the previous year.

This trend reflects some signs of improvement in economic activity with the lifting of the restrictions of the pandemic and the recovery of the price of oil, which allowed a significant increase in the collection of deposits during the year, tAOA 35 831 700 or the equivalent of 89% of that registered in 2020, boosting the growth of the main asset items.

The item customer loans increased by 15% in 2021 and represents 15% of total assets. Maintaining robust risk analysis practices, the Bank opted to increase the extension of credit in order to support the economy in a period in which this type of instrument is essential to stimulate economic activity. It should be noted, however, that the increase in the amount of credit granted entails the adoption of a prudent approach, denoted by the low risk of default in the credit portfolio witnessed in 2021.

The items available funds and investments in credit institutions and in securities and financial holdings showed a significant increase resulting from the greater availability of liquidity due to the increased collection of deposits.

On the other hand, the items "Other Assets" and "Other Liabilities" fell in 2021, since the balances as at 31 December 2020 were essentially composed of forward transactions that were settled at the beginning of the year.

Finally, the incorporation of 2020 results, with no dividends paid, contributed towards a growth in equity of 23%, strengthening the Bank's solvency.

With reference to 31 December 2021 and 2020, the Bank does not report any debts to the State or Social Security.

CUSTOMER LOANS

AOA'000

	2021	2020	Change	Change %
Customer loans	21 127 677	18 516 124	2 611 553	14.1%
Loans to companies	18 407 216	17 587 668	819 548	4.7%
Loans to private individuals	2 720 461	928 456	1 792 005	193.0%
Credit impairment	(931 198)	(927 949)	(3 249)	0.4%
TOTAL NET CREDIT	20 196 479	17 588 175	2 608 304	14.8%
Guarantees and import documentary credits (off-balance sheet)	52 129 283	9 407 231	42 722 052	454.1%
Provision for guarantees and import documentary credits	(801 082)	(137 441)	(663 641)	482.9%
TOTAL NET OFF-BALANCE SHEET EXPOSURE	51 328 201	9 269 790	42 058 411	453.7%

With the resumption of economic activity, the Bank continued to increase activity both in terms of extending credit and opening documentary credits.

During the course of 2021, direct credit increased by 14%, and continues to be composed mainly of loans to companies (*corporate* segment), which accounts for 87% of the Bank's total loan portfolio. However, it was the granting of loans to individuals that increased at a faster pace during 2021, growing by 193%.

In terms of the currency used, the Bank's customer loan operations are denominated in local currency.

As a result of a strict risk management policy in relation to the extension of credit, the Bank has low levels of default in the portfolio, with only 1.3% of loans being classified as non-performing.

Finally, as mentioned, as a result of its commitment to the *corporate* segment and, in particular, to the provision of this type of service, during 2021, the opening of documentary credits increased by 453.7% compared to 2020.

INVESTMENTS IN SECURITIES

AOA'000

	2021	2020	Change	Change %
Treasury Bills	-	472 206	(472 206)	100.0%
Treasury bonds in domestic currency	35 166 799	14 143 491	21 023 308	148.6%
Treasury Bonds in Domestic Currency indexed to the USD	803 853	6 494 549	(5 690 696)	-87.6%
Financial holdings	68 203	68 203	-	0.0%
TOTAL	36 038 855	21 178 449	14 860 406	70.2%

Given the prospects for greater exchange rate stability, unlike the major exchange devaluation witnessed in 2020 and in previous years, in 2021 the Bank changed its investment policy, in particular reducing investment in Bonds indexed to the USD, matched by an increase in Domestic Currency Bonds, which allowed an increase in the profitability of net interest income and a reduction in exchange rate exposure.

During the 2021 financial year, there was continuity of the investment policy, positioning the Bank for the beginning of 2022 with a balance sheet with high *yields* of government bonds and with little exposure to potential variations of the kwanza against the dollar.

The Bank still holds a stake in EMIS – Empresa Interbancária de Serviços, SARL which, in 2020, was transferred to the heading financial assets at fair value through other comprehensive income.

CUSTOMER FUNDS

AOA'000

	2021	2020	Change	Change %
DEMAND DEPOSITS OF RESIDENTS	**55 390 266**	**31 180 854**	**24 209 412**	**77.6%**
In domestic currency	38 210 064	23 702 293	14 507 771	61.2%
Companies	33 810 993	20 641 887	13 169 106	63.8%
Private individuals	4 418 843	3 060 406	1 358 437	44.4%
In foreign currency	17 180 202	7 478 561	9 701 641	129.7%
Companies	16 987 200	7 408 092	9 579 108	129.3%
Private individuals	193 002	70 469	122 533	173.9%
DEMAND DEPOSITS OF NON-RESIDENTS	**1 407 044**	**421 653**	**985 391**	**233.7%**
In domestic currency	1 398 320	421 653	976 667	231.6%
Companies	13 473	-	13 473	100.0%
Private individuals	1 384 847	421 653	963 194	228.4%
In foreign currency	8 724	-	8 724	100.0%
Private individuals	8 724	-	8 724	100.0%
TIME DEPOSITS OF RESIDENTS	**18 817 383**	**8 284 530**	**10 532 853**	**127.1%**
In domestic currency	18 097 813	6 110 490	11 987 323	196.2%
Companies	13 673 548	3 575 215	10 098 333	282.5%
Private individuals	4 424 265	2 535 275	1 888 990	74.5%
In foreign currency	11	-	11	100.0%
Private individuals	11	-	11	100.0%
Indexed to USD	719 559	2 174 040	(1 454 481)	-66.9%
Companies	719 559	1 478 028	(758 469)	-51.3%
Private individuals	-	696 012	(696 012)	-100.0%
TIME DEPOSITS OF NON-RESIDENTS	**55 361**	**30 219**	**25 142**	**83.2%**
In domestic currency	55 361	30 219	25 142	83.2%
Indexed to USD	-	-	-	0.0%
INTEREST PAYABLE	501 988	423 086	78 902	18.6%
TOTAL	76 172 042	40 340 342	35 831 700	88.8%

During the course of 2021, the amount of customer funds increased substantially compared to 2020, with a growth of 89% in the period analysed, which reflects some signs of improvement in economic activity and the result of the Bank's strong focus in this respect.

This variation is essentially due to the increase in corporate resources, which grew by tAOA 32 101 551 in the year, and which continue to make up the majority of the Bank's customer resources portfolio in 2021.

The term deposits portfolio increased disproportionately compared to 2020, to represent 25% of the total portfolio. This result is in line with the Bank's strategic plan for the year 2021 and guarantees the Bank greater stability in medium and long-term financing.

As of 31 December 2021, the Bank's customer funds are mostly demand deposits from companies and are denominated in domestic currency.

INVESTED CAPITAL

AOA'000

	2021	2020	Change	Change %
Share capital	17 000 000	17 000 000	-	0.0%
Other reserves and retained earnings	21 199 736	11 847 021	9 352 715	78.9%
Net earnings for the year	8 834 729	9 352 715	(517 986)	-5.5%
TOTAL	47 034 465	38 199 736	8 834 729	23.1%

The trend in the Bank's equity continues to be one of growth, which contributes to bolstering the Bank's solvency.

The 23% increase reported in 2021 is supported by the incorporation of the results from the previous year, in which the Bank decided, for the sake of prudence, not to pay dividends. Other than that, there were no other changes.

5.4

ROBUST SOLVENCY

The calculation of the solvency ratio is based on the following regulatory legislation of the National Bank of Angola:

- Notice no. 02/2016: establishes the risk categories considered in the calculation of the regulatory solvency ratio and defines the methodology for calculating regulatory own funds;
- Notice no. 09/2016: establishes prudential limits for large exposures;
- Instruction no. 12/2016, of 08 August: defines the calculation method and regulatory own funds requirement for credit risk and counterparty credit risk;
- Instruction no. 14/2016, of 08 August: defines the calculation method and the regulatory own funds requirement for market risk and counterparty credit risk in the trading book;
- Instruction no. 16/2016, of 08 August: defines the calculation method and the regulatory own funds requirement for operational risk.

AOA'000

	2021	2020
Regulatory own funds	46 985 060	38 195 458
Credit risk	5 492 677	3 752 818
Market risk	1 101 047	1 216 924
Operational risk	3 633 223	3 756 945
SOLVENCY RATIO	45.9%	43.8%

The Bank continues to present a regulatory solvency ratio well above the minimum required by the regulator (10%), which demonstrates the strength of its assets and a high degree of capitalisation in view of the level of risk exposure.

With the incorporation of earnings for the year 2021, the Bank's solvency ratio increased from 43.8% to 45.9%. However, if the dividends approved at the General Meeting and referred to in the "Proposal for Allocation of Surplus" are disregarded, the solvency ratio stands at 45.6%.

During 2021, the National Bank of Angola issued new regulations that will come into force in 2022, namely Notice 08/2022 and various Instructions that support it. If the new legislation were applied with reference to 31 December 2021, the Bank would report a solvency ratio of 39.8%, above the minimum requirements required by the regulator.

5.5

RESULTS IMPACTED BY THE UNFAVOURABLE ECONOMIC SITUATION

AOA'000

	2021	2020	Change	Change %
Interest and similar income	10 879 098	5 996 694	4 882 404	81.4%
Interest and similar charges	(1 358 824)	(1 345 561)	(13 263)	1.0%
NET INTEREST INCOME	9 520 274	4 651 133	4 869 141	104.7%
Income from services and fees	5 587 626	4 337 281	1 250 345	28.8%
Expenses from services and fees	(248 161)	(282 030)	33 869	-12.0%
Profit or loss from investments at amortised cost	(60 243)	(5 464)	(54 779)	1002.5%
Foreign exchange gains and losses	6 872 256	15 327 466	(8 455 210)	-55.2%
Gains and losses on sale of other assets	6 845	1 300	5 545	426.5%
Other operating profit or loss	(782 019)	(403 841)	(378 178)	93.6%
PROCEEDS FROM BANKING ACTIVITY	20 896 578	23 625 845	(2 729 267)	-11.6%
Structural costs	(10 132 396)	(9 866 851)	(265 545)	2.7%
OPERATING INCOME	10 764 182	13 758 994	(2 994 812)	-21.8%
Impairment and net accrued liabilities	(6 391)	(315 235)	308 844	-98.0%
EARNINGS BEFORE TAX	10 757 791	13 443 759	(2 685 968)	-20.0%
Current Tax	(2 974 622)	(3 755 868)	781 246	-20.8%
Deferred Tax	1 051 560	(335 176)	1 386 736	-413.7%
NET INCOME	8 834 729	9 352 715	(517 986)	-5.5%
Items that will not be reclassified as income	-	-	-	0.0%
Items that may be reclassified as income	-	-	-	0.0%
COMPREHENSIVE NET INCOME	8 834 729	9 352 715	(517 986)	-5.5%

In 2021, the Bank reported positive earnings before tax and positive net earnings for the year, albeit slightly lower than in 2020.

This decrease results from a change in the Bank's strategy to one of reducing its dependence on foreign exchange earnings to achieve profitability. However, if foreign exchange earnings are excluded, earnings before tax increase by 306% and net earnings for the year by 133%, compared to 2020, implying a positive trend in the remaining items of the income statement.

On the one hand, net interest income grew by 104% when compared to 2020, as a result of the increase in interest on loans and investments in securities and the stabilisation of *funding* costs, despite the increase in its total volume.

On the other, net income from services and commissions increased by 32%, reflecting the greater activity in the extension of credit and documentary credit with the recovery of economic activity.

NET INTEREST INCOME

AOA'000

	2021	2020	Change	Change %
INTEREST AND SIMILAR INCOME	10 879 098	5 996 694	4 882 404	81.4%
From customer loans	3 656 840	2 685 408	971 432	36.2%
From investments at central banks and other credit institutions	623 552	757 121	(133 569)	-17.6%
From investments in securities	6 598 706	2 554 165	4 044 541	158.4%
INTEREST AND SIMILAR CHARGES	(1 358 824)	(1 345 561)	(13 263)	1.0%
From customer funds and other loans	(1 205 382)	(1 042 951)	(162 431)	15.6%
From rights of use	(153 442)	(302 610)	149 168	-49.3%
NET INTEREST INCOME	9 520 274	4 651 133	4 869 141	104.7%

As mentioned above, net interest income grew significantly as a result of the strategy implemented to reduce foreign exchange exposure through investment in Treasury Bonds in Domestic Currency rather than Indexed Treasury Bonds, with greater profitability.

Additionally, the Bank continued to focus on increasing credit to sectors of the real economy, which resulted in a 36.2% increase in interest on credit.

On the other hand, interest on customer funds remained stable, which, given the significant increase in deposit taking, denotes a lower cost of *funding*.

PROFITABILITY RATIOS

AOA'000

PROFITABILITY AND SOLVENCY	2021	2020	Change %
Return on assets (ROA)	6.7%	9.4%	-28.4%
Return on equity (ROE)	18.8%	24.5%	-23.3%
Cost-to-Income ratio *(Cost-to-Income)*	48.5%	41.8%	16.1%
Total assets/Employee	884 377	793 850	11.4%

In 2021, the Bank continued to report high profitability ratios for the sector when compared with the rest of the sector, with a return on equity of 18.8% and a return on total assets of 6.7%.

In 2021, the Bank continued to report considerable profitability ratios when compared with the rest of the sector, with a return on equity of 18.8% and a return on total assets of 6.7%.

Finally, when analysing the Bank's efficiency in 2021, as measured through the *cost-to-income* ratio, a slight deterioration is noted compared to 2020, due to the increase in structural costs.

YOUR
PRIVATE
BANK

06

GOVERNANCE MODEL

6.1

FRAMEWORK

Since 2019, Banco BCS has implemented a governance structure of a monist nature, composed of a Board of Directors that includes an Executive Board, to which it delegated powers for the day-to-day management of the company.

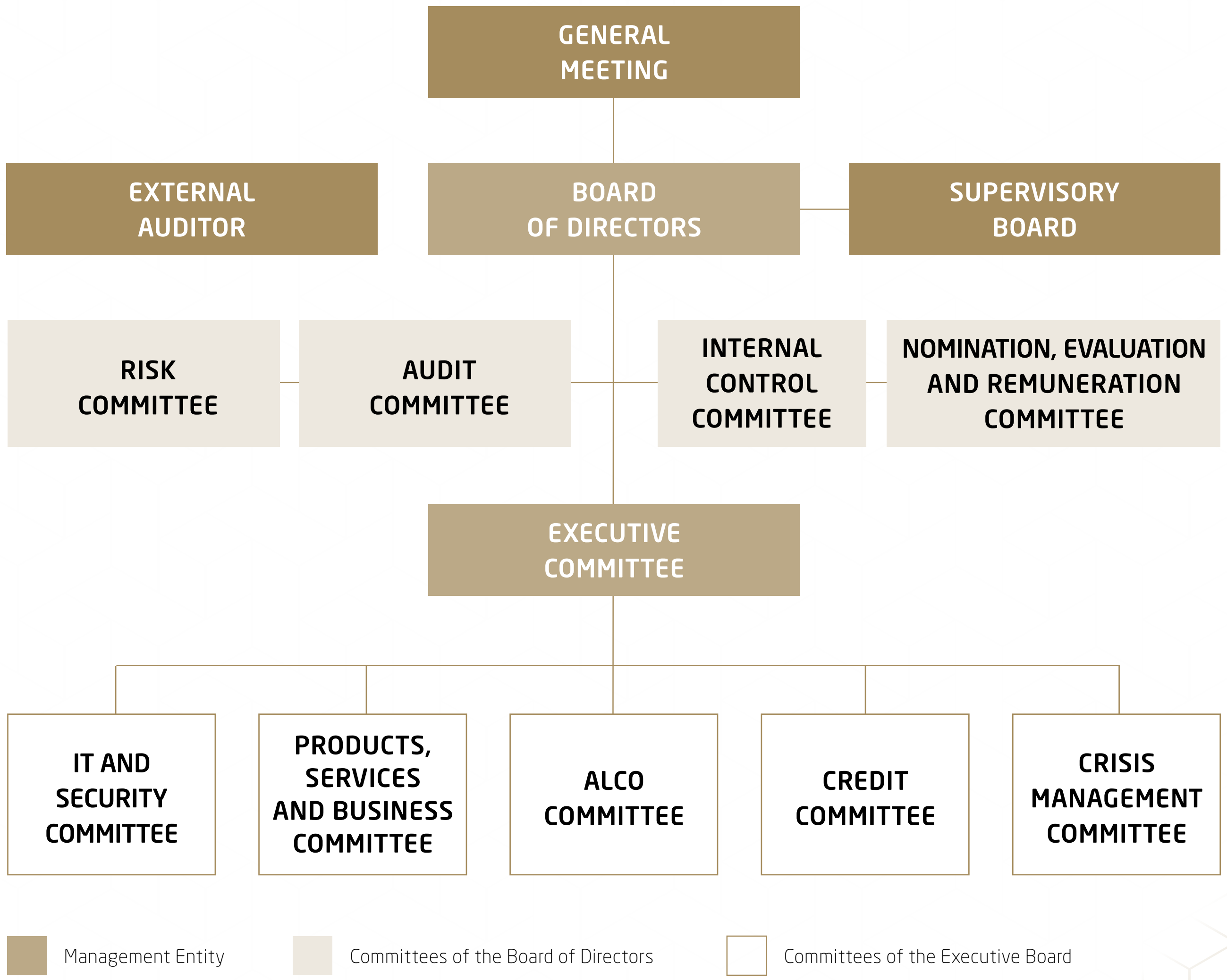
6.2

CORPORATE BODIES

In addition to the Executive Board, the Board of Directors has set up four other Committees, namely: (i) Audit Committee, (ii) Internal Control Committee; (iii) Risk Committee; and (iv) Nomination, Evaluation and Remuneration Committee.

In turn, the Executive Board is advised by five (5) executive committees which, in addition to executive directors, include first-line directors, namely: (i) the Credit Committee; (ii) Products, Services and Business Committee; (iii) ALCO Committee; (iv) IT and Security Committee; and (v) the Crisis Management Committee.

The following table reflects the organisational structure of the BCS Bank's governance model.



General Meeting

Chairman of the Board of the General Meeting
Francisca Kâmia Kapose

Secretary
Severiano Tyihongo Kapose

The General Meeting represents all shareholders, and its resolutions are binding on them, provided that they are adopted in accordance with the Law and the bylaws.

- Only shareholders with voting rights have access to the General Meeting. The remaining shareholders may have access to it in the event of regrouping and only by representation.
- Bondholders are prohibited from participating in the General Meeting.
- Members of the Board of Directors, as well as those of the Supervisory Board, may attend the General Meeting and participate in its work, although they do not have voting rights.
- Any other person invited by the chairman of the board may participate in the General Meeting.

With regard to voting rights, every one hundred (100) shares shall correspond to one vote, and only those shareholders who, on the 15th day prior to the General Meeting, are entitled to at least one vote, may cast their vote. For this purpose, shares shall be taken into account where proven through the company's main register or by means of a declaration issued by the institution, in the case of shares subject to the deposit regime, and which are held at the time of the General Meeting.

The Board of the General Meeting is made up of a chair, who is Mrs Francisca da Conceição Kamia Kapose and a secretary, represented by Mr Severiano André Tyihongo Kapose.

Board of Directors

Composition of the Board of Directors
The Board of Directors is the highest management body of the Bank, has collective decision-making powers and is responsible for setting the general direction of the Bank's business. It performs strategic and supervisory duties, not covering operational or executive functions. The BD decides on internal organisation and the administrative structure of the divisions and other units of the Bank.

Pursuant to Article 24 of the Bank's articles of association, the Board of Directors is composed of an odd number of members, at least three (3) and at most nine (9), elected at the General Meeting for a term of office of 3 (three) years. A director may be replaced by co-option up to the first General Meeting that will elect a new director.

The Board of Directors has one (1) Chair, appointed by the General Meeting, which may appoint a Deputy Chair;

The current composition of the Board of Directors resulted from shareholder decisions taken at the General Meeting, the first taking place on 8 February 2019, and more recently on 05 April 2021, to fill vacancies that have become available in the meantime. During 2021, there was no change in the numerical structure of the Board of Directors, it continuing to have five (5) executive members and two (2) non-executive members.

Throughout 2021, the Board of Directors continued to ensure its role of supervising acts of administrative management, maintaining the functioning of its support bodies, namely the Audit Committee, the Internal Control Committee, the Evaluation and Remuneration Committee and the Risk Committee.

The composition of the Board of Directors of Banco BCS at the date of preparation of this report is as follows:

MARIA DO CÉU FIGUEIRA
CHAIR OF THE BOARD OF DIRECTORS

CRISTINA VAN-DÚNEM
INDEPENDENT NON-EXECUTIVE DIRECTOR

RAFAEL KAPOSE
CHAIR OF THE EXECUTIVE BOARD

PEDRO BOTELHO
EXECUTIVE DIRECTOR

MARIA DO CARMO BERNARDO
EXECUTIVE DIRECTOR

SEBASTIÃO JOÃO MANUEL
EXECUTIVE DIRECTOR

ODYLE DOS SANTOS
EXECUTIVE DIRECTOR

In the performance of its responsibilities, the Board of Directors also received support from the Internal Audit Division, a body that is linked to the BD and is responsible for assessing the adequacy of internal control, the effectiveness of risk management and corporate governance processes and the reporting of events and transactions, with a view to preparing the financial statements.

Executive board of the Board of Directors

In compliance with Article 8(2) of National Bank of Angola Notice no. 01/2013 of 19 April, on Corporate Governance, the Board of Directors appointed an Executive Board, having delegated to it the day-to-day management of the company.

The BCS executive board is also a collective decision-making body, composed of the Chair and four (4) Directors. The body is responsible for proposing and enforcing the Bank's policies, corporate strategy, investment plan, business plan and general budget.

The Executive Board has broad management powers to conduct the Bank's day-to-day business. The powers delegated by the Board of Directors are expressly formulated in the Executive Board's regulations, and all management acts that are not provided for in the list of responsibilities included in the respective regulations are therefore prohibited.

6.3

SPECIALISED COMMITTEES OF THE BOARD OF DIRECTORS

Bearing in mind the relevance of the various matters to be supervised by the Board of Directors, as well as the risks associated with banking activity, the Board of Directors has set up four (4) specialised committees: (i) the Risk Committee; (ii) the Evaluation and Remuneration Committee; (iii) the Audit Committee and (iv) the Internal Control Committee.

RISK COMMITTEE
Created with the purpose of:

1. Advising the Board of Directors with regard to the performance of its duties in relation to the Bank's risk management;

2. Monitoring and supervising global exposure to the risks inherent to the Bank's activities, in particular liquidity risks, market risk (interest rate, exchange rate, credit, and other materially relevant risks), as well as operational risk;

3. It is composed of five permanent members, who are elected and removed by the Board of Directors.

APPOINTMENT, EVALUATION AND REMUNERATION COMMITTEE
The Appointment, Evaluation and Remuneration Committee is a permanent Committee of the Board of Directors and as such reports directly to that body. The Appointment, Evaluation and Remuneration Committee has the following responsibilities:

– To establish the remuneration policies and processes for the different types of employee, with the exception of members of the Corporate Bodies, taking into account the institution's long-term objectives and vision and considering the different business segments and the level of risk.

INTERNAL CONTROL COMMITTEE
The Internal Control Committee is assigned the following functions:

1. Reviewing all financial information for publication or internal disclosure, specifically the Bank's annual accounts;

2. Overseeing the actions of the internal auditing function;

3. Supervising the activity of the *Compliance* function;

4. Evaluating and monitoring the internal control system;

5. Evaluating and monitoring transactions with related parties.

AUDIT COMMITTEE
The Audit Committee has the following functions:

1. Supervising the activity, independence and efficiency of the external auditor, establishing an effective channel of communication, with the aim of evaluating the reports issued by the external auditors.

2. Examining the external auditors' reports, the balance sheet and other financial statements presented by the company's directors to the shareholders, issuing judgments on these prior to their presentation to the shareholders for approval.

3. Proposing to the Shareholders' General Meeting the appointment of the External Auditor and monitoring the process of hiring him or her, the respective remuneration and his or her dismissal whenever the circumstances so warrant.

4. Having in place a robust process for the approval and review of the external auditor's remuneration.

5. Having in place effective channels of communication with the external auditor, to allow a better inspection of his or her performance and improving the quality of the external auditor's work.

6. Requiring the external auditor to report on all relevant matters for improved monitoring of performance.

6.4

SPECIALISED COMMITTEES OF THE EXECUTIVE BOARD

Bearing in mind the relevance of the various matters to be supervised by the Executive Board, as well as the risks associated with banking activity, the Executive Board has set up five specialised committees:

CREDIT COMMITTEE

The aim of the Credit Committee is to analyse and take decisions regarding proposals for credit operations within the limits and powers delegated by the Board of Directors and sending the respective opinion on the operations that fall outside the delegated limit.

The Committee therefore provides a place for information sharing and collective decision-making, based on objective analyses or market information. It is the responsibility of the Credit Committee to ensure the implementation of credit policies in accordance with the guidelines issued by the Administrative Board, as well as the application of the concession rules defined in the Credit Manual.

PRODUCTS, SERVICES AND BUSINESS COMMITTEE

The Products, Services and Business Committee is an advisory body linked to the Executive Board, on a permanent basis, the objective of which is to support the launch of new products and services, analyse, prepare and propose the commercial strategy and plan and monitor the Bank's development in its various business segments, identifying the associated risks, assessing the efficacy and effectiveness of the process, driving sales and increasing the Bank's net interest income and non-interest revenue.

ALCO COMMITTEE

The ALCO is the delegated body of the BCS Executive Board responsible for the ALM (*Asset Liability Management*) process, taking responsibility for managing market, liquidity and currency risk and deciding strategic positioning so as to optimise the Bank's net interest income and return on equity.

IT AND SECURITY COMMITTEE

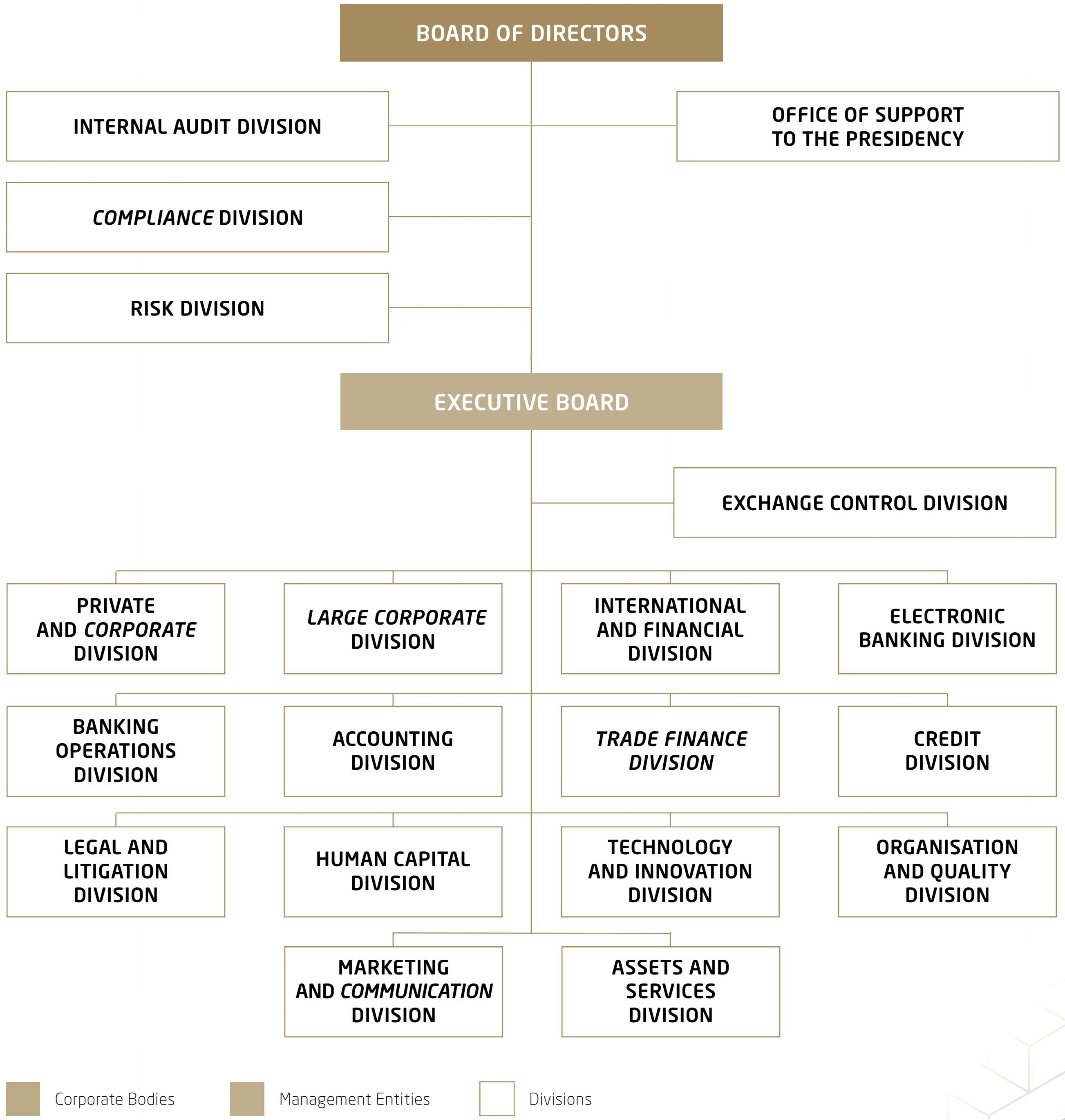
The objective of the IT and Security Committee is to analyse proposals for information technology initiatives and investments, as well as to deliberate on strategic projects, cybersecurity risks and other matters related to Innovation and Communication Technologies.

CRISIS MANAGEMENT COMMITTEE

The objective of the Crisis Management Committee is to ensure business continuity in the event of anomalous events that may compromise the normal functioning of the Bank's activity, safeguarding the interests of customers, shareholders, the financial system, the supervisory authorities, its employees and other interested parties.

6.5

ORGANISATIONAL CHART AND STRUCTURAL UNITS



Control Areas

DAI
Internal Audit Divisions

The Internal Audit Division is an autonomous, first level body of the Bank's organisational structure, its remit being established in the Regulations for the Internal Audit Function.
The Internal Audit Division supports the Bank in meeting its objectives through a systematic and disciplined approach to assessing and improving the effectiveness of risk management, controls and governance processes.
The scope of Internal Auditing includes, but is not limited to, the examination and assessment of the adequacy and effectiveness of the Bank's governance, risk management and internal control processes.

DRI
Risk Division

The Risk Division is the body responsible for the Risk Management process and forms part of the internal control structure, constituting the Bank's second line of defence.
The Risk Division (DRI) participates in the Risk Committee (CR), a body at the level of the Board of Directors, to carry out risk supervision, staff development, the formulation of policies, methodologies and monitoring and the preparation of independent reports related to key risk issues.

DDC
Compliance Division

The *Compliance* Division (DDC) is an autonomous body of BCS' organisational structure, the objective of which is to ensure the coordination of BCS' *compliance* risk management, functionally depending on the BCS' *Compliance Officer*.
Accordingly, it is responsible for coordinating and safeguarding the proper execution of procedures for the prevention of money laundering and compliance of both a legal and regulatory nature. It identifies, discloses and acts as *keeper* of the compliance of the Bank's processes in relation to legal and regulatory standards issued by the competent authorities.
The DCC also ensures the coordination of the entire process that ensures compliance with the *Foreign Account Tax Compliance* (FATCA) system and the dissemination of best practices in terms of *Compliance* and Anti-Money Laundering and Terrorist Financing (ML/TF) measures.

DCC
Exchange Control Division

The Exchange Control Division (DCC) is a first-level body in the BCS' organisational structure, responsible for ensuring strict compliance with the foreign exchange legislation and regulations in force, in the processing of operations, as well as accuracy in the registration of foreign exchange operations and reporting to the National Bank of Angola (BNA) and other Supervisory Bodies.

Business Areas

LCD
Large Corporate Division

The *Large Corporate* Division is a body, the mission of which is to coordinate and implement commercial policies for the Bank's corporate customers with a turnover of at least USD 50 000 000 (fifty million dollars) per annum, through the creation of new solutions and commercial opportunities. This Division aims to maximise profitability by orienting the business towards the *Large Corporate* segment and Institutional customers.

DPC
Private & Corporate Division

The *Private & Corporate* Division is a body, the objective of which is to coordinate and implement commercial policies for individual customers and small and medium-sized businesses, through the promotion of the Business Centre Network, with a clear vocation for customer service.

IFD
International Finance Division

The Financial and International Division's aim involves planning, executing and supervising financial operations with the aim of ensuring the Bank's financial balance through an approach that seeks the optimisation and profitability of capital and resources, ensuring the maximisation of its spread.

DBE
Electronic Banking Division

The Electronic Banking Division aims to encourage the adoption of automated products, non-face-to-face channels, and to invest in the mass dissemination of the digital network as well as products and services associated with remote banking.
Its main purpose is to create the conditions for the Bank to provide a service of excellence in remote banking and generate income in the following services:
- Cash Dispensing Machines;
- APTs;
- Payment cards (Debit and Credit);
- Internet and Mobile Banking.

Support Areas

DOQ
Organisation and Quality Division

The Organisation and Quality Division is a body based in Luanda, with the main mission of supporting the transversal functioning of the Bank, ensuring that the organisational solutions implemented (Organisation, Processes, People and Systems) respond to the needs of each Structural Body. It is also a pillar in the management of structural projects (PMO), namely the Strategic Plan, controlling its implementation, deadlines, objectives and results, and in the implementation of business continuity.

DMC
Marketing and Communication Division

The *Marketing* and Communication Division is an autonomous body, with nationwide coverage, based in Luanda, the mission of which is to design, maintain, manage and communicate products & services for customers with a BCS profile (Individuals and Companies) in order to provide the best experience in contact with BCS. It also includes a commitment to standardise the image and language of the BCS brand in terms of institutional and internal communication with the different areas of the Bank.

DPS
Assets Division

The Assets and Services Division is an autonomous body, with nationwide coverage, based in Luanda, responsible for carrying out the administrative management of the Bank's assets, as well as providing support across the Bank's various Structural Bodies through the provision of logistical, archiving and security services for people and property.

DCH
Human Capital Division

The Human Capital Division is an autonomous body, with nationwide coverage, based in Luanda, oriented towards the management of BCS' Human Resources in the areas that form an integral part of the personnel function, namely those of recruitment, staff management, training, evaluation, career development, remuneration, labour relations, occupational medicine, social support and employee welfare.

DJC
Legal and Litigation Division

The Legal and Litigation Division is an autonomous body, with nationwide coverage, based in Luanda, which is responsible for supporting the BCS' Executive Board in defining policies, guidelines and objectives to be achieved in the matters included in the respective functions. It is also incumbent upon this unit to carry out the technical coordination and functional supervision of BCS' technical/legal activities resulting from its operations, as well as to provide legal advice, represent BCS in legal proceedings and manage other processes of a diverse nature.

DCO
Accounting and Budgeting Division
The Accounting and Budgeting Division is an autonomous body, with nationwide coverage, based in Luanda, which is responsible for ensuring the production, processing and development of financial information on BCS' operations, from an accounting, prudential, statistical and financial reporting perspective.

DTF
Trade Finance Division
The *Trade Finance* Division is an autonomous body, with nationwide coverage, based in Luanda, the mission of which is to carry out trade in a secure and efficient manner, supported by *Trade Finance* solutions and the Angolan Foreign Exchange Act, in line with the Bank's strategy and objectives.

DOP
Banking Operations Division
The Banking Operations Division is an autonomous body, with nationwide coverage, based in Luanda, the mission of which is to provide *back-office* services to the other Divisions through operational support for the Bank's activities. This Division ensures the analysis, processing and control of system operations and the validation of supporting documents with regard to Credit Processing, Payments, Cards and *Trade Finance*.

DTI
Technology and Innovation Division
The Technology and Innovation Division is an autonomous body, with nationwide coverage, that seeks to ensure that information systems and technologies meet the Bank's requirements, in line with its strategy, and incorporate best market practices, in order to maximise their effectiveness, efficiency and security through specialised teams and appropriate planning and control tools. It is also responsible for ensuring best cybersecurity practices, in order to protect the information inherent to the bank's activity.

GAP
Office of Support to the Presidency
The Office of Support to the Presidency is an autonomous body, with nationwide coverage, based in Luanda, the objective of which is to provide support services to the Governing Bodies, the institutional relationship with authorities, associations, foundations and other entities of which the BCS is a member or forms part of, or with which it is or may be linked.

6.6

POLICIES AND PROCESSES

The BCS carries out a cyclical assessment of topics relevant to the Bank and its *stakeholders*, related to operations, control, communication, *Compliance*, sustainability and corporate responsibility.

The themes (policies and processes) have been grouped into three distinct levels of relevance/priority. Material topics considered very important have a vote equal to or greater than 8.5 (on a scale of 0 to 10), important topics are those that obtained a vote of 5 to 8.4 (on a scale of 0 to 10) and those of moderate importance are between 0 and 4.9.

6.7

INFORMATION AND COMMUNICATION TECHNOLOGIES

During 2021, the DTI followed the strategic plan of Banco BCS and implemented solutions with a view to providing our customers and partners with an improved digital experience and offering products focusing on the practicality and security of their financial life.

The following solutions were implemented:

- OTP (*One Time Password*) Service. This aims to provide greater security when accessing the Bank's digital channels, as well as when authorising the execution of transactions to be carried out. Transactions on BCS' *Net Banking* and *Mobile Banking* are now authenticated using confirmation codes that the customer receives via SMS.
- PS2/PSX File Manager in *Net Banking*. "File Management" allows BCS to offer its Customers a tool for creating and managing interbank transfer files, in PS2 and PSX formats, for mass intrabank or interbank transfers, payments and collections from suppliers.
- *SWIFT Basic Tracker*. *SWIFT Tracker* provides the Bank with the ability to securely consult the status of each transfer from the moment of its issuance and respective sending, until receipt by the recipient, with BCS benefiting from greater speed, transparency and monitoring of international transfers.
- SADC-RTGS *Interface*. Implementation of a functionality that allows the execution of messages from the SADC-RTGS (a system for sending messages with transfer orders in real time within the SADC, to participating Banks).
- WF ME - Foreign Currency *Work Flow* – Letters of Credit. Addition of the decision flow of Letters of Credit to the Exchange Operations Management System (SGOC).
- Payment Terminal Management System (SGTP). Implemented to support Banco BCS' APT acquisition processes and management related to their control, from the Operations Portal. The SGTP offers easy management and control of customers (merchants), from application for membership to the acquisition of the APT terminal.
- Withdrawal without card via *Net Banking*. Functionality that allowed the development of a solution that authorises a cardless withdrawal from the Multicaixa network (EMIS) via the Internet or *Mobile Banking*.
- SMS notifications (via EMIS). Service was created by EMIS with the aim of allowing customers with cards issued by the Multicaixa Network and associated with a mobile phone to receive SMS Notifications of transactions processed on the network.
- Immediate P2P (*phone to phone*) transfers. Implemented with the aim of allowing customers via a mobile phone to transfer funds from one account to another bank customer identified through the mobile phone number to a beneficiary phone number, usable through the Multicaixa *Express* application.
- *Card Protector*. Functionality implemented allowing users to manage the blocking and unblocking, as well as the maximum amounts to be used, of their Multicaixa network cards through Multicaixa Express applications, digital channels (*Internet Banking*) and call centres.

Solutions were also implemented with the aim of responding to the guidelines of the regulatory authorities for the implementation of controls, services and products, and improvements were made in terms of cybersecurity systems on the assets of Banco BCS, namely the restructuring of the infrastructure of Banco BCS' security systems.

6.8

DEVELOPMENT OF HUMAN CAPITAL

As of 31 December 2021, the Bank had a total of 145 employees, of which 134 were in Luanda province and 11 in Huíla province.

As part of the BCS' strategic plan, with the aim of developing human capital, we promote the identification and retention of talent in line with the career development programme, as well as the dissemination of the Bank's culture.

We increasingly invest in professional training to promote individual and collective capacity building among our employees, so as to perform work of excellence.

The Human Capital Division, as the body in charge of the management of employees, combines the knowledge, skills, attitudes and practices defined with the aim of managing internal behaviour and enhancing BCS' human capital.

As a *Private* and *Corporate* Bank, we intend to invest continuously in the advancement of our people through development programmes for key staff capable of strengthening the internal structure and the internal control system. Identifying and retaining key staff members, as well as the hiring of the best professionals in the market, equips the Bank with the capacity to respond to the challenges that the market poses, such as:

- Increased speed in international operations;
- Heightened security by mitigating information leakage;
- The development of new customer-oriented services;
- Consolidation of Internal Auditing.

BCS CULTURE

BCS, in line with its strategic objectives, has updated its culture in accordance with the current context of the Bank and, through *workshops* and internal training, has promoted its dissemination so that all employees internalise and apply the elements of the Organisational Culture to contribute towards a distinctive organisational environment that promotes a positive impact in terms of the productivity and satisfaction of all professionals.

The culture is manifested in the way in which all professionals relate to each other within the Bank, to its Customers and to other *players* and *stakeholders*.

Therefore, each employee has a decisive role to play in the implementation and promotion of the Organisational Culture, recognising it as essential for BCS' success.

EMPLOYEE SAFETY – COVID-19 PANDEMIC

Faced with the emergence of new variants of COVID-19, and, as a result, new biosecurity measures having been enacted, the Bank acted immediately to implement security measures, in which it prioritised teleworking for the most vulnerable employees, and promoted the carrying out COVID-19 tests for all employees, in order to track cases of infection and recommend the appropriate treatment.

Also under the ambit of the protection of human capital and business continuity, BCS created rotations between the first and second lines, distributed among two groups of employees.

TRAINING AND DEVELOPMENT

During the year 2021, in accordance with the approved training plan, the Bank carried out several internal and external training initiatives, including mandatory training for all employees, some of which was instituted by the regulator.

During the induction process, all new employees undergo a programme of mandatory internal training, namely:

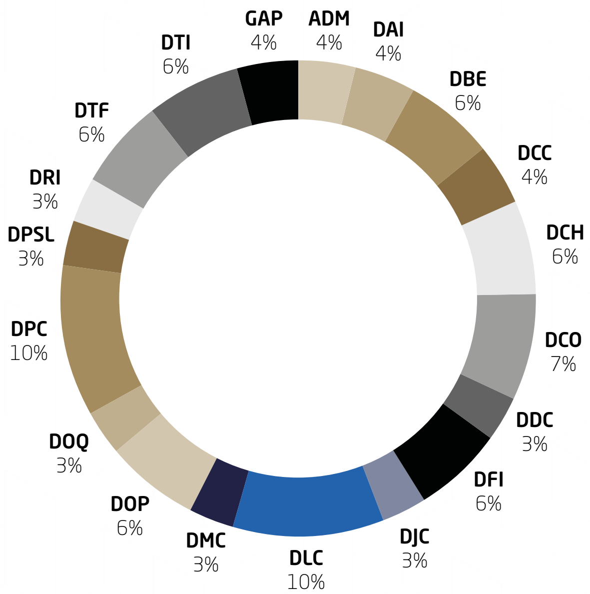
- Code of conduct;
- Ethics and the duty of confidentiality;
- Conflict of interests;
- Anti-Money Laundering and Terrorist Financing.

In all, during the year, a total of 1,986 hours of technical and behavioural training was carried out.

NUMBER OF HOURS OF TRAINING BY CATEGORY:

TYPE	TOTAL HOURS OF TRAINING
Technical Training	1,438.00
Behavioural Training	548.00
GRAND TOTAL	1,986.00

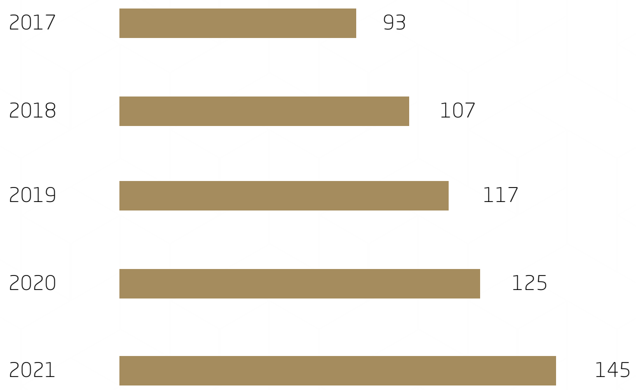
DISTRIBUTION IN % OF TRAINING HOURS BY DIVISION:



For the forthcoming year, the Bank aims to continue to prioritise its training policy, developing training initiatives aimed at adding value and improving the quality of the services provided.

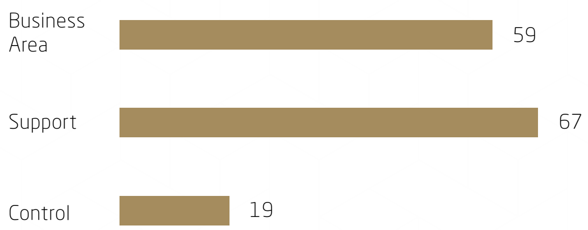
GROWTH IN STAFF NUMBERS

Compared to the previous year, the number of permanent employees in 2021 increased by 16%, in line with the growth of the business.



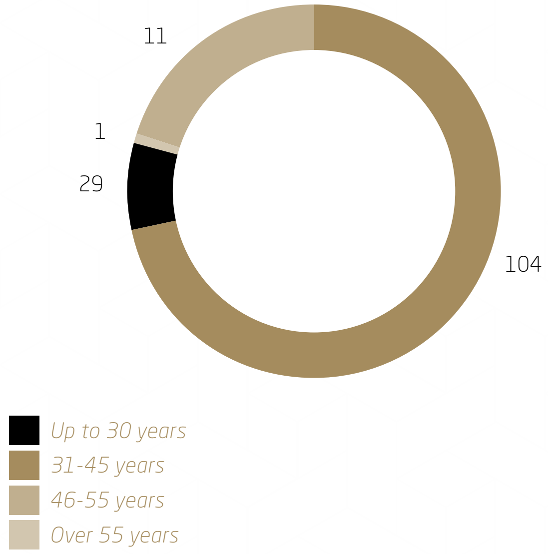
DISTRIBUTION OF EMPLOYEES BY FUNCTION

In terms of the distribution of employees by business, control and support roles, they predominantly belong to the support and business areas, which account for around 46% and 41% of the Bank's total employees, respectively.



EMPLOYEES' AGE STRUCTURE

Team BCS' age structure consists mainly of Employees over the age of 30, who represent 72% of the total.



DISTRIBUTION OF EMPLOYEES BY GENDER

In terms of gender, the distribution is almost equal, with males representing 52% of employees and females, 48%.

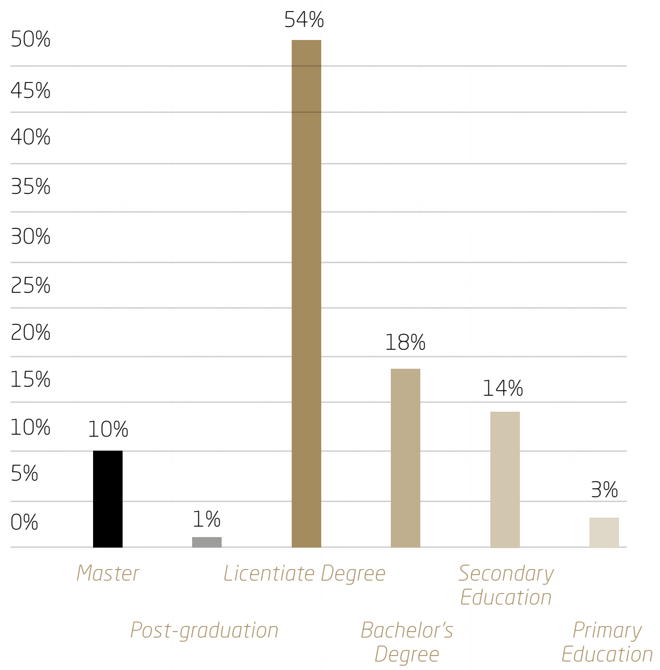
DISTRIBUTION OF EMPLOYEES BY EXPERIENCE IN THE SECTOR

Banco BCS has a philosophy of *on-the-job* training based on the seniority of its managerial staff with over 10 years' experience in the banking sector (23% of total employees), thus providing more junior employees with the opportunity to absorb their knowledge.

Career management at Banco BCS prioritises internal recruitment as a way of promoting vertical, horizontal and diagonal progression, assumed as a strategic and determinant axis in the motivation and retention of human resources.

STRUCTURE BY ACADEMIC DEGREE

With respect to levels of education, as of 31 December 2021, 10% of the Bank's employees held a master's degree, 54% held a licentiate degree, 1% held a postgraduate qualification, 18% held a bachelor's degree or had attended university, 14% had completed secondary education and 3% had completed primary education.



6.9

PRODUCT AND SERVICES

Banco BCS has a solid and optimised range of value-added financial products and services for private customers and companies, such as: current accounts, means of payment, savings and investment solutions, asset management, private investment credit, real estate credit and consumer credit, as well as solutions for conducting operations by means of remote channels.

During 2021, BCS revisited its term deposit portfolio, ensuring that its remuneration followed market practice, likewise responding to the notification of an increase in interest rates by the regulator. This review allowed a 129% growth in penetration in savings products.

Strategically, two savings products were launched with the aim of strengthening the deposit portfolio, attracting new funds and providing new advantageous solutions for Customers.

Crescente 23 Term Deposit - a product that aims to stimulate saving among Individual and Corporate Customers with an interest rate rising to 23%, payment of quarterly interest and a minimum amount of 50 000 000 AOA (fifty million Kwanzas), with the possibility of capital increases in a minimum amount of 10,000,000 (ten million Kwanzas) and without the option of redemption.

DP Aniversário – product alluding to the celebration of the 6th anniversary of the BCS, with a fixed interest rate of 18% at 90 days paid at maturity, minimum constitution amount of 5,000,000 AOA (five million Kwanzas) and without the option of redemption or renewal.

These savings solutions allowed the Bank to sustainably grow its term deposit portfolio, meeting the target established for customer deposits in the 2021 budget, positively supporting the retention of liquidity.

In terms of services, BCS made the *Card Protector* service available to its customers, the features of which, provided on the bank's digital channels, make the use of Multicaixa debit cards safer and more flexible, guaranteeing greater autonomy for customers in the daily management of their products and services.

Committed to offering an excellent service and continuously improving the Customer's experience across all channels, the Bank has simplified the process of opening accounts for its Customers by introducing more succinct and less exhaustive forms, making the process more efficient.

6.10

ESG (*ENVIRONMENTAL, SOCIAL AND GOVERNANCE)*

The theme of ESG - *Environmental, Social and Governance* impact was taken on board and became an area of focus for BCS in 2021.

Aware of the situation around the world and local environmental, social and governance needs, BCS started by analysing its strengths and opportunities for implementation of ESG practices, which are already mature in other parts of the planet, but as yet unconsumed in Angola. Concern with future generations and the correct functioning of a fairer and greener society led BCS to reflect on the SDGs – UN Sustainable Development Goals, identifying those that are most in line with its sector of activity, strategy, culture and operations in the domestic market.

The interaction and activities with various corresponding partners accelerated the need to build, for the first time, an Environmental, Social and Climate Change Impact Management policy, approved by the Bank's Board of Directors on 30 November 2021. This Policy describes all the memos, activities and commitments of BCS' divisions and employees for the implementation of those practices.

As regards environmental factors, BCS envisages its action as being reflected in support of a greener Angola, with more gardens. It has therefore adopted 2 gardens, in Maianga and Ilha de Luanda respectively, through the 'Adopt a Garden' Project in conjunction with a local partner. It also participated in the planting of native trees and plants in the Municipality of Talatona, intending to give that space, in the future, a less arid environment, with the creation of small ecosystems beneficial to the environment.

In terms of social impacts, BCS has focused on building a more inclusive society, therefore having a Board of Directors composed of 57% women and 43% men and a management body consisting of 41% women and 59% men, reflecting its recent drive for equity. Its staff likewise includes a solid team of tertiary services - cleaning assistants and drivers, optimising the contracting of third-party services and thus investing in the humanisation of day-to-day support activities for the proper functioning of the Bank.

In 2021, BCS and its employees, with their culture of responsibility, managed to reach 97.2% of employees fully vaccinated against COVID-19, thus contributing towards a society more widely protected against the global pandemic.

In terms of Governance, BCS' strategy envisages assuming responsibilities in Risk Management to control the risks resulting from its customers' financed operations that have an impact on the bank's balance sheet, through the monitoring and implementation of metrics. It also provides for the monitoring of areas and processes in order to protect the business to generate more guarantees regarding risk management and control. The Bank also incorporates the need for commitment through adherence to initiatives with principles of human rights, good labour practices, environmental protection, anti-corruption and others. The actions described are completed and consolidated through an annual sustainability report, which will enable the relationship with its shareholders and stakeholders to be strengthened, based on dissemination of the BCS brand through a sustainable branding strategy.

Accordingly, in 2022, BCS has planned in its strategic agenda the appointment of an ESG *Officer* who will be responsible for iterating, improving and monitoring the objectives, processes and practices of environmental, social and climate change impact management, along with all the Bank's divisions.

SDG

GOALS (UN 2030 AGENDA)

5 IGUALDADE DE GÉNERO	5. ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS	5.5 Ensure the full and effective participation of women and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
8 TRABALHO DIGNO E CRESCIMENTO ECONÓMICO	8. PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL	8.3 Promote development-oriented policies that support productive activities, the creation of decent jobs, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services.
9 INDÚSTRIA, INOVAÇÃO E INFRAESTRUTURAS	9. CONSTRUCT RESILIENT INFRASTRUCTURE, PROMOTE INDUSTRY	9.3 Increase access to financial services for small industries and other businesses, particularly in developing countries, including affordable credit and their integration into value chains and markets.
17 PARCERIAS PARA A IMPLEMENTAÇÃO DOS OBJETIVOS	17. STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT	17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the auspices of the World Trade Organisation, including through the conclusion of negotiations under the Doha Development Agenda 17.11 Significantly increase exports from developing countries, in particular with a view to doubling the share of least developed countries in global exports.

YOUR
PRIVATE
BANK

07

RISK MANAGEMENT

7.1

RISK MANAGEMENT

Risk management has become increasingly important in the day-to-day operations of financial institutions, a consequence, on the one hand, of an increase in regulatory requirements implemented by the Supervisory Authority (BNA) and, on the other, a gradual recognition by the institutions, including Banco BCS, of the advantages that methodical, rigorous and disciplined risk management can bring to the institutions in terms of improving their soundness and profitability.

These advantages essentially stem from the existence of greater control and monitoring of information regarding the institution's activities, which allows for an increased capacity to respond and take decisions with respect to possible market changes.

Thus, as supervisor, the BNA has published a very broad set of standards and regulations that focus on risk management, with special focus on Capital Management and Solvency and additional reporting and disclosure requirements, which aim essentially at the constitution of a new Risk Management and Control *framework*, with a view to providing alignment with international best practice and reinforcing the robustness of the financial system as a key sector for the economic and social development of Angola.

Likewise, Banco BCS has also invested significantly in risk management, establishing a series of principles, strategies, policies and procedures to ensure efficient and profitable results for the business, with a view to maintaining, on an ongoing basis, an appropriate relationship between its equity and the activities carried out.

The main activities include the definition and periodic revision of a Risk Management Policy and respective specific policies for managing significant risks and a Risk Appetite Policy, as well investment in tools to support and automate risk management and reporting processes, in accordance with the requirements of the BNA regulations. Additionally, in 2021, with reference to the 2020 financial year, the Bank implemented the ICAAP and ILAAP financial year, integrating their methodologies and results into the risk management *framework*.

7.2

RISK MANAGEMENT MODEL

Banco BCS established a risk strategy in which the qualitative principles and quantitative limits for the management of the different risks arising from its activity are defined, representing the Bank's risk appetite framework.

The risk strategy presents a set of objectives for the types of risk considered material for the Bank and includes a series of objective indicators, namely credit portfolio quality indicators, cost of risk, capital requirements, structure and level of liquidity and limits and rules for market and operational risk.

Risk monitoring and management in each of the areas is based on the risk profile defined annually by the Bank's Board of Directors, with the support of the Risk Office, in order to ensure that the established levels of appetite are met during the course of the Bank's operations.

In defining risk management processes, the Bank adopts tools and methodologies that enable it to identify, assess, address, monitor and report risk both from an individual and an integrated perspective, ensuring a comprehensive overview of the risks to which the Bank is exposed and understanding and assessing in advance the potential impacts they may have on the Institution's solvency and liquidity.

7.3

RISK GOVERNANCE MODEL

Governance of the risk management function should ensure appropriate and efficient decision-making and effective control of risks, ensuring that they are managed according to the level of risk appetite defined by the Board of Directors and those in charge of the units.

RISK MANAGEMENT FUNCTION

The risk management function is under the supervision of the Risk Division, which led by the Risk Director. The Risk Division must report directly to the Risk Committee and maintain a good relationship with the Internal Control Committee and Audit Committee, as well as the *Compliance* Division and the Audit Division, in order to establish and implement internal controls for the risks. The risk management function is based on the following tasks:

- Identifying current and emerging risks;
- Developing risk assessment and measurement systems;
- Suggesting and establishing policies, practices, controls or other risk management mechanisms;
- Developing "tolerance limits" for processes that require the approval of the senior management of the Organisation;
- Monitoring existing risks and controls, limits, policies or established practices;
- Reporting the results of risk monitoring to the Risk Committee, with the knowledge of the Board of Directors and the Internal Control Committee, the latter where the report contains information related to internal controls.

However, responsibility for the risk management function does not entirely lie with the members of the DRI. The business areas, namely the Divisions, have a significant role to play in the risk management function, and may and should be called upon to help identify risks, enforce the practices established for risk mitigation and assist in the monitoring process. These Resources, better than anyone else, realise and assess the risks that are associated with their activities and know that any failure on their part will certainly influence the efficiency of the risks management.

Additionally, in line with the objective of enhancing the governance of Banco BCS, Committees of the Board of Directors and Committees of the Executive Board have been established so as to separate decision-making units that participate in business functions from others that participate in risk control.

BOARD OF DIRECTORS

In line with that which was mentioned by the National Bank of Angola (BNA), the Board of Directors is the highest body responsible for managing the Bank's risks. Naturally, this body is responsible for approving the implementation and updating of policies related to risk management, as well as evaluating their effectiveness on an annual basis. Its attributions are:

- To establish the Institution's risk appetite and make it clear to all interested parties;
- In conjunction with the Risk Committee, to supervise the risk management operations;
- To participate with proposals and suggestions whenever it so determines;
- And to review on a quarterly basis at least all risks categorised as high and their mitigation processes, ensuring that the risk management process operates normally.

RISK COMMITTEE

The Risk Committee must supervise risk management operations and ensure they are adequate and effective. This Committee will evaluate and give opinions on reports and assignments, the scope of which is related to the following:

- The risks identified and measured;
- Mitigation measures implemented and their performance;
- Other reports on overall risk management performance;
- Monitoring of internal policies to identify and determine key risks to which Banco BCS is exposed.
- Supervision, approval and issuance of opinions; and
- Monitoring of key risks.

INTERNAL CONTROL COMMITTEE

This Committee has significant responsibility in the definition and implementation of internal controls. All limits or controls to be proposed for implementation should be submitted to the Audit Committee, which together with the Internal Control Committee will issue an opinion on the implementation of those controls.

EXECUTIVE BOARD

The Executive Board is responsible for managing and implementing the Bank's risk management policy. Its functions are as follows:

- To implement the actions and strategy defined by the Board of Directors, ensuring that the risks incurred by the Bank are consistent with that established.
- To ensure that the operational units have appropriate processes and controls to identify, evaluate, monitor and report, continuously and effectively, the risk profile in light of the limits established.
- To ensure the existence of adequate and sufficient human and technical resources dedicated to risk management, in order to allow the continuous and effective identification, assessment, monitoring and reporting of risk and the correction of situations of excess in a timely manner when necessary.
- To establish regular dialogue with the Board of Directors regarding risk appetite and hold periodic discussions with the DRI and the operating units to identify emerging risks.
- To discuss monthly RAF[1] and RAS[2], analysing the Bank's overall risk performance and providing a status report on metrics and remediation plans.
- To ensure the implementation of action plans under the approved terms.
- To evaluate the proposed revision of the RAS made by the DRI, indicating changes to be implemented.

RISK DIVISION

The Risk Division (DRI) is operationally responsible for managing the risks associated with the Institution and, at the same time, structuring and keeping the Risk Management Policy up to date. The Division must:

- Have sufficient knowledge to identify, evaluate and measure risks, and suggest and help to implement limits on those risks.
- Organise meetings with the different members of the Divisions in order to determine, monitor and apply controls or limits on the risks.
- Be able to resolve disagreements that result from the risk measurement process and from the measures to be applied, based on the risk appetite approved by the Board of Directors. All identified risks shall be duly recorded.
- The Division is responsible for monitoring risks, to be applied periodically according to their degree of impact on the structure of Banco BCS. Associated with this monitoring, reports on the status of the risks should be produced.
- Specify and review mitigation measures. Monitor risks.
- Articulate and manage risk appetite in decision making.

1. RAF - *Risk Appetite Framework*
2. RAS - *Risk Appetite Statement*

INTERNAL AUDIT DIVISION

As an internal audit function, the Internal Audit Division (DAI) must carry out an independent assessment of the RAS and RAF on a regular basis in order to assess their effectiveness. In particular, the DAI must:

- Carry out assessments at the level of the institution as a whole, and of all those involved with responsibilities in the process;
- Regularly assess the adequacy of risk management policies, practices and controls;
- Assess the effectiveness of the implementation of the RAF, including alignment with the organisation's culture, strategic planning, remuneration policy and decision-making process;
- Report material deficiencies identified to the Board of Directors and the Executive Board in a timely manner; and
- Assess the need to complement the independent assessment by hiring third parties.

OPERATING UNITS

The Directors are a key element in the identification and measurement of risks. They play an important role in offering suggestions and advising on matters of definition and implementation of controls or limits. They may also be responsible or invited to collaborate in the implementation of risk control strategies. The Directors must ensure that controls and due diligence measures are applied on a day-to-day basis, and must maintain the robustness of the controls and communicate any need for improvement to internal controls.

7.4

DEFINITION OF THE RISK PROFILE AND DEGREE OF RISK TOLERANCE

According to National Bank of Angola Notice no. 08/2021 on Risk Governance, "Institutions must adequately consider risk appetite in their risk management strategies, policies and processes, which must be aligned with the capacity to take risk and the Institution's overall strategy."

Proper consideration of risk appetite requires full identification of the risks to which an institution is exposed and the definition of limits in relation to the identified exposure, taking into account all types and levels of risk considered acceptable in the context of the business strategy, so that the activity is safeguarded from unexpected events that may affect its solvency, liquidity or profitability.

As a basic element for the success of the activity, Banco BCS considered it essential to implement and preserve appropriate risk management, which takes the form of defining the Bank's risk appetite and implementing strategies and policies aimed at achieving its objectives, taking into account that same appetite. In other words, ensuring that exposure to risk remains within predefined limits and is subject to appropriate and continuous supervision.

Thus, in response to current regulatory requirements, and as an integral part of BCS' approach to risk management, the Risk Appetite Policy was developed, which supports the RAF - *Risk Appetite Framework* and supports the *Bank's Risk Appetite Statement* (RAS).

The Risk Appetite Policy presents a model that defines the maximum exposure to risk to which the Bank is willing to be subjected in decision-making, taking account of the outlined business strategy and the expectations of shareholders, customers, employees, strategic partners and the regulator. This thus maintains a balance between risk and profitability, and ensures that the Bank's financial position remains sound and profitable.

The risk appetite model was defined with the main objective of ensuring that the RAF is kept up to date and reflects any changes in the Bank's strategic priorities or risk management objectives. To this end, the model is composed of a series of phases to ensure the correct assessment of risk appetite, namely:

1	2	3	4
DEFINITION OF THE RISK APPETITE	INTEGRATION OF THE RISK APPETITE	MONITORING AND REPORTING OF THE RISK APPETITE	REVIEW OF THE RISK APPETITE
Defining strategic and business objectives; Allocating risk appetite through a structure of metrics and limits; Drafting a risk appetite statement.	Planning the strategy and budget; Supporting decision-making; Breaking down limits at the operational level; Implementing risk management policies and standards; Communicating the risk culture.	Tracking and managing the limits framework; Carrying out periodic and casuistic monitoring.	Reviewing annually; Reviewing "outside the loop".

In this context, the role of the Board of Directors is central to the design, implementation and monitoring of the Policy, in particular as regards the definition of risk appetite and its alignment with the strategy, capital and liquidity management and remuneration practices of the Bank.

Periodic monitoring of risk appetite is a responsibility of the Risk Division in conjunction with the Risk Committee, allowing the monitoring of the matching of the Bank's risk profile to its objectives and business strategy, suggesting the development of action plans.

Thus, the *governance* and reporting structure defined by the Bank under the definition of risk appetite and the degree of tolerance is as follows:

RISK DIVISION	Developing and proposing the Risk Appetite Policy; Proposing risk appetite metrics and limits; Monitoring and reporting to the Risk Committee; Defining corrective measures in the event of an attenuation in risk appetite and reporting to the Credit Committee.
RISK COMMITTEE	Validating risk appetite - metrics and limits; Validating the Risk Appetite Policy; Solving any points of conflict between risk and business.
COMMITTEE MANAGEMENT	Linking risk and business strategy; Approval of the Risk Appetite Policy; Approval of Risk Appetite metrics and limits; Analysis of the main cases of attenuation of the limits and respective *follow-up*.

ICAAP AND ILAAP REQUIREMENTS

With the publication of Instructions nos. 10/2021 and 11/2021, in 2021, the Bank prepared the first ICAAP and ILAAP financial year, with reference to 31 December 2020.

The impacts of the ICAAP and ILAAP financial year are evaluated over a prospective period of 3 years, in line with the projections of the strategic plan, and considering a base scenario and a stress scenario, in line with the stress testing methodology approved by the Board of Directors. This assessment allows the Bank to test its resilience by verifying whether the levels of capital and liquidity are adequate in the face of current and prospective risks.

The ICAAP and ILAAP results are evaluated by the Board of Directors, and constitute one of the main sources for reviewing the RAS and the Bank's risk strategy.

7.5

KEY RISKS

Risk corresponds to all events that may have an impact on the capital structure of the Institution, and may be foreseeable or unforeseeable. Banco BCS has categorised risks into three types: financial risks, non-financial risks and other risks.

FINANCIAL RISKS

Financial risks are directly related to the Institution's assets and liabilities and are those that assume greater prominence, being those that normally consume more time for reflection due to their impact on the capital structure.

CREDIT RISK

MARKET RISK

LIQUIDITY RISK

These risks are mitigated, in a first stage, by all the Bank's Divisions and Departments namely in the execution of the controls provided for in the different processes.

In a second stage, the Bank controls financial risks through limits established by the Board of Directors and the National Bank of Angola, the monitoring of which is carried out by the Risk Division and the Risk Committee.

CREDIT RISK

Credit risk is considered to be one of the most significant risks involved in the activity of financial institutions. This takes the form of losses and uncertainty regarding future returns generated by the credit portfolio, due to the possibility of default by borrowers (and their guarantors, if any), issuers of securities or counterparties of a contract.

The Bank's credit decision is centralised on the Risk Committee, ensuring permanent monitoring of the process of extending credit.

EXTENSION OF CREDIT

The process of extending credit begins in the commercial area, where the commercial analysis is carried out, and is then sent to the risk management function, in order to analyse the operations, associated guarantees and the impact of the new credit on the different regulatory ratios defined by the regulator. After the *Private* and *Corporate* Division and the Risk Division issue an opinion, the file is submitted to the Credit Committee, where the decision is taken.

Credit operations are classified in increasing order of risk, in accordance with prevailing internal standards:

Level	Type of risk
Level A	Minimal risk
Level B	Very low risk
Level C	Low risk
Level D	Moderate risk
Level E	High risk
Level F	Very high risk
Level G	Maximum risk

MONITORING

The follow-up of the credit granted starts immediately after it is extended and continues until full repayment, in order to ensure compliance.

The Bank carries out a continuous analysis of the credit portfolio in terms of compliance, degree of concentration, exposure classes and impairments. This continuous analysis is carried out both at the level of the Commercial Division and at the level of the risk management function.

Below are the metrics currently defined in the risk appetite statement in relation to credit risk, which are monitored monthly by the Risk Division and reported to the Board of Directors and the Risk Committee.

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Credit at risk [% credit overdue for more than 30 days]	Internal	<20.0%	<30.0%
Coverage of credit at risk [Impairment of credit at risk/credit at risk]	Internal	> 15.0%	>10.0%
Credit in *default* [Credit overdue for more than 90 days]	Internal	<5.0%	<10.0%
Coverage of credit in *default* [Impairment of Credit in *default*/Credit in *default*]	Internal	>75.0%	>50.0%
Coverage of *ON-Balance* credit [Impairment/Total Gross Lending]	Internal	>2.0%	>1.5%
Coverage of *OFF-Balance* credit [Impairment of guarantees/Guarantees provided]	Internal	>0.5%	>0.3%

Credit risk stress tests are also carried out periodically and are reported to the management body and to the regulator.

ANALYSIS OF IMPAIRMENT AND ASSESSMENT OF CREDIT RISK

The impairment value corresponds to the difference between the balance sheet value of a given operation and the recoverable amount. In other words, it corresponds to the portion of the total amount of the transaction that the Bank estimates it is unlikely to receive.

Through the Risk Division, Banco BCS individually analyses significant loans in the portfolio of credit extended to customers, guarantees, import documentary credits and irrevocable commitments, estimating the recoverable value and, consequently, the impairment associated with the loans concerned.

For non-individually significant customers, the impairment amount is determined according to the impairment model that has been formally adopted and reported to the National Bank of Angola. In order to determine the collective impairment rate, considering that no statistically representative historical data are available regarding the behaviour of the transactions that would enable the reliable calculation of the risk factors (Probability of *Default* (PD) and *Loss Given Default* (LGD)), the Bank performed comparative market analyses by examining the average impairments established by the Banks with an implemented impairment model and whose operations may be considered comparable with those of Banco BCS.

When determining impairment losses on an individual basis, consideration is given to factors such as the existence of delays in the repayment of instalments (non-performing loans), the customer's economic and financial situation and ability to generate income to cover service of the debt, the associated collateral credit and the possible existence of privileged creditors, the deterioration of the customer's *rating*, and other factors that allow the Bank to assess the customers' risk of default and the recoverable amount, taking into account their assets. Where the Bank concludes from the analysis carried out that there are no indications of individual impairment, collective impairment is attributed to the operation.

Additionally, in order to comply with the requirements of International Financial Reporting Standard 9 (IFRS 9), the Bank analysed the remaining financial assets, developing scenarios to estimate possible future losses.

LIQUIDITY RISK

Liquidity risk may be defined as the inability of an institution to meet its financial obligations at maturity dates, as a result of financial institutions' difficulties in managing changes in sources of financing or an inability to recognise changes in market conditions affecting the ability of the institution to liquidate the assets in a timely manner and with a minimum loss of value.

The Bank has defined a range of strategies and policies focusing on the prudent and appropriate management of liquidity risk. These policies refer to the processes of identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating liquidity risk.

In the process of defining these policies, Banco BCS took into account the regulatory guidelines issued by domestic and foreign supervisory bodies, and in particular the requirements produced by the Basel Committee in this regard. Following good governance practices, the Bank's liquidity risk management policies aim to build a solid liquidity management framework, assessing and monitoring the Bank's behaviour in the most varied *stress* scenarios.

The policies determine and guide Banco BCS with regard to:

- Linkage between the risk appetite accepted by the Bank and liquidity control tasks;
- Formulation of daily and short-, long- and medium-term liquidity controls;
- The efficiency of the system that identifies, aggregates, monitors and controls the risks of exposure and the need for funds (effective management of collateral positions); and
- Compilation of the Bank's liquidity reporting rules.
- On a daily basis, the Financial Division produces a report for the Board of Directors containing information on the evolution of the Bank's liquidity position.

- Additionally, the Risk Division prepares periodic reports for the Board of Directors and the Risk Committee concerning the Bank's financing and liquidity position. These reports include:
- The size, composition and performance of assets and liquidity reserves;
- Developments in market prices;
- The evolution of exchange rates, maturities and distribution of instruments;
- The indicators that measure the levels of exposure to liquidity risk (transformation ratio, for example); and
- The results of stress tests.

Below are the metrics that are currently defined in the risk appetite statement in relation to liquidity risk, which are monitored monthly by the Risk Division and reported to the Board of Directors and the Risk Committee.

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Transformation Ratio All Currencies (CL) [Gross lending / Deposits]	Internal	<50.0%	<70.0%
Transformation Ratio in FC (Gross lending) [Gross lending in FC / Deposits in FC]	Internal	<50.0%	<70.0%
Transformation Ratio in DC (Gross Lending) [Gross lending in DC / Deposits in DC]	Internal	<50.0%	<70.0%
TOP 10 Deposits Concentration [TOP 10 Deposits / Total Deposits]	Internal	<55.0%	<65.0%
Liquidity Ratio (1)	Regulatory	>2.0%	>1.0%
Liquidity Ratio in DC (1)	Regulatory	>2.0%	>1.0%
Liquidity Ratio in FC (1)	Regulatory	>3.0%	>1.5%
Observation Ratio (2)	Regulatory	>2.0%	>1.0%
Observation Ratio in DC (2)	Regulatory	>2.0%	>1.0%
Observation Ratio in FC (2)	Regulatory	>3.0%	>1.5%

(1) Total Net Assets / (Cash outflow time band 1 – cash inflow time band 1)
(2) (Lag time band 1 + Cash inflow time band 2) / Cash outflow time band 2

MARKET RISK

Market risk is identified as the likelihood of negative impacts on results or capital due to unfavourable movements in the market price of trading book instruments, caused by stock price fluctuations, commodity prices, interest rates or exchange rates. Thus, in view of the Bank's activity, market risk may be broken down into currency risk and interest rate risk.

The monitoring of this type of risk is the responsibility of the Financial Division, and it is monitored by the Risk Division.

INTEREST RATE RISK

Interest rate risk corresponds to the probability of negative impacts on the Bank's capital or results due to changes in interest rates.

EXCHANGE RISK

Exchange rate risk corresponds to the probability of negative impacts on the Bank's capital or results due to adverse fluctuations in exchange rates.

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Impact of interest rate on net position	Regulatory	<15.0%	<20.0%
Impact of interest rate on net interest income*	Internal	<15.0%	<20.0%
Net foreign exchange exposure without indexes**	Internal	<15.0%	<20.0%
Net foreign exchange exposure with indexes**	Internal	<30.0%	<40.0%
Foreign Exchange Position	Regulatory	<1.5%	<2.5%

* Although impact reporting is regulatory, there is currently no limit defined by the BNA. It is only mentioned in Notice 8/2016 that a case-by-case analysis will be carried out and institutions may be forced to take measures.
** The value presented in the table does not consider the off-balance sheet value.

NON-FINANCIAL RISKS

Non-financial risks do not result directly from the Bank's structure and can have external origins (social, political or economic phenomena) or internal origins (human resources, technologies, procedures and others).

OPERATIONAL RISK

REPUTATIONAL RISK

COMPLIANCE RISK

ENVIRONMENTAL, SOCIAL AND CLIMATE CHANGE RISKS

COUNTRY RISK

SOLVENCY RISK

RISK OF CONTAGION

SYSTEMIC RISK

OPERATIONAL RISK

Operational risk is the risk arising from the inadequacy of internal processes, people or systems, the possibility of internal and external fraud, as well as external events, including risks related to compliance and information systems.

For the management of operational risk, the Bank adopts duly formalised principles and practices, specifically the segregation of duties, with an updated and duly formalised regulatory framework that includes a code of conduct available to all Bank employees.

Responsibilities for operational risk management are segregated in accordance with the three lines of defence principle.

Day-to-day responsibility for the management of operational risk lies with the first line of defence, which consists of the Bank's various organisational units. As well as shared responsibilities, all the Bank's processes have a person in charge who must continuously assess and report any operational risk events.

The second line of defence consists of the risk management function, carried out by the Risk Division, which must periodically analyse the reported operational risk events, as well as assess compliance with the metrics defined in the risk appetite, namely:

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
No. of serious complaints	Internal	>1	>2
Total number of complaints	Internal	>15	>25
Non-operating losses and operating errors/Banking Product	Internal	<1.5%	<5.0%

The risk management function is also responsible for periodically carrying out stress tests, duly reported to the management body and the regulator.

The third line of defence falls under the remit of the Internal Audit function, which includes in its annual planning tasks that enable compliance with the controls of the first and second lines of defence to be assessed.

The BCS Bank has been investing in the implementation of technological solutions that enable not only the mitigation of operational risk, but also its continuous assessment. In 2021, the Bank adopted the operational risk event management module (OREM) in the application to support the risk management function which incorporates two complementary components, namely the Operational risk events log and Operational risk event management.

Also in the 2021 financial year, the Bank organised training for all employees and started logging the Bank's operational risk events in order to build its real risk matrix according to the events that occurred. Reports from the event registration risk matrix will be sent to Management on a quarterly basis.

REPUTATION RISK

Reputation risk is a highly relevant risk, considered by some to be the most dangerous risk to which a financial institution may be subject. Usually, the potential impact of reputation risk stems from the occurrence of other risks, e.g. credit risk, legal risk, operational risk, strategy risk and liquidity risk. This type of risk is undoubtedly a potentially harmful risk, since the nature of the Bank's business requires maintaining the trust of depositors, creditors, shareholders and the market in general.

Banco BCS has a policy of constantly conveying its vision, mission and values to its *stakeholders*, and forges close relationships with them.

The Board of Directors monitors and evaluates situations that could compromise the Bank's reputation and the necessary steps are taken to resolve them.

COMPLIANCE *RISK*

Compliance risk arises from potential violations of or non-compliance with laws, regulations, contracts, codes of conduct, learned practices or ethical principles. A failure to comply with regulatory requirements can result in lawsuits, financial penalties, restrictions on operations and damage to the reputation of BCS. This situation can easily occur due to the large volume of legislation aimed at financial institutions and the frequency with which it is produced.

In order to minimise *compliance* risk, the Bank has demonstrated a willingness to combine the elements and efforts necessary for the *Compliance* Division to operate successfully.

The Bank regularly reviews its internal regulations in order to meet the requirements of the regulator and best international practice, and to ensure that the conduct of its employees is guided by the highest ethical principles.

Accordingly, the Bank has been regularly improving its policies and procedures concerning conflicts of interest and related parties, and on matters of money laundering and terrorist financing (AML/TF).

On this last subject (AML/TF), the Bank has also made investments in technological solutions that allow this risk to be mitigated and to evaluate and monitor effectively the risk of customers, correspondent Banks and transactions.

ENVIRONMENTAL, SOCIAL AND CLIMATE CHANGE RISKS

Banco BCS recognises that managing environmental and social risks poses some of the most significant challenges to the long-term prosperity of the global economy, the well-being of people and society, and the capacity of the natural environment. BCS is committed to being an institution committed to creating values of sustainability, through excellence in service to its customers, providing financial products and/or services to business activities that are environmentally and socially responsible, in accordance with its commitments to sustainability, promoting the commitment of its suppliers, developing actions for and with its shareholders and encouraging a sense of social and environmental responsibility in the lives and careers of its employees.

Additionally, the Bank is aware that all human activities have an impact on the environment and recognises the environmental performance of its activity, seeking to optimise available resources such as energy, financial inclusion, as well as the continuous improvement of the incorporation of ethical concerns and environmental issues, in order to gradually and sustainably mitigate negative impacts on the environment.

Attention is also given to social issues that may arise, such as the involuntary displacement of local or indigenous populations, the health, safety and human rights of workers involved in business activities, as well as the impact on local communities and other stakeholders affected by those activities.

SOLVENCY RISK

Solvency risk corresponds to the possibility of the Institution failing to survive due to its inability to cover, with the available capital, the losses generated by the other risks.

MONITORING SOLVENCY RISK

The Bank has established metrics in its risk appetite policy to keep track of solvency risk, namely:

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Solvency Ratio [ROF / ROF Requirements *10]	Regulatory	>23.0%	>10.0%
Base Solvability Ratio [Base ROF / ROF Requirements *10]	Regulatory	>21.5%	>8.5%
"Restricted" Solvency Ratio [Base ROF / ROF Requirements *10]	Regulatory	>20.0%	>7.0%
Leverage Ratio [Own Funds at Book Value / Total Assets]	Internal	>8.0%	>3.0%

COUNTRY RISK

Country risk is associated with specific changes or disturbances of a political, economic or financial nature in the places where counterparties operate, which may in some way hinder full performance of contracts.

The Bank regularly monitors the impact that changes to Angola's *rating* may have on Financial Statements and capital ratios.

CONTAGION RISK

Contagion risk is a verifiable effect that occurs when one Bank's problems contaminate another or other Banks, and is caused by a high degree of interrelationship between them.

SYSTEMIC RISK

Systemic risk arises from the disruption of the financial system, which could have serious negative consequences for the internal market and the real economy. Systemic risk stems from a negative external factor that affects the financial system.

7.6

IMPROVEMENTS IN RISK MANAGEMENT IN 2021

RISK DIVISION

Bearing in mind the developments that have taken place over recent years in the financial system and the lessons learned from the international crisis, there has been an increase in attention and concern on the part of supervisory authorities and market agents regarding risk management by financial institutions.

In this regard, at the beginning of 2016, the BNA published a raft of Notices, Instructions and Directives that established a wide range of requirements concerning the calculation of the solvency ratio, and own funds requirements, as well as on the provision of the respective information.

Additionally, in 2017, it published two regulations that regulate the requirement to provide information regarding prudential limits for large exposures and the performance of stress tests by financial institutions.

In 2021, the National Bank of Angola continued a project started in 2020 of national significance dedicated to reforming the regulations and procedures for prudential supervision, with a view to aligning them with the highest international standards in accordance with the Basel *Core* Principles on Banking Supervision.

European Regulations and Directives provide that certain exposures of entities outside the European Union (EU) may benefit from the treatment applied to the exposures of EU countries to determine capital requirements. This treatment is applicable to central governments or entities located in countries with the status of "Equivalent Supervision".

The granting of the status of "Equivalent Supervision" is the responsibility of the European Commission (EC) and depends on proof that Angolan prudential supervision is based on regulations and processes equivalent to those practised in Europe. The assessment process is conducted by the European Banking Authority (EBA).

Following this project, in 2021, Instructions nos. 10/2021 and 11/2021 were published by the BNA and came into force, which establish the obligation for financial institutions to report the ICAAP and ILAAP financial years to the regulator and establish the minimum requirements for this reporting.

In 2021, the BNA also published Notice no. 08/2021 and supporting Instructions, which revoke the regulatory package published in 2016 and 2017, aligning risk governance and calculation practices and capital ratio, liquidity and interest rate risk calculation with the best international practices in these matters.

During 2021, the BNA began carrying out inspections under the ambit of the SREP, having communicated the preliminary results to the Banking Financial Institutions in the first quarter of 2022. According to the preliminary results, the Bank complies with the regulatory limits laid down by the regulator.

COMPLIANCE *DIVISION*

During 2021, the *Compliance* Division kept its focus on *compliance* risk management activities, in order to remain in conformity with the laws and regulations applicable to the sector.

During the course of 2021, as a result of the current macroeconomic environment, various regulations were issued for immediate implementation, which required effort to ensure their dissemination and the monitoring of their effective implementation.

In order to continue promoting BCS' ethical values and contribute towards a strong culture of *Compliance*, mitigating the risk of penalties or damage to the bank's assets or reputation, the *Compliance* Division held various training sessions throughout the year, such as Anti-Money Laundering and Terrorist Financing training, sessions on the Code of Conduct and *Know Your Customer* training, the sessions provided benefitting 77 Bank employees, representing a coverage of more than 60% of the workforce.

Additionally, Banco BCS is one of the three Angolan banks participating in the *Real Time Gross Settlement* (RTGS) system in the SADC area, which has involved the need to perform *Due Diligence* on other banks in order to establish Correspondent Banking and key exchange relationships with them. The participation of the *Compliance* Department contributed to the success of this process, which resulted in the exchange of keys and correspondent relations with other Banking Financial Institutions in the region.

Banco BCS also continued its investment in strengthening its anti-money laundering and terrorist financing tools and processes.

In relation to the FATCA arrangements, it should be noted that the Angolan State concluded an agreement with the authorities of the United States, under which, by means of Presidential Decree 62/16, of 29 August 2016, Angolan banks and other subject entities were "officially" obliged to identify the *US Persons* (whether natural or legal) in their customer portfolios, and make the necessary reports to the AGT - Administração Geral Tributária (General Tax Administration - the body in charge of centralising all information reported by Angolan institutions and reporting the information on a consolidated basis to the *Internal Revenue Service* (IRS) - an agency of the Department of the Treasury of the United States of America).

In 2020 and 2021, BCS submitted the FATCA report within the established deadlines and according to the eligibility criteria for the accounts to be reported, acting in *compliance* with this reporting obligation.

The *Compliance* Division also fulfilled its reporting obligations applicable to the FIU – Financial Information Unit, under the terms of DSO – Declarations of Suspicious Operations, Declarations of Cash Transactions and, in terms of IDDP - Individual Declaration on Designated Persons, according to the situations. In terms of Reporting, the Bank submitted also a Money Laundering and Terrorist Financing Self-Assessment Questionnaire during June 2018, in accordance with Directive 01-DRO-DSI-2015. BCS also submitted a Self-Assessment Questionnaire to the Capital Market Commission (CMC), the Bank being in conformance with Instruction 012/CMC/11 - 17.

INTERNAL AUDIT DIVISION

The Internal Audit Division performs the function of internal auditing independently, with the goal of carrying out a continuous and critical assessment of the Bank's operations with a view to suggesting improvements, adding value, strengthening the Bank's governance mechanism and ensuring the effective functioning of the internal control system.

The IAD is responsible for ensuring periodic reviews of the activities of the different areas, in order to safeguard the integrity and security of the Bank's assets. Its actions are mainly aimed at assessing whether the activity carried out by the Bank is being conducted in accordance with the principles and instructions defined by the *Global Internal Institute of Auditors* (IIA) and by the Board of Directors.

The Internal Audit Division has established quarterly risk-based activity plans in order to determine priority activities, which include the following:

- Conducting face-to-face audits of the Central Services (Structural Units of the Bank) and Customer Service Centres;
- Conducting remote audits;
- Executing daily monitoring tasks, ensuring more efficient and effective preventive control mechanisms;
- Defining training plans for employee specialisation.

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08

PROPOSED APPROPRIATION OF EARNINGS

8.1

PROPOSED APPROPRIATION OF EARNINGS

At the General Meeting, the Board of Directors presented its proposal for the appropriation of net profit for the year 2021, in a total amount of tAOA 8,834,727.

A total of tAOA 4,417,363 will be transferred to retained earnings and tAOA 883,473 to legal and statutory reserves, the amount of tAOA 3,533,891 being distributed across the ownership structure.

09

BCS

YOUR PRIVATE BANK

FINANCIAL STATEMENTS

9.1

BALANCE SHEET AS OF 31 DECEMBER 2021 AND 2020

AKZ'000

	NOTES	31/12/21	31/12/20
Cash and cash balances at central banks	4	14 623 313	16 385 465
Cash balances at other credit institutions	5	32 706 171	16 225 779
Investments at central banks and other credit institutions	6	15 332 538	9 917 536
Financial assets at fair value through other comprehensive income	7	68 203	68 203
Investments at amortised cost	8	35 970 652	21 110 246
Customer loans	9	20 196 479	17 588 175
Other tangible assets	10	9 758 696	10 355 839
Intangible assets	10	49 403	102 964
Current tax assets	11	235 116	235 116
Deferred tax assets	11	752 402	43 876
Other assets	12	1 194 868	7 198 050
TOTAL ASSETS		130 887 841	99 231 249
Funds from central banks and other credit institutions	13	158 766	5 158 598
Customer funds and other loans	14	76 172 042	40 340 342
Provisions	15	801 082	137 441
Current tax liabilities	11	2 996 530	3 755 868
Deferred tax liabilities	11	59 813	402 846
Other liabilities	16	3 665 143	11 236 418
TOTAL LIABILITIES		83 853 376	61 031 513
Share Capital	17	17 000 000	17 000 000
Other reserves and retained earnings	17	21 199 736	11 847 021
Net earnings for the year	17	8 834 729	9 352 715
TOTAL EQUITY		47 034 465	38 199 736
TOTAL LIABILITIES AND EQUITY		130 887 841	99 231 249

The accompanying notes form an integral part of these financial statements.

9.2

STATEMENT OF INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

AKZ'000

	NOTES	31-12-2021	31-12-2020
Interest and similar income	18	10 879 098	5 996 694
Interest and similar charges	18	(1 358 824)	(1 345 561)
NET INTEREST INCOME		9 520 274	4 651 133
Income from services and fees	19	5 587 626	4 337 281
Expenses from services and fees	19	(248 161)	(282 030)
Profit or loss from investments at amortised cost	20	(60 243)	(5 464)
Foreign exchange gains and losses	21	6 872 256	15 327 466
Gains and losses on sale of other assets		6 845	1 300
Other operating profit or loss	22	(782 019)	(403 841)
PROCEEDS FROM BANKING ACTIVITY		20 896 578	23 625 845
Payroll expenses	23	(5 599 917)	(5 646 280)
Third-party supplies and services	24	(3 413 722)	(2 973 629)
Depreciation and amortisation for the year	10	(1 118 757)	(1 246 942)
Impairment on customer loans net of reversals and recoveries	15	(761 815)	301 718
Impairment for other financial assets net of reversals and recoveries	15	755 424	(616 953)
EARNINGS BEFORE TAX FROM CONTINUING OPERATIONS		10 757 791	13 443 759
Income taxes			
Current	11	(2 974 622)	(3 755 868)
Deferred	11	1 051 560	(335 176)
NET INCOME		8 834 729	9 352 715
Items that will not be reclassified as income		-	-
Items that may be reclassified as income		-	-
COMPREHENSIVE NET INCOME		8 834 729	9 352 715

The accompanying notes form an integral part of these financial statements.

9.3

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

AKZ'000

	INTRODUCTORY	EQUITY	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL	NET EARNINGS FOR THE YEAR	TOTAL EQUITY
BALANCE AT 01 JANUARY 2020		17 000 000	(5 350 000)	-	7 549 668	2 199 668	14 647 353	33 847 021
Appropriation of net income for the year 2019						-		-
Transfer to legal reserves	17	-	1 464 735	-	-	1 464 735	(1 464 735)	-
Transfer to other reserves	17	-	-	-	-	-	-	-
Transfer to retained earnings	17	-	-	-	8 182 618	8 182 618	(8 182 618)	-
Distribution of dividends	17	-	-	-	-	-	(5 000 000)	(5 000 000)
Comprehensive income for the year	17	-	-	-	-	-	9 352 715	9 352 715
BALANCE AS OF 31 DECEMBER 2020		17 000 000	(3 885 265)	-	15 732 286	11 847 021	9 352 715	38 199 736
Appropriation of net income for the year 2020						-		-
Transfer to legal reserves	17	-	935 272	-	-	935 272	(935 272)	-
Transfer to other reserves	17	-	-	-	-	-	-	-
Transfer to retained earnings	17	-	-	-	8 417 443	8 417 443	(8 417 443)	-
Comprehensive income for the year	17	-	-	-	-	-	8 834 729	8 834 729
BALANCE AS OF 31 DECEMBER 2021		17 000 000	(2 949 993)	-	24 149 729	21 199 736	8 834 729	47 034 465

The accompanying notes form an integral part of these financial statements.

9.4

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

AKZ'000

	31-12-2021	31-12-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest, commissions and other similar income received	15 542 725	10 071 164
Interest, commissions and other similar expenses paid	(1 528 083)	(1 204 505)
Payments to employees and suppliers	(8 648 789)	(8 182 562)
Other income	7 387 762	(408 005)
CASH FLOWS BEFORE CHANGES TO OPERATING ASSETS AND LIABILITIES	12 753 615	276 092
(INCREASES) / DECREASES IN OPERATING ASSETS:		
Investments at central banks and other credit institutions	(5 380 443)	4 416 609
Investments at amortised cost	(14 269 958)	4 265 525
Customer loans	(2 523 796)	(5 663 236)
Other assets	(6 905)	334 369
NET FLOW FROM OPERATING ASSETS	(22 181 102)	3 353 267
(INCREASES) / DECREASES IN OPERATING LIABILITIES:		
Funds from central banks and other credit institutions	(4 999 832)	5 107 364
Customer funds and other loans	39 586 931	(22 096 359)
Other liabilities	308 896	(284 997)
NET FLOW FROM OPERATING LIABILITIES	34 895 995	(17 273 992)
Net cash generated by operating activities before income taxes	25 468 508	(13 644 633)
Income taxes paid	(2 682 400)	(952 727)
NET CASH GENERATED BY OPERATING ACTIVITIES	22 786 108	(14 597 360)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Acquisitions and other tangible assets, net of divestitures	(843 697)	(307 386)
Acquisitions of intangible assets, net of divestitures	-	(82 519)
NET CASH FROM INVESTMENT ACTIVITIES	(843 697)	(389 905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increases / (Decreases) in equity	-	-
Distribution of dividends	-	(5 000 000)
NET CASH FROM FINANCING ACTIVITIES	-	(5 000 000)
Changes in cash and cash equivalents	21 942 411	(19 987 265)
Cash and cash equivalents at the beginning of the year	32 640 584	46 321 939
Effects of exchange variation on cash and cash equivalents	(7 236 256)	6 305 910
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	47 346 739	32 640 584

The accompanying notes form an integral part of these financial statements.

10

YOUR PRIVATE BANK

NOTES TO THE FINANCIAL STATEMENTS

1

BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1. BASES OF PRESENTATION

The Bank's financial statements were prepared on the basis of the going concern principle, in accordance with the principles enshrined in the International Financial Reporting Standards ("IFRS"), pursuant to Notice 06/2016 of the National Bank of Angola, of 16 May 2016. The IFRS include accounting standards issued by the *International Accounting Standards Board* (IASB) and interpretations issued by the *International Financial Reporting Interpretation Committee* (IFRIC).

The accounting policies are consistent with those used in the preparation of the financial statements for the previous year.

As of 31 December 2021 and 2020, the Bank's financial statements are stated in thousands of Kwanzas, with assets and liabilities denominated in other currencies being converted into domestic currency, based on the average indicative exchange rate published by the National Bank of Angola at those dates (see Note 2.2).

The preparation of financial statements in conformity with the IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors considered reasonable under the circumstances, and form the basis for judgments regarding the value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues that require a higher degree of judgment or complexity, or where assumptions and estimates are considered significant, are presented in Note 3.

1.2. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted into the functional currency (Kwanza) at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate in effect at the balance sheet date. Exchange differences resulting from the conversion are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are converted into the functional currency at the exchange rate in force at the transaction date. Non-monetary assets and liabilities recorded at fair value are converted into the functional currency at the exchange rate in force at the date at which the fair value is determined and recognised through profit and loss, with the exception of those recognised at fair value through other comprehensive income, the difference being recorded as a contra entry to reserves.

As of 31 December 2021 and 2020, average Kwanza (AOA) exchange rates against the United States Dollar (USD) and the Euro (EUR) were as follows:

	31-12-2021	31-12-2020
1 USD	AOA 554.981	AOA 649.911
1 EUR	AOA 629.015	AOA 796.726

On the date of contracting, purchases and sales of foreign currency in cash and in instalments are immediately recorded in the spot or forward exchange position, whose content and revaluation criteria are as follows:

SPOT FOREIGN EXCHANGE POSITION:
The spot foreign exchange position in each currency is given by the net balance of the assets and liabilities in that currency, as well as the cash transactions awaiting settlement and the forward transactions maturing in the two subsequent business days. The spot foreign exchange position is revalued daily based on the average exchange rate published by the BNA on that date, giving rise to changes in the foreign exchange position account (domestic currency) through profit and loss.

FOREIGN EXCHANGE FORWARD POSITION:
The foreign exchange forward position in each currency corresponds to the net balance of forward transactions awaiting settlement, excluding those maturing within the next two business days. All contracts related to these operations (currency *forwards*) are revalued at market forward exchange rates or, where unavailable, through their calculation based on the interest rates applicable to the residual term of each operation. The difference between the equivalents in Kwanzas at the applied forward revaluation rates and the equivalents at the contracted rates, which represent the cost or profit or the revaluation cost of the forward foreign exchange position, is recorded under assets or liabilities, as a contra entry to the heading "Foreign Exchange Gains and Losses".

1.3. FINANCIAL INSTRUMENTS

1.3.1. CLASSIFICATION OF FINANCIAL ASSETS

The Bank classifies its financial assets under one of the following valuation categories:

- Investments at amortised cost;
- Financial assets at fair value through other comprehensive income; and
- Financial assets at fair value through profit and loss.

The classification requirements for debt and equity instruments are presented as follows:

DEBT INSTRUMENTS
Debt instruments are instruments that satisfy the definition of a financial liability from the perspective of the issuer, such as loans, public and private bonds and accounts receivable acquired from customers with *factoring* contracts without recourse.

The subsequent classification and valuation of these instruments in the previous categories is carried out based on the following two elements:

- The Bank's business model for the management of financial assets, and
- The characteristics of contractual cash flows from financial assets.

A) Financial assets at amortised cost
A financial asset is classified under the "Financial assets at amortised cost" category when the following conditions have been cumulatively met:

- It is managed with a business model, the objective of which is to maintain financial assets to receive contractual cash flows, and
- The contractual conditions give rise to cash flows on specific dates, which are only payments of capital and interest on the amount of outstanding capital.

In addition to debt instruments managed based on a business model, the objective of which is to receive their contractual cash flows (Treasury bills, government bonds, bonds issued by companies and commercial paper), the category financial assets at amortised cost also includes "Investments at central banks and other credit institutions", "Investments at amortised cost" and "Customer Loans".

B) Financial assets at fair value through other comprehensive income
A financial asset is classified under the category "Financial assets at fair value through other comprehensive income" where the following conditions are cumulatively met:

- It is managed as a business model, the objective of which combines the receipt of contractual cash flows from financial assets and their sale, and
- The contractual conditions give rise to cash flows on specific dates, which are only payments of capital and interest on the amount of outstanding capital.

C) Financial assets at fair value through profit or loss
A financial asset is classified under the category "Financial assets at fair value through profit or loss" whenever, due to the Bank's business model or due to the characteristics of its contractual cash flows, it is not appropriate to classify financial assets in

any of the previous categories. On the transition date, in order to classify financial assets in this category, the Bank also took into account whether it expects to recover the book value of the asset by selling it to a third party.

Also included in this portfolio are all instruments that exhibit any of the following characteristics:

- Are originated or acquired with the aim of trading in the short term.
- Form part of a group of financial instruments identified and jointly managed for which there is evidence of recent actions with the aim of obtaining short-term gains.
- Are derivative instruments that do not meet the definition of a financial guarantee contract or have not been designated as hedging instruments.

EVALUATION OF THE BUSINESS MODEL

The business model reflects the way in which the Bank manages its assets with a view to generating cash flows. Thus, it is important to understand whether the Bank's objective only consists of receiving contractual cash flows from the assets ("*Hold to collect*"), or whether it intends to receive the contractual cash flows and cash flows resulting from the sale of the assets ("*Hold to collect and sell*"). If neither of these situations is applicable (e.g. the financial assets are held for trading), then the financial assets are classified as part of an "other" business model and recognised at fair value through profit or loss. The factors considered by the Bank in identifying the business model for a set of assets include past experience with regard to the way in which cash flows are received, how asset performance is assessed and reported to management, how risks are assessed and managed and how the directors are remunerated.

Securities held for trading are held primarily for the purpose of being sold in the short term, or form part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under "other" business models and recognised at fair value through profit or loss.

The evaluation of the business model does not depend on the intentions for an individual instrument, but for a set of instruments, taking into account the frequency, the value, the sales calendar in previous years, the reasons for said sales and expectations regarding future sales. Sales that are infrequent, or insignificant, or close to the maturity of the asset and those motivated by an increase in the credit risk of financial assets, or to manage concentration risk, among others, may be compatible with the model of holding assets to receive contractual cash flows.

If a financial asset contains a contractual clause that may modify the schedule or the value of contractual cash flows (such as early amortisation or extension of duration clauses), the Bank determines whether or not the cash flows that will be generated during the life span of the instrument, due to the exercise of said contractual clause, are only payments of capital and interest on the amount of outstanding capital.

In the event that a financial asset includes a periodic adjustment of the interest rate, but the frequency of that adjustment does not coincide with the term of the benchmark interest rate (e.g. the interest rate is adjusted every three months), the Bank evaluates, at the time of initial recognition, this inconsistency in the interest component to determine whether or not the contractual cash flows represent only payments of capital and interest on the amount of outstanding capital.

Contractual conditions that, at the time of initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in portfolios at amortised cost or at fair value through other comprehensive income.

SPPI ASSESSMENT

Where the business model involves holding assets in order to (i) receive contractual cash flows or (ii) receive contractual cash flows and sell those assets, the Bank assesses whether or not the cash flows of the financial instrument correspond only to payments of principal and interest on the capital outstanding (the *solely payments* of principal and interest, or "SPPI" test).

In this assessment, the Bank considers whether or not the contractual cash flows are consistent with a basic loan agreement, i.e. the interest includes only considerations relating to the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic credit agreement. Where the contractual terms introduce exposure to risk or variability in cash flows that are inconsistent with a simple loan agreement, the financial asset is classified and measured at fair value through profit or loss.

When determining whether or not the cash flows correspond only to payments of capital and interest on capital outstanding ("SPPI" test), financial assets with embedded derivatives are considered in their entirety.

EQUITY INSTRUMENTS

Equity instruments are instruments that satisfy the definition of capital from the perspective of the issuer, i.e. they are instruments that do not contain a contractual payment obligation and that show a residual interest in the issuer's net assets. An example of equity instruments is ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. As a general rule, the Bank exercises the option, on initial recognition, to designate irrevocably in the category of financial assets at fair value through other comprehensive income, investments in equity instruments that are not classified as held for trading and that, if they do not exercise this option, would be classified as financial assets that are mandatorily accounted for at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other changes in fair value.

1.3.2. CLASSIFICATION OF FINANCIAL LIABILITIES

A financial instrument is classified as a financial liability where there is a contractual obligation for a settlement to be made by means of money or another financial asset, regardless of its legal form.

Financial liabilities are not recognised where the underlying obligation is settled, expires or is cancelled. Non-derivative financial liabilities include resources from central banks and other credit institutions, customer funds and other loans.

In its initial recognition, the Bank designates certain financial liabilities at fair value through profit or loss *(Fair Value Option)*, provided that at least one of the following requirements has been met:

- The financial liabilities are managed, valued and analysed internally based on their fair value;
- Derivative operations are contracted in order to establish an economic hedge for these assets or liabilities, thus ensuring consistency in the valuation of assets or liabilities and derivatives (*accounting mismatch*); or
- Financial liabilities contain embedded derivatives.

1.3.3. RECOGNITION AND INITIAL VALUATION OF FINANCIAL INSTRUMENTS

At the time of their initial recognition, all financial instruments will be recorded at their fair value. For financial instruments that are not recorded at fair value through profit or loss, fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue.

In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are immediately recognised in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or to the issue or assumption of a financial liability, which would not have been incurred had the Bank not carried out the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalisation expenses.

Financial assets are recognised in the balance sheet at the transaction date – the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal provision that determines that the transfer of rights occurs at a later date.

At initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity should recognise this difference as follows:

- When the fair value is evidenced by the quotation on a market of an equivalent asset or liability (i.e. level 1 *inputs*), or based on a valuation technique that uses only observable market data, the difference is recognised as a gain or loss; and
- In the remaining cases, the difference is deferred and the moment of initial recognition of the gain or loss is determined individually. This difference can then be (i) amortised over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognised through the liquidation of the asset or liability.

1.3.4. SUBSEQUENT VALUATION OF FINANCIAL INSTRUMENTS

After their initial recognition, the Bank values its financial assets at (i) amortised cost, at (ii) fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial credits and short-term debt instruments that are initially valued at the transaction price or by the capital outstanding, respectively, are valued at the aforementioned amount less impairment losses.

Immediately after initial recognition, an impairment is also recognised for expected credit losses (ECL) for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of a loss in profit or loss. when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred, and subsequently at amortised cost, based on the effective interest rate method, with the exception of financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

1.3.5. REVENUES AND EXPENSES FROM FINANCIAL INSTRUMENTS

Income and expenses from financial instruments at amortised cost are recognised according to the following criteria: interest is recorded in profit or loss under the heading "Interest and similar income" and "Interest and similar charges", using the effective interest rate of the transaction on the gross book value of the transaction (except in the case of impaired assets, where the interest rate is applied to the net book value of the impairment).

The remaining changes in value will be recognised in profit or loss as income or expenses when the financial instrument is not recognised from the balance sheet under the heading "Income from investments at amortised cost", when it is reclassified, and in the case of financial assets, when impairment losses or gains occur by recovery, which are recorded under "Impairment for customer loans net of reversals and recoveries" in the case of customer loans or under "Impairment for other financial assets net of reversals and recoveries" in the case of other financial assets.

Treasury Bonds issued in domestic currency, indexed to the United States Dollar exchange rate, are subject to exchange rate adjustment. The result of the exchange rate adjustment is reflected in the statement of income for the period in which it occurs. The result of the exchange rate adjustment of the nominal value of the security is reflected under the heading "Foreign exchange gains and losses", and the result of the exchange rate adjustment of the discount and accrued interest is reflected under the heading "Net Interest Income - Interest and similar income".

Income and expenses from financial instruments at fair value through profit or loss are recognised according to the following criteria: Changes in fair value are recorded directly in profit or loss, separating the part attributable to the income from the instrument, which is recorded as interest or dividends, according to its nature, under the headings "Interest and similar income" and "Income from equity instruments", respectively, and the rest, which is recorded as income from financial operations, under the heading "Income from financial assets and liabilities measured at fair value through profit or loss".

Interest on debt instruments is recorded in the statement of income under the heading "Interest and similar income", and is calculated using the effective interest rate method.

Revenues and expenses from financial assets at fair value through other comprehensive income are recognised according to the following criteria: Interest or, where applicable, dividends are recognised in profit or loss as "Interest and similar income" and "Income from equity instruments", respectively. For interest, the procedure is the same as for assets at amortised cost.

Exchange rate differences are recognised in the statement of income under "Foreign exchange gains and losses", in the case of monetary financial assets, and under "other comprehensive income", in the case of non-monetary financial assets.

In the case of debt instruments, impairment losses or gains from their recovery are recognised in the statement of income under the heading "Impairment for other financial assets net of reversals and recoveries".

The remaining changes in value are recognised in other comprehensive income.

Thus, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the year are the same as those that would have been recognised if measured at amortised cost.

When a debt instrument valued at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recorded in other comprehensive income is reclassified to profit or loss for the period. On the other hand, when a capital instrument valued at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recorded in other comprehensive income is not reclassified to the profit and loss account, but rather remains under a heading of reserves.

1.3.6. RECLASSIFICATION BETWEEN CATEGORIES OF FINANCIAL INSTRUMENTS

Only if the Bank decided to change its business model to the management of financial assets, would it reclassify all financial assets affected in accordance with the requirements of IFRS 9. This reclassification would be carried out prospectively, from the date of reclassification. According to IFRS 9, changes in business model are expected to occur infrequently. Financial liabilities cannot be reclassified between portfolios.

1.3.7. FAIR VALUE

The methodology used to determine the fair value of securities used by the Bank is as follows:

- Average trading price on the day of calculation or, where not available, the average trading price on the previous business day;
- Net probable realisable value obtained through adoption of the internal valuation technique or model;
- Price of a similar financial instrument, taking into account, at least, payment and maturity terms, credit risk and currency or index; and
- Price defined by the National Bank of Angola.

1.3.8. MODIFICATION OF CREDITS

The Bank occasionally renegotiates or modifies contractual cash flows from customer loans. In this situation, the Bank assesses whether the new terms of the contract are substantially different from the original terms.

The Bank makes this analysis considering the following factors, among others:

- If the debtor is in financial difficulties, if the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- If any significant new term has been introduced, such as profit sharing or "*equity-based return*", which substantially affects credit risk;
- Significant extension of the maturity of the contract when the debtor is not in financial difficulties;
- Significant change in the interest rate;
- Change in the currency in which the loan was agreed; and
- Inclusion of collateral, a guarantee or other improvement associated with credit, which significantly affects the credit risk associated with the loan.

If the terms of the contract are significantly different, the Bank don't recognises the original financial asset and recognises the new asset at fair value, calculating its new effective interest rate. The renegotiation date is considered the initial recognition date for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the newly recognised financial asset is impaired at initial recognition, especially where the renegotiation is related to the fact that the debtor has not made the payments originally agreed. Differences in the accounting amount are recognised in profit or loss, as a derecognition gain or loss.

If the terms of the contract are not significantly different, the renegotiation, or modification, does not result in derecognition and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a gain or loss from this modification in profit or loss. The new gross carrying amount is recalculated discounting the modified cash flows at the original effective interest rate (or adjusted effective interest rate, for impaired financial assets, originated or acquired).

1.3.9. DERECOGNITION THAT DOES NOT RESULT FROM A MODIFICATION

The transferred financial assets are not recognised where the associated cash flows cease to exist, are charged or disposed of to third parties and (i) the Bank transfers substantially all the risks and rewards associated with holding the asset, or (ii) the Bank neither transfers nor substantially holds all the risks and rewards associated with holding the asset, and does not have control over the asset. Gains and losses obtained on the disposal of Customer loans on a definitive basis are recorded under Other operating income. These gains or losses correspond to the difference between the fixed sale value and the book value of those assets, net of impairment losses.

The Bank participates in transactions in which it holds the contractual right to receive cash flows from assets, but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all risks and rewards.

These transactions result in the asset being derecognised if:

- There is no obligation to make payments, unless equivalent amounts of assets are received;
- The Bank is prohibited from selling or pledging the assets; and
- There is an obligation to remit any cash flow received from assets without material delays.
- The guarantees granted by the Bank (shares and bonds) through repurchase agreements and security lending and borrowing operations are not derecognised because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus the non-recognition criteria are not observed.

Financial liabilities are not recognised where the underlying obligation is settled, expires or is cancelled.

1.3.10. WRITE-OFF POLICY

The Bank writes off financial assets, in whole or in part, at the time when it concludes that there is no reasonable expectation of receipt, leading to an extreme scenario of total impairment. The indicators that demonstrate that there is no reasonable expectation of receipt are (i) winding down of the activity and (ii) cases in which the recovery depends on the receipt of collateral, but in which the value of the collateral is so low that there is no reasonable expectation of fully recovering the asset.

The rules implemented for the selection of loans that may be written off from assets are as follows:

- Credits cannot have collateral attached;
- Loans must be fully closed (recorded as non-performing loans in full and with no outstanding debt);
- Credits cannot have the mark of non-performing renegotiated loans, or be involved under an active payment agreement.

1.3.11. IMPAIRMENT OF FINANCIAL ASSETS

Impairment losses are recognised for all financial assets, except for assets classified or designated at fair value through profit or loss and equity instruments designated at fair value through other comprehensive income. Assets subject to impairment assessment include those belonging to the customer loan portfolio, debt instruments and investments and deposits with other credit institutions. The impairment losses are recognised through profit and loss and are subsequently reversed through profit and loss if there is a reduction in the estimated loss in a subsequent year.

Off-balance sheet items, such as financial guarantees and unused credit commitments, are also subject to impairment assessment.

At each reporting date, impairment is measured according to the three-stage model of expected credit losses:

STAGE 1 – From initial recognition and until the time at which there is a significant increase in credit risk, impairment is recognised in the amount of the expected credit losses if the default occurs in the 12 months following the reporting date.

STAGE 2 – After the significant increase in credit risk compared to the initial date of recognition of the financial asset, impairment is recognised in the amount of expected credit losses for the remaining period of the financial asset.

STAGE 3 - For financial assets considered to be credit impairment, impairment is recognised in the amount of expected credit losses for the remaining period of the financial asset.

The criteria considered to assess the significant increase in credit risk are those referred to in National Bank of Angola Instruction 8/2019.

Impairment losses are an estimate, weighted by probability, of the reductions in the value of cash flows resulting from default over the relevant timescale. For credit commitments, the expected credit loss estimates consider a part of the limit that is expected to be used over the relevant period. For financial guarantees, credit loss estimates are based on the payments expected under the guarantee contract.

The increases and decreases in the amount of impairment losses attributable to acquisitions and new originations, non-recognition or maturity, and remeasurements due to changes in the expectation of loss or the transfer between stages, are recognised through profit and loss.

Impairment losses represent an unbiased estimate of expected credit losses on financial assets at the balance sheet date.

Judgment is considered in the definition of assumptions and estimates in the calculation of impairment, which may result in changes in the amount of the provision for impairment losses from period to period.

Regarding the balances of "Cash and cash equivalents at other credit institutions", the *rating* of the entity is ascertained, or where this is not available, the rating of the country where it is based.

Based on *Moody's* study "*Sovereign default and recovery rates,* 1984-2021" the Probability of *Default* (PD) is considered for companies in the entity's rating notation and the *Loss Given Default* (LGD) associated with verified sovereign *default* events, as indicated in the same study (60%).

Regarding the balances of "Investments at amortised cost", Angolan public debt securities in domestic currency, the risk parameters applicable to Angola's risk rating, as published in the same study, are also used.

The expected credit losses are discounted for the reporting date using the effective interest rate.

ASSESSMENT OF SIGNIFICANT INCREASE IN CREDIT RISK

The identification of a significant increase in credit risk requires significant judgments. The movements between Stage 1 and Stage 2 are based, whenever possible, on comparing the instrument's credit risk at the reporting date with the credit risk at the time of origination.

The assessment is generally carried out at the instrument level, but it may consider information at the debtor level.

This assessment is carried out at each reporting date based on a set of indicators of a qualitative and/or quantitative non-statistical nature. Instruments with a delay of more than 30 days are generally considered to have seen a significant increase in credit risk. In 2020, the Bank supplemented its assessment of the existence of signs of a significant increase in credit risk, based on the qualitative and quantitative information available from its customers, in order to assess the effect of the COVID-19 pandemic.

DEFINITION OF *DEFAULT*

The definition of *default* was developed taking into account the risk management processes, namely the component of credit recovery, as well as best international practice in this area. The definition of *default* considers both qualitative and quantitative factors. The criteria for *default* are applied at the operation level among private customers, and at the debtor level for corporate customers. *Default* will occur when there are more than 90 days of delay and/or when it is considered less likely that there will be full fulfilment of obligations by the debtor, for example due to the existence of reduced capital or multiple restructuring of credit operations. The definition of *default* is applied consistently from period to period.

The criteria considered for classifying a transaction in *default* are those referred to in National Bank of Angola Instruction 8/2019.

COLLECTIVE ANALYSIS

Loans that are assessed collectively are grouped based on similar risk characteristics, taking into account the type of customer, the sector, the type of product, existing collateral, the status of delay and other relevant factors.

The collective impairment reflects: (i) the expected value of capital and interest that will not be recovered, and (ii) the impact of delays in the recovery of capital and interest (time value of money).

Given the lack of history with significantly statistical observations, the risk parameters determined are based on a *benchmark* analysis of Angolan financial institutions that have already adopted IFRS 9, and whose parameters were determined based on the experience of historical loss in comparable operations with similar characteristics of credit risk, adjusted for the current economic situation and future expectations. The time value of money is directly incorporated into the calculation of the impairment of each operation.

INDIVIDUAL ANALYSIS

The assessment of the existence of impairment losses on an individual basis is determined by analysing the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Bank assesses, at each balance sheet date, the existence of objective evidence of impairment.

The materiality criteria indicated for the identification of individually significant economic groups by the Bank are 0.5% of the amount of Own Funds.

The global amount of exposure for each customer/economic group does not consider the application of conversion factors for off-balance sheet exposures.

In determining the impairment losses, in individual terms, the following factors are taken into account:

- The total exposure of each customer to the Bank and the existence of non-performing loans;
- The economic and financial viability of the customer's business and his ability to generate sufficient means to deal with debt service in the future;
- The existence, nature and estimated value of the collateral associated with each loan;
- The customer's assets in situations of liquidation or bankruptcy;
- The existence of privileged creditors;
- The customer's indebtedness to the financial sector;
- The amount and estimated recovery periods; and
- Other factors.

Impairment losses are calculated by comparing the present value of expected future cash flows discounted at the original effective interest rate of each contract and the book value of each loan, with the losses being recorded through profit and loss.

The book value of impaired loans is shown in the net balance of impairment losses. For loans with a variable interest rates, the discount rate used corresponds to the effective annual interest rate, applicable in the period in which the impairment was determined.

1.4. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank may carry out derivative financial instrument operations within the scope of its activity, managing its own positions based on expectations of market developments or meeting the needs of its customers.

All derivative instruments are recorded on the date of their trading at fair value and changes in fair value are recognised in profit and loss, unless they qualify as cash flow hedges or net investment in foreign operating units. Derivatives are also recorded in off-balance sheet accounts at their reference value (notional value).

Derivative financial instruments are classified as for *hedging* (provided that all designation conditions are met) or for trading, depending on their purpose.

HEDGING DERIVATIVES

The Bank decided to continue to apply the hedge accounting requirements provided for in IAS 39 at the time of first adoption of IFRS 9, as provided for in the latter standard.

The Bank designates derivatives and other financial instruments to hedge the interest rate and foreign exchange risk resulting from its business. Derivatives that do not qualify for hedge accounting are recorded as being for trading.

Hedging derivatives are recorded at fair value and gains or losses resulting from revaluation are recognised in accordance with the adopted hedge accounting model.

A hedging relationship exists when:

- At the beginning of the relationship, there is formal documentation of the hedging;
- The hedging is expected to be highly effective;
- The effectiveness of the hedging can be reliably measured;
- The hedging is assessed on an ongoing basis and effectively determined to be highly effective over the financial reporting period; and
- Regarding the hedging of an anticipated transaction, this is highly probable and presents an exposure to changes in cash flows that could ultimately affect results.

According to IFRS 9, for the effectiveness requirement to be met:

- There must be an economic relationship between the hedged item and the hedging instrument;
- The counterparty credit risk of the hedged item or hedging instrument should not have a dominant effect on changes in value resulting from that economic relationship; and
- The hedge ratio of the hedge accounting relationship, understood as the part of the item hedged by the hedging instrument, must be the same as the hedge ratio used for management purposes.

When a derivative financial instrument is used to hedge foreign exchange variations of monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated with the derivative is recognised in profit or loss for the year, as well as changes in the foreign exchange risk of the underlying monetary elements.

FAIR VALUE HEDGE
Changes in the fair value of derivatives that are designated and that qualify as a fair value hedge are recorded in the statement of income, together with changes in the fair value of the asset, liability or group of assets and liabilities to be covered with respect to the hedged portion of the exposure. If the hedge relationship no longer meets the requirements of hedge accounting, the derivative financial instrument is transferred to the trading category and hedge accounting is subsequently discontinued (the adjustment made to the carrying amount of a hedge instrument, in which the effective interest rate method is used, is amortised through profit and loss for the period until its maturity and recognised in net interest income).

If the hedged asset or liability corresponds to a fixed income instrument, the accumulated gains or losses due to changes in the interest rate risk associated with the hedging item up to the date of the hedge discontinuation are amortised through profit or loss over the remaining period of the hedged item.

CASH FLOW HEDGE
Changes in the fair value of derivatives, which qualify for cash flow hedges, are recognised in equity - cash flow reserves - in the effective part of the hedge relationships. Changes in the fair value of the ineffective portion of hedge relationships are recognised through profit and loss, at the time at which they occur.

The amounts accumulated in equity are reclassified to profit and loss for the year in the periods in which the hedged item affects results.

When the hedging instrument is not recognised, or when the hedge relationship no longer meets the hedge accounting requirements or is revoked, the hedge relationship is discontinued prospectively. Accordingly, changes in fair value accumulated in equity up to the date of the discontinuation of the hedge may be:

- Deferred for the remaining term of the hedged instrument; or
- Recognised immediately in profit and loss for the year, where the instrument hedged has been terminated.

In the case of the discontinuation of a hedge relationship for a future transaction, the changes in the derivative's fair value recorded in equity remains recognised there until the future transaction is recognised in profit and loss. Where the transaction is no longer expected to occur, the accumulated gains or losses recorded against equity are immediately recognised in profit and loss.

At 31 December 2021 and 2020, the Bank did not have any hedge derivatives.

1.5. OTHER TANGIBLE ASSETS

Other tangible assets are recorded at cost less the respective accumulated amortisation and impairment losses. The cost includes expenses that are directly attributable to the acquisition of the goods and indispensable for rendering them fit for use.

Subsequent costs are recognised as a separate asset only if it is probable that future economic benefits will flow to the Bank. Maintenance and repair expenses are recognised as costs as they are incurred in accordance with the accruals principle.

Depreciation is calculated over the estimated useful lives of the assets, which corresponds to the period in which the assets are expected to be available for use. The estimated useful lives of the Bank's main classes of tangible assets are as follows:

	YEARS OF USEFUL LIFE
Premises	25
Works on leased properties	10 to 15
Equipment	
Safety equipment	8 to 15
Furniture and material	8 to 12
Interior fittings	3 to 8
Machines and tools	3 to 8
Transport equipment	4
Computer equipment	3 to 6
Other Equipment	3 to 8

In accordance with IAS 36 - Impairment of assets, when an asset has evidence of impairment, its recoverable value must be estimated, and an impairment loss must be recognised whenever the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the statement of income.

1.6. INTANGIBLE ASSETS

Intangible assets essentially correspond to *software* (automatic data-processing systems).

Intangible assets are recorded at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, which corresponds, on average, to a period of 3 years.

Software maintenance expenses are recorded as costs in the year in which they are incurred, and the development of computer applications by means of which future economic benefits are expected to be generated for over one year are recognised and recorded as intangible assets.

1.7. FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Pursuant to IAS 29 - Financial reporting in hyperinflationary economies ("IAS 29"), financial institutions must, in case of hyperinflation, consider monthly the effects of changes in the purchasing power of the domestic currency, based on the application of the Consumer Price Index to capital balances, reserves and retained earnings. The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be expressed in terms of the measurement unit current at the balance sheet date. Hyperinflation is indicated by the characteristics of the economic environment of a country which includes, but is not limited to, the following situations:

- The general population prefers to keep their wealth in non-monetary assets or in relatively stable foreign currency. Amounts of domestic currency held are immediately invested to maintain purchasing power;
- The general population regards monetary amounts in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over 3 years approaches, or exceeds, 100%.

The amount resulting from the monetary restatement shall be reflected monthly in the statement of income under the account "Gain or loss on the net monetary position", as a contra entry to the increase in equity balances, except for the caption "Share Capital", which should be classified under a specific caption ("Revaluation reserves"), which can only be used for a subsequent capital increase.

As the Angolan Banking Association ("ABANC") and the National Bank of Angola ("BNA") have expressed an interpretation that not all the requirements of IAS 29 - Financial reporting in hyperinflationary economies ("IAS 29") have been fulfilled in order for the Angolan economy to be considered hyperinflationary during the years ended 31 December 2018 and 2017, so the Board of Directors decided not to apply the provisions of IAS 29 to its financial statements for the years ended on those dates. In 2019 and 2020, Angola was no longer considered a hyperinflationary economy.

1.8. INCOME TAXES

Total tax on profits recorded in profit or loss includes current tax and deferred tax.

CURRENT TAX

Current tax is calculated based on the taxable profit for the year, which differs from the accounting result due to adjustments to the tax base resulting from costs or income not relevant for tax purposes, or which will only be considered in future years according to the applicable tax laws (Corporation Tax Code).

DEFERRED TAX

Deferred taxes correspond to the impact on tax recoverable/payable in future years resulting from deductible or taxable temporary differences between the balance sheet value of assets and liabilities and their tax base used in determining taxable profit. Deferred taxes are calculated based on the prevailing tax rate, or the one officially communicated at the financial reporting date, and which is estimated to be applicable on the date of realisation of the deferred tax assets or on the date of payment of the deferred tax liabilities.

Deferred tax liabilities are normally recorded for all taxable temporary differences, whereas deferred tax assets are only recognised up to the amount in which it is probable that future taxable profits will exist that will allow the use of the corresponding deductible temporary differences or the tax loss carryback. Additionally, no deferred tax assets are recorded in cases where their recoverability may be questionable due to other situations, including questions of interpretation of prevailing tax law.

CORPORATION TAX

As of 31 December 2020, the Bank is subject to Corporation Tax, being considered for tax purposes a Group A taxpayer.

The Corporation Tax Code determines that income subject to Capital Investment Tax ("IAC") shall be deducted for the purpose of determining taxable profit for Corporation Tax, and the IAC does not constitute a tax deductible cost.

Income from Treasury Bonds and Treasury Bills, issued by the Angolan State after 1 January 2013 is subject to IAC at the rate of 10% (5% in the case of debt securities admitted to trading on a regulated market and that have a maturity of three years or more) and Corporation Tax, in the case of gains or losses obtained (including any exchange rate revaluations on the capital component). Income subject to IAC is excluded from Corporation Tax.

On 20 July 2020, Law 26/2020 was published, amending the Corporation Tax Code. This change provides for an increase in the rate of Corporation Tax levied on banking sector activities to 35%, applicable in 2020 and following. Likewise, the reporting period for tax losses was increased to 5 years, and changes were made to the tax treatment of exchange variations and the tax deductibility of provisions, in order to determine that impairment losses on secured credits are not deductible for tax purposes, except for the unguaranteed portion.

TAX ON CAPITAL EXPENDITURE ("IAC")

The new IAC code, approved by Presidential Legislative Decree 02/2015, of 20 October, entered into force on 19 November 2014.

The IAC is generally charged on income from the Bank's financial investments. The rate varies between 5% (in the case of interest received on debt securities that are admitted to trading on a regulated market and that have a maturity of three years or more) and 10%. Without prejudice to the above, with regard to the yield of public debt securities, according to the understanding of the Tax Authorities and the National Bank of Angola addressed to the Angolan Banking Association (letter from the National Bank of Angola, dated 26 September 2013), only those arising from securities issued on or after 1 January 2013 are subject to this tax.

On 1 August 2013, the BNA began the process of automating the withholding of Tax on Capital Expenditure, in accordance with the provisions of Presidential Legislative Decree 05/11, of 30 December.

After 1 January 2015, IAC ceased to be a payment on account of Corporation Tax, the respective income being excluded from taxation under Corporation Tax. In general, IAC is levied on the yields of the bonds identified above, and is withheld at source by the Bank. For these reasons, the Bank considers that, under the IFRS, the conditions for considering IAC as an income tax are met.

VALUE ADDED TAX ("VAT")

Law 07/19 introduced VAT, which has been in force since 1 October 2019, revoking the Consumption Tax (IC) Regulation and introducing significant amendments to the Stamp Duty Code (IS), which enunciates that customs operations, financing operations, insurance operations and reinsurance operations that are subject to VAT shall be exempt of IS. IS on receipts is also revoked.

14% VAT RATE

The established VAT regime has some particularities, such as the captivity system. Under this system, the Bank acts as a captive agent for 50% of the VAT paid by its suppliers, with some exceptions.

With regard to the services provided, the Bank is obliged to settle VAT on fees charged to customers and is exempt from paying VAT on some of the transactions, such as interest.

Because it simultaneously carries out taxed and non-taxable transactions that give it the right of deduction and exempt transactions that restrict this right, the Bank may only deduct the VAT incurred upstream with the acquisition of goods and services in proportion to the transactions that confer that right.

The Bank is also required to comply with billing rules under the Legal Arrangements for Invoices and Equivalent Documents (RJFDE), in force since April 2019. In this context, the Bank issues generic invoices through *software* certified by the AGT.

PROPERTY TAX

Property Tax is levied on the asset value of the properties used for the Bank's normal activity, in accordance with the following conditions: *(i)* properties with an equity value of less than 5 000 tAKZ shall apply at a rate of 0.1%, *(ii)* properties with an equity value between 5,000 tAKZ and 6,000 tAKZ, a fixed Property Tax amount of 5 tAKZ must be paid or *(iii)* properties with an equity value greater than 6,000 tAKZ must be applied at a rate of 0.5%.

OTHER TAXES

The Bank is also subject to indirect taxes, specifically customs duties, Stamp Duty, Consumption Tax, as well as other taxes.

1.9. PROVISIONS AND CONTINGENCIES

A provision is recognised where there is a present obligation (legal or constructive) resulting from past events for which the future expenditure of resources is likely and can be reliably determined. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle the liability at the balance sheet date.

If the future expenditure of resources is unlikely, it is a contingent liability, and these will be disclosed in accordance with the requirements of IAS 37 - "Provisions, contingent liabilities and contingent assets".

Provisions are reviewed at the end of each reporting date and adjusted to reflect their best estimate, reversed in the statement of income in proportion to the payments that are unlikely. Provisions are not recognised through their use for the obligations for which they were initially constituted or in cases where they are no longer observed.

1.10. RECOGNITION OF INTEREST

Profit or loss relating to interest on financial assets and liabilities measured at amortised cost are recognised under the headings interest and similar income or interest and similar charges (net interest income), using the effective interest rate method. Interest at the effective rate of financial assets available for sale is also recognised under net interest income, as well as financial assets and liabilities at fair value through profit or loss.

The effective interest rate corresponds to the rate that discounts estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, for a shorter period) to the net present balance sheet value of the financial asset or liability.

For the determination of the effective interest rate, the Bank estimates future cash flows taking into account all contractual terms of the financial instrument (for example, prepayment options), disregarding any impairment losses. The calculation includes commissions paid or received which are considered to be an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except for financial assets and liabilities at fair value through profit or loss.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognised, the interest recognised in profit or loss is determined based on the interest rate used to discount future cash flows in the measurement of the impairment loss.

Interest income recognised in profit or loss associated with contracts classified as being at Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross balance sheet value, which corresponds to its amortised cost, before deduction of the respective impairment. For financial assets included in Stage 3, interest is recognised in profit or loss based on its book value net of impairment.

Interest is recognised on a prospective basis, i.e. for financial assets that enter Stage 3, interest is recognised on the amortised cost (net of impairment) in subsequent years.

For derivative financial instruments, with the exception of those that are classified as interest rate risk hedging instruments, the interest component is not autonomous from changes in its fair value, and is classified as Profit or loss from assets and liabilities measured at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognised under the *Fair Value Option* category, the interest component is recognised under interest and similar income or under interest and similar charges (net interest income).

1.11. RECOGNITION OF DIVIDENDS

Dividends (income from equity instruments) are recognised through profit or loss when the right to receive them is attributed.

1.12. RECOGNITION OF INCOME FROM SERVICES AND FEES

Income from services and fees is recognised in accordance with the following criteria:

- When it is obtained as services are rendered, it is recognised in profit or loss over the period to which it relates;
- When it results from a provision of services, recognition occurs when that service has been completed.
- When it forms an integral part of the effective interest rate of a financial instrument, income from services and fees is recorded under net interest income.

1.13. FIDUCIARY ACTIVITIES

Assets held under the scope of fiduciary activities are not recognised in the Bank's financial statements. The results obtained with services and commissions from these Activities are recognised in the statement of income in the period in which they occur.

1.14. RESULTS FROM FINANCIAL OPERATIONS

Results from financial operations includes gains and losses generated by financial assets and liabilities at fair value through profit or loss, including embedded derivatives and dividends associated with these portfolios.

These results also include gains on the sale of financial assets at fair value through other comprehensive income and financial assets at amortised cost. Changes in the fair value of hedging derivatives and hedged instruments, where applicable to fair value hedge relationships, are also recognised here.

1.15. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of own shares held by the Bank.

For diluted earnings per share, the average number of ordinary shares outstanding is adjusted to reflect the effect of all potential ordinary shares treated as dilutive. Contingent or potential issues are treated as dilutive when their conversion to shares decreases earnings per share.

If the earnings per share are changed as a result of shares being issued at a premium or discount, or another event that changes the potential number of ordinary shares or changes in accounting policies, the calculation of earnings per share for all periods presented is adjusted retrospectively.

1.16. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months from the balance sheet date, which include "Cash and deposits at Central Banks" and "Cash balances at other credit institutions".

1.17. FINANCIAL GUARANTEES AND COMMITMENTS

Financial guarantees are contracts that oblige the Bank to make specific payments in order to reimburse the holder for a loss incurred as a result of a debtor's failure to pay.

Commitments are firm commitments with the aim of providing loans under predetermined conditions.

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below market value are initially recognised at fair value, with the initial fair value being amortised over the useful life of the guarantee or commitment. Subsequently, the liability is recorded at the higher of the written down value and the present value of any payment expected to be settled.

1.18. ASSETS ASSIGNED WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

Securities sold with a repurchase agreement (*repos*) for a fixed price, or for a price that equals the sale price plus interest inherent to the term of the transaction, are not unknown in the balance sheet. The corresponding liability is recorded in amounts payable to other credit institutions or customers, as appropriate. The difference between the purchase price and the repurchase value is treated as interest, and is deferred over the life of the agreement, using the effective rate method.

Securities purchased with *reverse repos* for a fixed price, or for a price that equals the purchase price plus interest inherent to the term of the transaction, are not recognised in the balance sheet, with the purchase value being recorded as loans to other credit institutions or customers, as appropriate. The difference between the purchase price and the resale value is treated as interest and is deferred over the life of the agreement, using the effective rate method.

Securities transferred through loan agreements are not recognised in the balance sheet, being classified and valued in accordance with the accounting policy referred to in Note 2.3. Securities received through loan agreements are not recognised in the balance sheet.

1.19. ASSETS RECEIVED DUE TO CREDIT RECOVERY

The Bank classifies properties held for credit recovery under the heading Non-current assets held for sale where there is an expectation of sale within a maximum period of one year, and under the heading Other assets where this period has passed. The properties are initially measured at the lower of the fair value less selling costs and the book value of the credit existing on the date the pledge was made or the judicial forced sale of the property.

The valuations of these properties are carried out according to one of the following methodologies, applied according to the specific situation of the property:

A) MARKET METHOD
The Market Comparison Criterion refers to transaction values for properties similar and comparable to the property under study obtained through market research carried out in the area.

B) INCOME METHOD
This method aims to estimate the value of the property based on the capitalisation of its net income, updated to the present time, using the discounted cash flow method.

C) COST METHOD
The Cost Method is a criterion that breaks down the value of property into its fundamental components: the value of the urban land and the value of its urban status; construction value; and value of indirect costs.

The valuations carried out are conducted by independent entities specialised in this type of service. The appraisal reports are analysed internally to assess the suitability of the processes, comparing the sale values with the revalued values of the properties.

2

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

The International Financial Reporting Standards define a set of accounting treatments under which the Board of Directors makes judgments and the necessary estimates to decide which accounting treatment is most appropriate.

The critical accounting estimates and judgments used in applying the accounting principles presented in this Note are intended to facilitate understanding regarding their application and how it affects the results reported by the Bank and the related disclosures. A description of the critical accounting policies used by the Bank is presented in Note 2 to the financial statements.

With respect to the results disclosed by the Bank, since in many situations there are alternatives to the accounting treatment used, if the Bank opted for another treatment, the results could be different. The Board of Directors considers that the choices made are appropriate and that the financial statements present fairly and appropriately the Bank's financial position and the results of its operations in all material respects.

2.1. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of contractual cash flow characteristics to determine whether they correspond solely to capital payments and interest on capital outstanding) and the definition of the business model, for managing these cash flows.

The Bank determines the business model by considering how the groups of financial assets are managed together to achieve a specific business objective.

This valuation requires judgment, as, among others, the following aspects need to be considered: how the performance of the assets is assessed, the risks that affect the performance of the assets and how those risks are managed, and the form of remuneration of asset managers.

The Bank monitors financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to maturity, to understand the reasons underlying their disposal and to determine whether they are consistent with the objective of the business model defined for those assets.

This monitoring forms part of the Bank's ongoing assessment of the business model of the financial assets remaining in its portfolio to determine whether it is appropriate and, if not, whether there has been a change in the business model, and therefore a prospective change in the classification of these financial assets (Notes 7, 8 and 9).

2.2. FAIR VALUE OF FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE

Fair value is based on quoted market prices, where available, and in their absence, it is determined based on the use of prices of similar recent transactions and carried out under market conditions, or using valuation methodologies based on discounted future cash flow techniques considering market conditions, extrinsic value, the profitability curve and volatility factors. These methodologies may require the use of assumptions or judgements in the estimation of fair value.

Consequently, the use of different methodologies or different assumptions or judgements in the application of a certain model may give rise to financial results different from those reported in Note 7.

2.3. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS AT AMORTISED COST

The determination of impairment losses for financial instruments involves judgments and estimates regarding the following aspects, among others:

SIGNIFICANT INCREASE IN CREDIT RISK

Impairment losses correspond to losses expected in the event of default within a 12-month time frame for assets in stage 1 of impairment, and losses expected taking into account the probability of a default event occurring at some point up to the maturity date of the financial instrument for the assets in stages 2 and 3.

An asset is classified as stage 2 whenever there has been a significant increase in the respective credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers reasonable and sustainable qualitative and quantitative information.

LOSS GIVEN DEFAULT

This corresponds to an estimate of the loss in a scenario of default. It is based on the difference between the contractual cash flows and those the Bank expects to receive through cash flows managed by the customer's business or credit collateral. Among other things, the calculation of the estimated loss due to default is based on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of collateral associated with the credit operations.

Considering that no statistically representative historical data were available regarding the behaviour of transactions that would allow reliable calculation of the risk factors (Probability of *Default* (PD) and *Loss Given Default* (LGD)), the Bank conducts comparative market analysis to determine the impairment rates associated with the customer loan portfolio on each reference date. Alternative methodologies and the assessment of other assumptions and estimates could result in levels different from the impairment losses recognised and presented in Notes 6, 8 and 9.

2.4. TAXES ON PROFITS

In order to determine the overall amount of taxes on profits, it was necessary to make certain interpretations and estimates. There are various transactions and calculations for which the determination of the final amount of tax payable is uncertain during the ordinary course of business.

At 31 December 2021 and 2020 The Corporation Tax was determined based on the tax legislation in force for taxpayers classified in Group A for tax purposes.

The Bank's Board of Directors reflected in the Financial Statements of 31 December 2021 and 2020 its interpretation and amendments resulting from the entry into force of Law 26/2020 regarding the tax treatment of exchange rate variations and impairment losses for guaranteed credits.

Other interpretations and estimates could result in a different level of tax on current and deferred profits recognised in the period and presented in Note 11.

The Tax Authorities may review the calculation of the tax base carried out by the Bank within a period of five years. Therefore, corrections to the tax base are possible, mainly resulting from differences in the interpretation of the tax legislation, which by its probability, the Board of Directors considers will not have a material effect in terms of the financial statements.

3

CASH AND CASH BALANCES AT CENTRAL BANKS

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
CASH	1 681 120	1 818 984
Notes and coins in local currency	1 399 556	1 008 440
Notes and coins in foreign currency		
In Euros (EUR)	33 441	700 764
In Namibian Dollars (NAD)	104	133
In US Dollars (USD)	247 758	109 315
South African Rand (ZAR)	261	332
DEMAND DEPOSITS WITH THE NATIONAL BANK OF ANGOLA	12 942 193	14 566 481
In domestic currency	9 215 656	12 674 733
In Euros (EUR)	3 726 537	1 891 748
TOTAL	14 623 313	16 385 465

Demand deposits at the BNA in domestic and foreign currency are intended to comply with the provisions in force regarding the maintenance of mandatory reserves and are not remunerated.

At 31 December 2021, the mandatory reserves are calculated in accordance with the provisions of BNA Instruction 02/2021, of 10 February 2021, and BNA Directive 07-DMA-2021 and 05-DMA-2021, of 06 October 2020.

At 31 December 2020, the mandatory reserves are calculated in accordance with the provisions of BNA Instruction 16/2020, of 06 October 2020, and BNA Directive 04/2020, of 06 October 2020.

At 31 December 2021, the requirement to maintain mandatory reserves is determined by applying a rate of 22% (2020: 22%) on the arithmetic average of eligible liabilities in domestic currency and a rate of 22% (2020: 17%) on the arithmetic average of eligible liabilities in foreign currency.

With regard to mandatory reserves in domestic currency, BNA Directive 05/2021 provides that balances in deposit accounts in domestic currency opened at the National Bank of Angola in the name of each banking financial institution are eligible.

BNA Directive no. 07/2021 For the fulfilment of mandatory foreign currency reserves, the following assets are eligible:

- Balances of deposit accounts in foreign and domestic currency opened at the National Bank of Angola in the name of each banking financial institution, less that corresponding to 100% of the deposits in the name of the Central Government maintained on the books of the banking financial institution; and

- Treasury Bonds in foreign currency belonging to the own portfolio registered with SIGMA and issued from 2015, up to 50% of the effective enforceable amount.

In order to comply with the required minimum reserves, the following are also eligible:

- 80% of the assets representing the value of credit disbursements in domestic currency, granted on the date of publication of the aforementioned Directive, to projects in the agriculture, livestock, forestry and fisheries sectors, provided that they have a residual maturity greater than or equal to 24 months;

- 100% of loans granted in accordance with Article 6 of Notice 10/2020, of 01 April, on the Granting of Loans to the Real Sector of the Economy, whatever the residual maturity.

4

CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
Cash balances at Other Credit Institutions Abroad	31 654 393	16 209 059
In Euros (EUR)	7 051 191	4 025 887
In US Dollars (USD)	24 289 374	11 745 850
In United Arab Emirates Dollars (AED)	153 469	237 964
South African Rand (ZAR)	160 359	199 358
Impairment for Cash and Cash Equivalents in CIU (Note 15)	(17 255)	(29 349)
Cheques receivable	820 000	-
Other	249 033	46 060
TOTAL	32 706 171	16 225 779

At 31 December 2021 and 2020, demand deposits held with other credit institutions were not remunerated. As of 31 December 2021, tAOA 3 888 881 of demand deposits were collateralising import documentary credit operations (2020: tAOA 972 464).

5

INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This item corresponds to short-term investments in the interbank money market and may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
INVESTMENTS IN CREDIT INSTITUTIONS IN THE COUNTRY	15 278 825	9 935 900
Interest accrued	72 673	38 114
Impairment losses (Note 15)	(18 960)	(56 478)
TOTAL	15 332 538	9 917 536

6

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance as of 31 December 2021 and 2020 refers entirely to the 0.9% interest in EMIS – Empresa Interbancária de Serviços, SARL (EMIS), in an amount of 68 203 tAOA, based on the amendments resulting from the 2018 shareholders' agreement. EMIS was established in Angola with the function of managing electronic means of payment and complementary services.

Following the 27th General Meeting of EMIS, held on 20 May 2016, at which the Bank's adhesion to the EMIS articles of association was approved, a 1.97% stake in EMIS' capital was acquired from the shareholder the National Bank of Angola.

IFRS 9 provides for alternatives to classify and measure the Bank's stake in EMIS, as it is a capital instrument and, therefore, equity instruments do not fall within the scope of SPPI, given that the cash flows generated do not correspond solely to capital and interest. Given this fact, equity instruments would be classified and measured at fair value through profit or loss. However, IFRS 9 allows an alternative, under which the Bank may irrevocably and upon initial recognition choose to classify and measure equity instruments at fair value through other comprehensive income. Based on this alternative, the Bank chose to recognise this interest at acquisition cost, thus considering that amount as an approximately reasonable and prudent reflection of the fair value of the equity instrument concerned.

7

INVESTMENTS AT AMORTISED COST

This caption may be broken down as follows:

AKZ'000

2021	AVERAGE INTEREST RATE	ACQUISITION COST	EXCHANGE RATE ADJUSTMENT	SUBTOTAL	INCOME RECEIVABLE	PREMIUM / DISCOUNT	GROSS VALUE	IMPAIRMENT	BALANCE SHEET VALUE
Treasury Bonds in Domestic Currency	16%	33 272 008	-	33 272 008	1 175 453	1 173 941	35 621 402	(454 603)	35 166 799
Treasury Bonds in Domestic Currency indexed to the USD	5%	813 442	499	813 941	17 233	(16 943)	814 231	(10 378)	803 853
TOTAL		34 085 450	499	34 085 949	1 192 686	1 156 998	36 435 633	(464 981)	35 970 652

AKZ'000

2020	AVERAGE INTEREST RATE	ACQUISITION COST	EXCHANGE RATE ADJUSTMENT	SUBTOTAL	INCOME RECEIVABLE	PREMIUM / DISCOUNT	GROSS VALUE	IMPAIRMENT	BALANCE SHEET VALUE
Treasury Bills	0%	462 695	-	462 695	17 671	-	480 366	(8 160)	472 206
Treasury Bonds in Domestic Currency	15%	14 888 839	-	14 888 839	358 205	-	15 247 044	(1 103 553)	14 143 491
Treasury Bonds in Domestic Currency indexed to the USD	6%	5 423 027	1 131 218	6 554 245	11 878	-	6 566 123	(71 574)	6 494 549
TOTAL		20 774 561	1 131 218	21 905 779	387 754	-	22 293 533	(1 183 287)	21 110 246

In the years 2021 and 2020, there was an increase in the balance of "Treasury bonds in domestic currency indexed to the USD", which results from the appreciation of the Kwanza against the United States Dollar observed over the course of the year, and investments in new bonds made by the Bank during the year and the change in the investment strategy from "Treasury Bonds in domestic currency indexed to the USD" to "Treasury Bonds in Domestic Currency".

At 31 December 2021 and 2020, securities in the portfolio, excluding income receivable, had the following structure, in accordance with the residual maturity dates:

AKZ'000

	31-12-2021	31-12-2020
From 1 to 3 years	35 970 652	9 981 154
From 3 to 5 years	-	2 805 835
Over 5 years	-	8 323 257
TOTAL	35 970 652	21 110 246

Note 29 presents the impairment requirements provided for in IFRS 9, analysed according to stage 1, 2 and 3.

The fair value and the breakdown by the fair value hierarchy of the investment portfolio at amortised cost in accordance with IFRS 13 is presented in Note 28.

8

CUSTOMER LOANS

This caption may be broken down as follows:

AKZ'000

DIVISION OF LOANS BY MAIN TYPE	31-12-2021	31-12-2020
MATURING CREDIT	20 411 168	17 225 539
Medium and long-term loans	17 115 487	13 060 600
Pledged current accounts	2 977 190	4 055 000
Overdrafts on demand deposits	446	3
Credit cards	318 045	109 936
NON-PERFORMING LOANS	274 577	977 981
Medium and long-term loans	274 577	963 064
Pledged current accounts	-	-
Overdrafts on demand deposits	-	14 917
Credit cards	-	-
TOTAL CREDIT GRANTED	20 685 745	18 203 520
INCOME RECEIVABLE	492 904	345 396
FEES ACCRUABLE	(50 972)	(32 792)
IMPAIRMENT	(931 198)	(927 949)
TOTAL	20 196 479	17 588 175

All credit operations granted are stated in domestic currency. As of 31 December 2021 and 2020, loans granted to customers bore interest at the average annual rate of 17% and 14%, respectively.

As disclosed in Note 26, as of 31 December 2021 and 2020, the Bank had credit operations with related entities in the amounts of tAOA 12 027 450 and tAOA 12 121 082, respectively.

Customer loans, excluding income receivable, have the following structure with respect to their residual maturity:

AKZ'000

	31-12-2021	31-12-2020
Up to 1 year	9 286 492	9 833 510
From 1 to 3 years	4 450 648	2 162 827
From 3 to 5 years	6 039 602	5 563 060
Over 5 years	909 003	644 123
TOTAL CREDIT GRANTED	20 685 745	18 203 520

As of 31 December 2021 and 2020, customer loans, excluding income receivable, have the following structure with respect to the type of interest rate:

AKZ'000

	31-12-2021	31-12-2020
Fixed Rate	12 367 232	12 989 502
Variable Rate	8 318 513	5 214 018
TOTAL CREDIT GRANTED	20 685 745	18 203 520

The determination of impairment for customer loans was carried out in accordance with the methodology described in Note 2.3. Note 29 presents the impairment requirements provided for in IFRS 9, analysed according to stage 1, 2 and 3.

The fair value of the customer loan portfolio is presented in Note 28.

As of 31 December 2021 and 2020, the loan portfolio shows the following concentration by sector of activity:

AKZ'000

2021	MATURING	OVERDUE	OFF-BALANCE SHEET	TOTAL EXPOSURE	RELATIVE WEIGHT	TOTAL IMPAIRMENT	TOTAL IMPAIRMENT /TOTAL EXPOSURE
COMPANIES							
Agriculture, livestock, hunting and forestry	-	-	-	-	0%	-	0%
Manufacturing industries	1 888 872	-	9 295 816	11 184 688	16%	(202 515)	2%
Construction	-	-	-	-	0%	-	0%
Wholesale and retail trade	13 693 478	271 643	39 625 500	53 590 621	76%	(1 340 367)	3%
Lodging and catering (restaurants and similar establishments)	-	-	-	-	0%	-	0%
Transport, storage and communications	715 699	-	-	715 699	1%	(8 434)	1%
Other collective, social and personal service activities	1 837 524	-	3 207 967	5 045 491	7%	(76 862)	2%
PRIVATE INDIVIDUALS							
Housing	753 125	-	-	753 125	28%	(31 631)	4%
Consumption	144 683	2 984	-	147 667	5%	(6 202)	4%
Other purposes	1 819 669	-	-	1 819 669	67%	(66 269)	4%
TOTAL	20 853 050	274 627	52 129 283	73 256 960		(1 732 280)	

AKZ'000

2020	MATURING	OVERDUE	OFF-BALANCE SHEET	TOTAL EXPOSURE	RELATIVE WEIGHT	TOTAL IMPAIRMENT	TOTAL IMPAIRMENT /TOTAL EXPOSURE
COMPANIES							
Agriculture, livestock, hunting and forestry	-	-	-	-	0%	-	0%
Manufacturing industries	2 001 218	-	3 133 823	5 135 941	19%	(166 466)	3%
Construction	-	-	1 764 407	1 764 407	7%	(26 162)	1%
Wholesale and retail trade	12 510 583	968 159	3 139 820	16 618 562	62%	(724 815)	4%
Lodging and catering (restaurants and similar establishments)	-	-	-	-	0%	-	0%
Transport, storage and communications	1 444 742	-	-	1 444 742	5%	(71 152)	5%
Other collective, social and personal service activities	662 966	-	1 369 181	2 032 147	8%	(28 739)	1%
PRIVATE INDIVIDUALS							
Housing	644 877	-	-	644 877	69%	(40 749)	6%
Consumption	156 314	9 149	-	165 463	18%	(6 759)	4%
Other purposes	115 925	2 191	-	118 116	13%	(548)	0%
TOTAL	17 536 625	979 499	9 407 231	27 923 355		(1 065 390)	

As of 31 December 2021 and 2020, the detail of exposures and impairment established by segment and by days of delay is as follows:

AKZ'000

EXPOSURE 31-12-2021	TOTAL EXPOSURE	PERFORMING LOANS	OF WHICH CURED	OF WHICH RESTRUCTURED	NON-PERFORMING LOANS	OF WHICH RESTRUCTURED
COMPANIES	18 407 216	18 135 573	-	-	271 643	-
Loans to companies	15 329 518	15 057 875	-	-	271 643	-
Credit cards	73 308	73 308	-	-	-	-
Pledged current accounts	3 004 026	3 004 026	-	-	-	-
Overdrafts on demand deposits	364	364	-	-	-	-
PRIVATE INDIVIDUALS	2 720 461	2 717 477	-	-	2 984	-
Loans to employees	273 592	270 608	-	-	2 984	-
Consumer credit	32 621	32 621	-	-	-	-
Mortgage Loans	629 215	629 215	-	-	-	-
Loans other purposes	1 784 951	1 784 951	-	-	-	-
Overdrafts on demand deposits	82	82	-	-	-	-
EQUITY EXPOSURE	21 127 677	20 853 050	-	-	274 627	-
Import Documentary Credits	50 848 197	50 848 197	-	-	-	-
Guarantees Provided	1 281 086	1 281 086	-	-	-	-
OFF-BALANCE SHEET EXPOSURE	52 129 283	52 129 283	-	-	-	-
TOTAL	73 256 960	72 982 333	-	-	274 627	-

AKZ'000

IMPAIRMENT 31-12-2021	TOTAL IMPAIRMENT	PERFORMING LOANS	NON-PERFORMING LOANS
COMPANIES	(827 096)	(555 453)	(271 643)
Loans to companies	(700 733)	(429 090)	(271 643)
Credit cards	-	-	-
Pledged current accounts	(126 363)	(126 363)	-
Overdrafts on demand deposits	-	-	-
PRIVATE INDIVIDUALS	(104 102)	(103 977)	(125)
Loans to employees	(10 428)	(10 303)	(125)
Consumer credit	(1 370)	(1 370)	-
Mortgage Loans	(26 427)	(26 427)	-
Loans other purposes	(65 877)	(65 877)	-
Overdrafts on demand deposits	-	-	-
EQUITY EXPOSURE	(931 198)	(659 430)	(271 768)
Import Documentary Credits	(773 322)	(773 322)	-
Credit cards	(22 161)	(22 161)	-
Current accounts	(4 829)	(4 829)	-
Guarantees Provided	(770)	(770)	-
OFF-BALANCE SHEET EXPOSURE	(801 082)	(801 082)	-
TOTAL	(1 732 280)	(1 460 512)	(271 768)

AKZ'000

EXPOSURE 31-12-2020	TOTAL EXPOSURE	PERFORMING LOANS	OF WHICH CURED	OF WHICH RESTRUCTURED	NON-PERFORMING LOANS	OF WHICH RESTRUCTURED
COMPANIES	17 587 669	16 619 510	-	-	968 159	-
Loans to companies	13 505 615	12 550 216	-	-	955 399	-
Pledged current accounts	4 069 294	4 069 294	-	-	-	-
Overdrafts on demand deposits	12 760	-	-	-	12 760	-
PRIVATE INDIVIDUALS	928 455	917 115	-	-	11 340	-
Loans to employees	262 071	254 065	-	-	8 006	-
Consumer credit	664 190	663 047	-	-	1 143	-
Overdrafts on demand deposits	2 194	3	-	-	2 191	-
EQUITY EXPOSURE	18 516 124	17 536 625	-	-	979 499	-
Import Documentary Credits	7 642 824	7 642 824	-	-	-	-
Guarantees Provided	1 764 407	1 764 407	-	-	-	-
OFF-BALANCE SHEET EXPOSURE	9 407 231	9 407 231	-	-	-	-
TOTAL	27 923 355	26 943 856	-	-	979 499	-

AKZ'000

IMPAIRMENT 31-12-2020	TOTAL IMPAIRMENT	PERFORMING LOANS	NON-PERFORMING LOANS
COMPANIES	(879 893)	(490 686)	(389 207)
Loans to companies	(758 783)	(370 686)	(388 097)
Pledged current accounts	(120 0500)	(120 000)	-
Overdrafts on demand deposits	(1 110)	-	(1 110)
PRIVATE INDIVIDUALS	(48 056)	(47 684)	(372)
Loans to employees	(8 674)	(8 350)	(324)
Consumer credit	(39 382)	(39 334)	(48)
Overdrafts on demand deposits	-	-	-
EQUITY EXPOSURE	(927 949)	(538 370)	(389 579)
Import Documentary Credits	(111 279)	(111 279)	-
Guarantees Provided	(26 162)	(26 162)	-
OFF-BALANCE SHEET EXPOSURE	(137 441)	(137 441)	-
TOTAL	(1 065 390)	(675 811)	(389 579)

At 31 December 2021 the parameters of the collective model by segment and *stage* were as follows:

	STAGE 1		STAGE 2		STAGE 3	
SEGMENT	PD	LGD	PD	LGD	PD	LGD
Affluent	9%	61%	68%	60%	100%	83%
Employee	6%	70%	85%	70%	100%	88%
Corporate	8%	64%	36%	67%	100%	83%
Companies	8%	64%	36%	67%	100%	83%
Large corporate	8%	64%	36%	67%	100%	83%
Private individual	6%	70%	85%	70%	100%	88%
Private	6%	70%	85%	70%	100%	88%

At 31 December 2020 the parameters of the collective model by segment and *stage* were as follows:

	STAGE 1		STAGE 2		STAGE 3
SEGMENT	PD	LGD	PD	LGD	LGD
Affluent	5%	59%	14%	59%	80%
Employees	6%	71%	44%	71%	91%
Companies	8%	64%	35%	64%	86%
Private individuals	6%	71%	44%	71%	91%
	6%	66%	34%	66%	87%

As of 31 December 2021 and 2020, there were no restructured operations in the Bank's loan portfolio.

The detail of the exposures and impairment constituted by segment, detailed by performing loans and non-performing loans, are presented as follows:

AKZ'000

TOTAL EXPOSURE 2021		PERFORMING LOANS		
		DAYS OVERDUE <30		
SEGMENT	TOTAL EXPOSURE	No evidence	With evidence	Subtotal
COMPANIES	18 407 216	18 135 573	-	18 135 573
Loans to companies	15 329 518	15 057 875	-	15 057 875
Credit cards	73 308	73 308	-	73 308
Pledged current accounts	3 004 026	3 004 026	-	3 004 026
Overdrafts on demand deposits	364	364	-	364
PRIVATE INDIVIDUALS	2 720 461	2 717 477	-	2 717 477
Loans to employees	273 592	270 608	-	270 608
Consumer credit	32 621	32 621	-	32 621
Mortgage Loans	629 215	629 215	-	629 215
Loans other purposes	1 784 951	1 784 951	-	1 784 951
Overdrafts on demand deposits	82	82	-	82
EQUITY EXPOSURE	21 127 677	20 853 050	-	20 853 050
Import Documentary Credits	50 848 197	50 848 197	-	50 848 197
Guarantees Provided	1 281 086	1 281 086	-	1 281 086
OFF-BALANCE SHEET EXPOSURE	52 129 283	52 129 283	-	52 129 283
TOTAL	73 256 960	72 982 333	-	72 982 333

AKZ'000

TOTAL EXPOSURE 2021	NON-PERFORMING LOANS		
SEGMENT	Between 30 and 90 days overdue	Days overdue <= 90	Days overdue > 90
COMPANIES	-	271 643	-
Loans to companies	-	271 643	-
Credit cards	-	-	
Pledged current accounts	-	-	-
Overdrafts on demand deposits	-	-	-
PRIVATE INDIVIDUALS	-	2 984	-
Loans to employees	-	2 984	-
Consumer credit	-	-	-
Mortgage Loans	-	-	-
Loans other purposes	-	-	-
Overdrafts on demand deposits	-	-	-
EQUITY EXPOSURE	-	274 627	-
Import Documentary Credits	-	-	-
Guarantees Provided	-	-	-
OFF-BALANCE SHEET EXPOSURE	-	-	-
TOTAL	-	274 627	-

AKZ'000

TOTAL IMPAIRMENT 2021	TOTAL IMPAIRMENT	PERFORMING LOANS	
SEGMENT		Days overdue < 30	Between 30 and 90 days overdue
COMPANIES	(827 096)	(555 453)	-
Loans to companies	(700 733)	(429 090)	-
Credit cards	-	-	-
Pledged current accounts	(126 363)	(126 363)	-
Overdrafts on demand deposits	-	-	-
PRIVATE INDIVIDUALS	(104 102)	(103 977)	-
Loans to employees	(10 428)	(10 303)	-
Consumer credit	(1 370)	(1 370)	-
Mortgage Loans	(26 427)	(26 427)	-
Loans other purposes	(65 877)	(65 877)	-
Overdrafts on demand deposits	-	-	-
EQUITY EXPOSURE	(931 198)	(659 430)	-
Import Documentary Credits	(773 322)	(773 322)	-
Guarantees Provided	(22 161)	(22 161)	-
Credit cards	(4 829)	(4 829)	
Current accounts	(770)	(770)	
OFF-BALANCE SHEET EXPOSURE	(801 082)	(801 082)	-
TOTAL	(1 732 280)	(1 460 512)	-

AKZ'000

TOTAL IMPAIRMENT 2021	NON-PERFORMING LOANS	
SEGMENT	Days overdue <= 90 days	Days overdue > 90 days
COMPANIES	(271 643)	-
Loans to companies	(271 643)	-
Credit cards	-	-
Pledged current accounts	-	-
Overdrafts on demand deposits	-	-
PRIVATE INDIVIDUALS	(125)	-
Loans to employees	(125)	-
Consumer credit	-	-
Mortgage Loans	-	-
Loans other purposes	-	-
Overdrafts on demand deposits	-	-
EQUITY EXPOSURE	(271 768)	-
Import Documentary Credits	-	-
Guarantees Provided	-	-
Credit cards		
Current accounts		
OFF-BALANCE SHEET EXPOSURE	-	-
TOTAL	(271 768)	-

AKZ'000

TOTAL EXPOSURE 2020	TOTAL EXPOSURE	PERFORMING LOANS		
		DAYS OVERDUE <30		
SEGMENT		No evidence	With evidence	Subtotal
COMPANIES	17 587 669	16 619 510	-	16 619 510
Loans to companies	13 505 615	12 550 216	-	12 550 216
Pledged current accounts	4 069 294	4 069 294	-	4 069 294
Overdrafts on demand deposits	12 760	-	-	-
PRIVATE INDIVIDUALS	928 455	917 115	-	917 115
Loans to employees	262 071	254 065	-	254 065
Consumer credit	664 190	663 047	-	663 047
Overdrafts on demand deposits	2 194	3	-	3
EQUITY EXPOSURE	18 516 123	17 536 625	-	17 536 625
Import Documentary Credits	7 642 824	7 642 824	-	7 642 824
Guarantees Provided	1 764 407	1 764 407	-	1 764 407
OFF-BALANCE SHEET EXPOSURE	9 407 231	9 407 231	-	9 407 231
TOTAL	27 923 354	26 943 856	-	26 943 856

AKZ'000

TOTAL EXPOSURE 2020	NON-PERFORMING LOANS		
SEGMENT	Between 30 and 90 days overdue	Days overdue <= 90	Days overdue > 90
COMPANIES	-	968 159	-
Loans to companies	-	955 399	-
Pledged current accounts	-	-	-
Overdrafts on demand deposits	-	12 760	-
PRIVATE INDIVIDUALS	-	11 340	-
Loans to employees	-	8 006	-
Consumer credit	-	1 143	-
Overdrafts on demand deposits	-	2 191	-
EQUITY EXPOSURE	-	979 499	-
Import Documentary Credits	-	-	-
Guarantees Provided	-	-	-
OFF-BALANCE SHEET EXPOSURE	-	-	-
TOTAL	-	979 499	-

AKZ'000

TOTAL IMPAIRMENT 2020	TOTAL IMPAIRMENT	PERFORMING LOANS	
SEGMENT		Days overdue < 30	Between 30 and 90 days overdue
COMPANIES	(879 893)	(490 686)	-
Loans to companies	(758 783)	(370 686)	-
Pledged current accounts	(120 000)	(120 000)	-
Overdrafts on demand deposits	(1 110)	-	-
PRIVATE INDIVIDUALS	(48 056)	(47 684)	-
Loans to employees	(8 674)	(8 350)	-
Consumer credit	(39 382)	(39 334)	-
Overdrafts on demand deposits	-	-	-
EQUITY EXPOSURE	(927 949)	(538 370)	-
Import Documentary Credits	(111 279)	(111 279)	-
Guarantees Provided	(26 162)	(26 162)	-
OFF-BALANCE SHEET EXPOSURE	(137 441)	(137 441)	-
TOTAL	(1 065 390)	(675 811)	-

AKZ'000

TOTAL IMPAIRMENT 2020	NON-PERFORMING LOANS	
SEGMENT	Days overdue <= 90 days	Days overdue > 90 days
COMPANIES	(389 207)	-
Loans to companies	(388 097)	-
Pledged current accounts	-	-
Overdrafts on demand deposits	(1 110)	-
PRIVATE INDIVIDUALS	(372)	-
Loans to employees	(324)	-
Consumer credit	(48)	-
Overdrafts on demand deposits	-	-
EQUITY EXPOSURE	(389 579)	-
Import Documentary Credits	-	-
Guarantees Provided	-	-
OFF-BALANCE SHEET EXPOSURE	-	-
TOTAL	(389 579)	-

As of 31 December 2021 and 2020, customer loans, segmented by type of customer and operation, by year of granting of the operations, may be broken down as follows:

AKZ'000

	2018, 2017, 2016 AND 2015			2019			2020			2021		
	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED
COMPANIES	1	127	-	6	4 655 447	(505 418)	24	5 863 675	(28 071)	120	7 887 967	(293 607)
Loans to companies	-	-	-	3	4 654 859	(505 418)	10	5 838 026	(28 071)	41	4 836 633	(167 244)
Credit cards	-	-	-	1	368	-	14	25 649	-	61	47 291	-
Pledged current accounts	-	-	-	-	-	-	-	-	-	17	3 004 026	(126 363)
Overdrafts on demand deposits	1	127	-	2	220	-	-	-	-	1	17	-
PRIVATE INDIVIDUALS	-	489 798	(20 571)	33	116 974	(3 611)	129	173 778	(3 949)	201	1 939 911	(75 971)
Loans to employees	-	4 405	(185)	21	46 798	(1 688)	52	97 923	(3 740)	52	124 466	(4 816)
Consumer credit	-	-	-	4	3 533	(148)	6	4 982	(209)	8	24 105	(1 012)
Mortgage Loans	-	485 393	(20 386)	2	42 256	(1 775)	-	-	-	2	101 567	(4 266)
Loans other purposes	-	-	-	6	24 387	-	70	70 791	-	139	1 689 773	(65 877)
Overdrafts on demand deposits	-	-	-	-	-	-	1	82	-	-	-	-
EQUITY EXPOSURE	1	489 925	(20 571)	39	4 772 421	(509 029)	153	6 037 453	(32 020)	321	9 827 878	(369 578)
Import Documentary Credits	-	-	-	-	-	-	-	-	-	35	50 848 197	(773 322)
Guarantees Provided	-	-	-	-	-	-	-	-	-	2	1 281 086	(22 161)
Credit cards	-	-	-	-	-	-	-	-	-	-	-	(4 829)
Current accounts	-	-	-	-	-	-	-	-	-	-	-	(770)
OFF-BALANCE SHEET EXPOSURE	-	-	-	-	-	-	-	-	-	37	52 129 283	(801 082)
TOTAL	1	489 925	(20 571)	39	4 772 421	(509 029)	153	6 037 453	(32 020)	358	61 957 161	(1 170 660)

	2017, 2016 AND 2015			2018			2019			2020		
	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT ESTABLISHED
COMPANIES	-	-	-	2	10 077	(515)	5	6 485 078	(669 759)	33	11 092 514	(209 619)
Loans to companies	-	-	-	2	10 077	(515)	4	6 472 318	(668 649)	27	7 023 220	(89 619)
Pledged current accounts	-	-	-	-	-	-	-	-	-	6	4 069 294	(120 000)
Overdrafts on demand deposits	-	-	-	-	-	-	1	12 760	(1 110)	-	-	-
PRIVATE INDIVIDUALS	3	2 159	-	14	556 862	(37 246)	46	198 388	(6 284)	150	171 046	(4 526)
Loans to employees	-	-	-	2	6 431	(264)	30	134 159	(4 183)	57	121 481	(4 228)
Consumer credit	-	-	-	12	550 431	(36 982)	15	64 228	(2 101)	92	49 531	(298)
Overdrafts on demand deposits	3	2 159	-	-	-	-	1	1	-	1	34	-
EQUITY EXPOSURE	3	2 159	-	16	566 939	(37 761)	51	6 683 466	(676 043)	183	11 263 560	(214 145)
Import Documentary Credits	-	-	-	-	-	-	-	-	-	35	7 642 824	(111 279)
Guarantees Provided	-	-	-	-	-	-	-	-	-	2	1 764 407	(26 162)
OFF-BALANCE SHEET EXPOSURE	-	-	-	-	-	-	-	-	-	37	9 407 231	(137 441)
TOTAL	3	2 159	-	16	566 939	(37 761)	51	6 683 466	(676 043)	220	20 670 791	(351 586)

As of 31 December 2021 and 2020, performing and non-performing loans in the credit portfolio by segment was as follows:

AKZ'000

2021	MEDIUM AND LONG-TERM LOANS		PLEDGED CURRENT ACCOUNTS		OVERDRAFTS ON DEMAND DEPOSITS		CREDIT CARDS		OFF-BALANCE-SHEET	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment			-	-			-	-	-	-
Collective impairment	17 805 160	(804 835)	3 004 026	(126 363)	446	-	318 045	-	52 129 283	(801)
TOTAL	17 805 160	(804 835)	3 004 026	(126 363)	446	-	318 045	-	52 129 283	(801)

AKZ'000

2021	AGRICULTURE, LIVESTOCK, HUNTING AND FORESTRY		MANUFACTURING INDUSTRIES		CONSTRUCTION		WHOLESALE AND RETAIL TRADE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	271 642	(61 609)
Collective impairment	-	-	1 888 872	(65 019)	-	-	13 693 479	(656 711)
TOTAL	-	-	1 888 872	(65 019)	-	-	13 965 121	(718 320)

AKZ'000

2021	LODGING AND CATERING (RESTAURANTS AND SIMILAR ESTABLISHMENTS)		TRANSPORT, STORAGE AND COMMUNICATIONS		OTHER COLLECTIVE SERVICE ACTIVITIES		HOUSING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	715 699	(8 433)	1 837 524	(35 324)	753 125	(31 631)
TOTAL	-	-	715 699	(8 433)	1 837 524	(35 324)	753 125	(31 631)

AKZ'000

2021	CONSUMPTION		OTHER PURPOSES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	147 667	(6 202)	1 819 669	(66 269)
Collective impairment	191 491	-	19 945	-
TOTAL	147 667	(6 202)	1 819 669	(66 269)

AKZ'000

2020	MEDIUM AND LONG-TERM LOANS		PLEDGED CURRENT ACCOUNTS		OVERDRAFTS ON DEMAND DEPOSITS		CREDIT CARDS		OFF-BALANCE-SHEET	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	945 322	(387 582)	-	-	12 760	(1 110)	-	-	-	-
Collective impairment	13 376 617	(419 257)	4 069 294	(120 000)	2 195	-	109 935	-	9 407 231	(137 441)
TOTAL	14 321 939	(806 839)	4 069 294	(120 000)	14 955	(1 110)	109 935	-	9 407 231	(137 441)

AKZ'000

2020	AGRICULTURE, LIVESTOCK, HUNTING AND FORESTRY		MANUFACTURING INDUSTRIES		CONSTRUCTION		WHOLESALE AND RETAIL TRADE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	958 082	(388 692)
Collective impairment	-	-	2 001 217	(120 000)	-	-	12 520 660	(291 612)
TOTAL	-	-	2 001 217	(120 000)	-	-	13 478 742	(680 304)

AKZ'000

2020	LODGING AND CATERING (RESTAURANTS AND SIMILAR ESTABLISHMENTS)		TRANSPORT, STORAGE AND COMMUNICATIONS		OTHER COLLECTIVE SERVICE ACTIVITIES		HOUSING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	1 444 742	(71 152)	662 966	(8 437)	644 877	(40 749)
TOTAL	-	-	1 444 742	(71 152)	662 966	(8 437)	644 877	(40 749)

AKZ'000

2020	CONSUMPTION		OTHER PURPOSES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	165 463	(6 759)	118 116	(548)
Collective impairment	191 491	-	19 945	-
TOTAL	165 463	(6 759)	118 116	(548)

At 31 December 2021 and 2020, exposure to customer loans held by the Bank is totally based in Angola.

Customer loans, segmented by type of operation according to the level of internal risk, may be broken down as follows:

AKZ'000

EXPOSURE 31-12-2021	A	B	G	TOTAL
COMPANIES	5 664 595	12 402 279	340 342	18 407 216
Loans to companies	4 713 235	10 429 326	186 957	15 329 518
Credit cards	870	72 438	-	73 308
Pledged current accounts	950 490	1 900 151	153 385	3 004 026
Overdrafts on demand deposits	-	364	-	364
PRIVATE INDIVIDUALS	6 598	2 713 863	-	2 720 461
Loans to employees	-	273 592	-	273 592
Consumer credit	-	32 621	-	32 621
Mortgage Loans	-	629 215	-	629 215
Loans other purposes	6 598	1 778 353	-	1 784 951
Overdrafts on demand deposits	-	82	-	82
EQUITY EXPOSURE	5 671 193	15 116 142	340 342	21 127 677
Import Documentary Credits	-	50 848 197	-	50 848 197
Guarantees Provided	-	1 281 086	-	1 281 086
OFF-BALANCE SHEET EXPOSURE	-	52 129 283	-	52 129 283
TOTAL	5 671 193	67 245 425	340 342	73 256 960

AKZ'000

EXPOSURE 31-12-2020	A	B	G	TOTAL
COMPANIES	430 389	16 199 196	958 082	17 587 667
Loans to companies	430 389	12 129 902	945 322	13 505 613
Pledged current accounts	-	4 069 294	-	4 069 294
Overdrafts on demand deposits	-	-	12 760	12 760
PRIVATE INDIVIDUALS	-	928 456	-	928 456
Loans to employees	-	262 071	-	262 071
Consumer credit	-	664 190	-	664 190
Overdrafts on demand deposits	-	2 195	-	2 195
EQUITY EXPOSURE	430 389	17 127 652	958 082	18 516 123
Import Documentary Credits	-	7 642 824	-	7 642 824
Guarantees Provided	-	1 764 407	-	1 764 407
OFF-BALANCE SHEET EXPOSURE	-	9 407 231	-	9 407 231
TOTAL	430 389	26 534 883	958 082	27 923 354

The movements in impairment losses shown in assets as a correction to loan values are shown in Note 15.

Credit risk ratings consider the characteristics and risks of the operation and of the borrower, and are reviewed according to changes in evidence of impairment and late payment (Note 29).

As of 31 December 2021 and 2020, the detail of the fair value of the guarantees underlying the loan portfolio, balance-sheet balances, of companies and private individuals:

AKZ'000

31-12-2021 FAIR VALUE	COMPANIES			
	IMMOVABLE		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
<50 tAOA	0	-	39	669 968
>= 50 TAOA and <100 TAOA	2	125 000	9	613 480
>= 100 TAOA and <500 TAOA	3	720 139	14	3 113 895
>= 500 tAOA and <1 000 tAOA	1	770 000	3	1 909 987
>= 1 000 tAOA and <2 000 tAOA	0	-	2	3 087 934
>= 2 000 tAOA and <5 000 tAOA	2	5 240 000	3	7 356 924
>= 5 000 tAOA	1	5 700 000	1	5 065 651
TOTAL	9	12 555 139	71	21 817 839

AKZ'000

31-12-2020 FAIR VALUE	COMPANIES			
	IMMOVABLE		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
<50 tAOA	1	25 000	6	160 855
>= 50 TAOA and <100 TAOA	2	110 726	16	1 324 565
>= 100 TAOA and <500 TAOA	0	-	37	5 879 996
>= 500 tAOA and <1 000 tAOA	0	-	1	600 000
>= 1 000 tAOA and <2 000 tAOA	0	-	1	1 750 000
>= 2 000 tAOA and <5 000 tAOA	1	2 000 000	0	-
>= 5 000 tAOA	1	5 700 000	1	6 476 586
TOTAL	5	7 835 726	62	16 192 002

AKZ'000

31-12-2021 FAIR VALUE	HOUSING			
	IMMOVABLE		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
<50 tAOA	5	163 208	0	-
>= 50 TAOA and <100 TAOA	2	110 726	0	-
>= 100 TAOA and <500 TAOA	1	350 000	1	124 756
>= 500 tAOA and <1 000 tAOA	0	-	0	-
>= 1 000 tAOA and <2 000 tAOA	0	-	0	-
>= 2 000 tAOA and <5 000 tAOA	0	-	0	-
>= 5 000 tAOA	0	-	0	-
TOTAL	8	623 934	1	124 756

AKZ'000

31-12-2020 FAIR VALUE	HOUSING			
	IMMOVABLE		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
<50 tAOA	3	87 039	0	-
>= 50 TAOA and <100 TAOA	1	60 000	0	-
>= 100 TAOA and <500 TAOA	1	350 000	0	-
>= 500 tAOA and <1 000 tAOA	0	-	0	-
>= 1 000 tAOA and <2 000 tAOA	0	-	0	-
>= 2 000 tAOA and <5 000 tAOA	0	-	0	-
>= 5 000 tAOA	0	-	0	-
TOTAL	5	497 039	0	-

"Other physical collateral" refers to depositors and public debt securities of customers incorporated at the Bank.

As of 31 December 2021 and 2020, the loan-to-value ratio of the loan portfolio, balance sheet balances, corporate and private individuals segments was as follows:

AKZ'000

31-12-2021 SEGMENT/RATIO	NUMBER OF PROPERTIES	NUMBER OF OTHER PHYSICAL COLLATERAL	PERFORMING LOANS	NON-PERFORMING LOANS	IMPAIRMENT
COMPANIES					
No guarantee associated	-	20	1 661 672	271 643	(355 166)
< 50%	-	4	1 021 446	-	(50 760)
>= 50% and <75%	-	-	-	-	-
>= 75% and <100%	2	1	1 062 964	-	(27 403)
>= 100%	7	46	13 947 561	-	(393 763)
HOUSING					
No guarantee associated	-	-	2 073 201	2 984	(78 121)
< 50%	1	-	134 414	-	(5 576)
>= 50% and <75%	-	-	-	-	-
>= 75% and <100%	1	-	30 729	-	(1 242)
>= 100%	6	1	479 131	-	(19 167)
TOTAL	17	72	20 411 118	274 627	(931 198)

AKZ'000

31-12-2020 SEGMENT/RATIO	NUMBER OF PROPERTIES	NUMBER OF OTHER PHYSICAL COLLATERAL	PERFORMING LOANS	NON-PERFORMING LOANS	IMPAIRMENT
COMPANIES					
No guarantee associated	-	2	1 081 608	271 643	(319 480)
< 50%	-	-	-	-	-
>= 50% and <75%	-	-	-	-	-
>= 75% and <100%	-	35	2 391 679	-	(114 759)
>= 100%	2	3	11 016 134	-	(273 505)
HOUSING					
No guarantee associated	1	-	300 893	2 984	(7 745)
< 50%	1	-	134 414	-	(5 576)
>= 50% and <75%	-	-	-	-	-
>= 75% and <100%	1	-	30 729	-	(1 242)
>= 100%	4	-	388 417	-	(16 302)
TOTAL	9	40	15 343 874	274 627	(738 609)

9

OTHER TANGIBLE ASSETS AND INTANGIBLE ASSETS

These items show the following movement during the years ended 31 December 2021 and 2020:

AKZ'000

	31-12-2020			ACQUISITIONS	WRITE-OFFS AND DISPOSALS				31-12-2021		
	GROSS VALUE	ACCUMULATED AMORTISATION	NET VALUE		GROSS VALUE	TRANSFERS	ACCUMULATED AMORTISATION	AMORTISATION FOR THE YEAR	GROSS VALUE	ACCUMULATED AMORTISATION	NET VALUE
OTHER TANGIBLE ASSETS											
Owner-occupied property	5 897 196	(604 527)	5 292 669	75 042	-	1 979 993	-	(314 320)	7 952 231	(918 847)	7 033 384
Works on leased properties (improvements)	774 328	(65 064)	709 264	2 053	311 768	-	(22 243)	(95 173)	464 613	(137 994)	326 619
Equipment	2 047 901	(1 011 908)	1 035 993	766 602	41 883	-	-	(406 851)	2 772 620	(1 418 759)	1 353 861
Tangible assets in progress	1 984 223	(56 012)	1 928 211	-	-	(1 979 993)	(56 012)	-	4 230	-	4 230
Rights of Use	2 109 015	(719 313)	1 389 702	-	100 248	-	-	(248 852)	2 008 767	(968 165)	1 040 602
TOTAL	12 812 663	(2 456 824)	10 355 839	843 697	453 899	-	(78 255)	(1 065 196)	13 202 461	(3 443 765)	9 758 696
INTANGIBLE ASSETS											
Automatic data-processing systems (*Software*)	679 511	(576 547)	102 964	-	-	-	-	(53 561)	679 511	(630 108)	49 403
TOTAL	679 511	(576 547)	102 964	-	-	-	-	(53 561)	679 511	(630 108)	49 403
OTHER TANGIBLE AND INTANGIBLE ASSETS	13 492 174	(3 033 371)	10 458 803	843 697	453 899	-	(78 255)	(1 118 757)	13 881 972	(4 073 873)	9 808 099

	31-12-2019			ACQUISITIONS	WRITE-OFFS AND DISPOSALS			31-12-2020		
	GROSS VALUE	ACCUMULATED AMORTISATION	NET VALUE		GROSS VALUE	ACCUMULATED AMORTISATION	AMORTISATION FOR THE YEAR	GROSS VALUE	ACCUMULATED AMORTISATION	NET VALUE
OTHER TANGIBLE ASSETS										
Owner-occupied property	5 887 579	(274 225)	5 613 354	9 617	-	-	(330 302)	5 897 196	(604 527)	5 292 669
Works on leased properties (improvements)	774 328	(65 064)	709 264	-	-	-	-	774 328	(65 064)	709 264
Equipment	1 812 183	(643 265)	1 168 918	274 970	39 252	(26 673)	(395 316)	2 047 901	(1 011 908)	1 035 993
Tangible assets in progress	1 961 423	(56 012)	1 905 411	22 800	-	-	-	1 984 223	(56 012)	1 928 211
Rights of Use	1 287 528	(254 925)	1 032 603	821 487	-	-	(464 388)	2 109 015	(719 313)	1 389 702
TOTAL	11 723 041	(1 293 491)	10 429 550	1 128 874	39 252	(26 673)	(1 190 006)	12 812 663	(2 456 824)	10 355 839
INTANGIBLE ASSETS										
Automatic data-processing systems (*Software*)	596 992	(519 611)	77 381	82 519	-	-	(56 936)	679 511	(576 547)	102 964
TOTAL	596 992	(519 611)	77 381	82 519	-	-	(56 936)	679 511	(576 547)	102 964
OTHER TANGIBLE AND INTANGIBLE ASSETS	12 320 033	(1 813 102)	10 506 931	1 211 393	39 252	(26 673)	(1 246 942)	13 492 174	(3 033 371)	10 458 803

The Bank's operating leases are mainly comprised of rents from Branches and Central Services.

In measuring lease liabilities, the Bank used incremental interest rates to discount future rents due for most of the contracts falling under the standard.

The average incremental interest rate applied is 17% for all contracts, taking into account the uniform type of assets (properties) and the bank's risk profile.

The Bank's policy was to:

- Exclude short-term leases from the scope of the standard;
- Exclude low-value assets, with a value in kwanzas equivalent to USD 5,000 at the start date of the lease being established as the low-value threshold.

During the course of 2021, the Bank continued to invest in fixed assets to support the Bank's growth.

10

TAX ASSETS AND LIABILITIES

The Bank is subject to taxation in the form of Corporation Tax, under the terms of the tax law in force in Angola, and is considered to be a Group A taxpayer. The taxation of its income takes place under Law 26/20, of 20 July, which amended the Corporation Tax Code in force during the year 2020, starting to apply a rate of 35% in 2020 and 2021.

The balance sheet headings relating to current and deferred taxes refer to Corporation Tax and are made up as follows:

AKZ'000

	31-12-2021	31-12-2020
CURRENT TAX ASSETS	235 116	235 116
Corporation Tax	235 116	235 116
DEFERRED TAX ASSETS	752 402	43 876
Corporation Tax	752 402	43 876
CURRENT TAX LIABILITIES	2 996 530	3 755 868
Corporation Tax	2 996 530	3 755 868
DEFERRED TAX LIABILITIES	59 813	402 846
Corporation Tax	59 813	402 846

As of 31 December 2021 and 2020, the amount of current tax liabilities is related to estimated Corporation Tax for the year. As for the value of current tax asset, this relates essentially to provisional settlements to be recovered upon settlement of Corporation Tax.

In 2021 and 2020, as a result of the application of Law 26/20 and in accordance with paragraph c) of Articles 13 and 14 of the new Corporation Tax Code, income or costs of a financial nature arising from favourable or unfavourable exchange variations only contribute towards the formation of taxable income when they are realised.

Therefore, the Bank proceeded to segregate exchange variations into realised and unrealised variations, reflecting in its accounts as of 31 December 2021 and 2020 the tax effect arising from the application of Law 26/20. As a result of this segregation, the Bank recognised a deferred tax asset relating to unrealised exchange losses in an amount of tAOA 752 402 (2020: tAOA 43 876), and a deferred tax liability relating to unrealised foreign exchange income in the amount of tAOA 59 813 (2020: tAOA 402 846). These deferred taxes were recognised at a rate of 35%, in accordance with the aforementioned Law.

The reconciliation of the tax rate, in the part relating to the amount recognised in income for the year 2021 and 2020, may be analysed as follows:

AKZ'000

	31-12-2021	31-12-2020
EARNINGS BEFORE TAX	10 757 789	13 443 759
Nominal Tax Rate	35%	35%
Tax calculated based on nominal tax rate	3 765 226	4 705 316
INCREASES	4 504 785	731 768
Tax on capital expenditure	456 233	215 178
Undocumented expenses	14 827	4 789
Prior years and extraordinary adjustments	179 164	91 059
Excessive amortisation	55 280	34 728
Fines and charges for infringements	384 605	241 499
Costs considered as maintenance and repair of properties	-	-
Other accruals from foreign exchange revaluation	3 342 285	-
Other	72 391	144 515
DEDUCTIONS	(6 763 654)	(3 444 477)
Tax exemptions or reductions on income from public debt securities	(6 763 654)	(3 444 477)
Taxable profit	8 498 920	10 731 050
Reportable tax losses	-	-
Nominal Tax Rate	35%	35%
CORPORATION TAX FOR THE YEAR	2 974 622	3 755 868
EFFECTIVE TAX RATE	28%	28%

The Tax Authorities may review the Bank's tax position within a period of five years, which, due to different interpretations of tax law, may result in corrections to taxable profit for the years 2017 (start of activity) to 2021. The Bank's Board of Directors believes that any additional settlements that may result from such reviews will not have any material effect on the financial statements.

Movements in deferred tax assets and liabilities in the years ended 31 December 2021 and 2020 may be broken down as follows:

AKZ'000

	BALANCE 31-12-2020	SUPPLEMENTATIONS	REALISATION/ CANCELLATION	EXCHANGE DIFFERENCES	BALANCE 31-12-2021
DEFERRED TAX ASSETS					
Unrealised exchange variations	43 876	1 067 497	-	-	1 111 373
DEFERRED TAX LIABILITIES					
Unrealised exchange variations	(402 846)	-	343 033	-	(59 813)
TOTAL	-358 970	-		0	1 051 560

AKZ'000

	BALANCE 31-12-2019	SUPPLEMENTATIONS	REALISATION/ CANCELLATION	EXCHANGE DIFFERENCES	BALANCE 31-12-2020
DEFERRED TAX ASSETS					
Unrealised exchange variations	-	43 876	-	-	43 876
DEFERRED TAX LIABILITIES					
Unrealised exchange variations	-	(402 846)	-	-	(402 846)
TOTAL	0.00	(358 971)	0	0	(358 971)

11

OTHER ASSETS

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
DEFERRED COSTS	615 543	437 921
Leases and Rents	85 133	207 972
Insurance	168 426	121 925
Other	361 984	108 024
ADVANCES TO TRADE CREDITORS	43 671	36 766
OTHER	535 654	6 723 363
TOTAL	1 194 868	7 198 050

As of 31 December 2020, the "others" item consisted of a balance of 6 499 174 thousand Kwanzas relating to forward currency purchases made in February and March 2021. This balance is also reflected in liabilities (Note 16).

12

FUNDS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This heading may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
FUNDS FROM OTHER ENTITIES		
Clearing of cheques	28 535	21 700
Obligations in the payment system	130 231	135 494
Acquisitions from other financial institutions	-	5 001 404
TOTAL	158 766	5 158 598

At 31 December 2021 and 2020, the amounts presented under "Payment system obligations" refer to the Multicaixa Network Clearings, which were settled in the first days of 2021 and 2020, respectively.

13

CUSTOMER FUNDS AND OTHER LOANS

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
DEMAND DEPOSITS OF RESIDENTS	55 390 266	31 180 854
In domestic currency	38 210 064	23 702 293
Companies	33 810 993	20 641 887
Private individuals	4 418 843	3 060 406
In foreign currency	17 180 202	7 478 561
Companies	16 987 200	7 408 092
Private individuals	193 002	70 469
DEMAND DEPOSITS OF NON-RESIDENTS	1 407 044	421 653
In domestic currency	1 398 320	421 653
Companies	13 473	-
Private individuals	1 384 847	421 653
In foreign currency	8 724	-
Private individuals	8 724	-
TIME DEPOSITS OF RESIDENTS	18 817 383	8 284 530
In domestic currency	18 097 813	6 110 490
Companies	13 673 548	3 575 215
Private individuals	4 424 265	2 535 275
In foreign currency	11	-
Private individuals	11	-
Indexed to USD	719 559	2 174 040
Companies	719 559	1 478 028
Private individuals	-	696 012
TIME DEPOSITS OF NON-RESIDENTS	55 361	30 219
In domestic currency	55 361	30 219
INTEREST PAYABLE	501 988	423 086
TOTAL	76 172 042	40 340 342

As of 31 December 2021 and 2020, customer term deposits, excluding interest payable, show the following breakdown, according to the residual maturity period of the operations:

AKZ'000

	31-12-2021	31-12-2020
Up to 1 month	1 118 026	2 228 605
From 1 to 6 months	13 641 994	3 519 678
From 6 months to 1 year	2 894 745	1 795 045
Over 1 year	1 217 979	771 421
TOTAL	18 872 744	8 314 749

As of 31 December 2021 and 2020, time deposits in domestic currency and time deposits indexed to the USD earn interest at the annual average rates of 18% and 3% (2020: 14% and 2%), respectively.

14

IMPAIRMENT AND PROVISIONS

The movement in impairment and provisions during the years ended 31 December 2021 and 2020 is as follows:

AKZ'000

	BALANCE AS OF 31.12.2020	APPROPRIATIONS	REVERSALS AND CANCELLATIONS	CURRENCY REVALUATION	BALANCE AS OF 31-12-2021
IMPAIRMENT AND PROVISIONS FOR CUSTOMER LOANS	1 065 390	761 815	-	(94 925)	1 732 280
Impairment of customer loans (Note 9)	927 949	3 249	-	-	931 198
Provision for guarantees and import documentary credits	137 441	758 566	-	(94 925)	801 082
IMPAIRMENT OF OTHER FINANCIAL ASSETS	1 260 945	-	(755 424)	(4 325)	501 196
Cash balances at other credit institutions (Note 5)	29 340	-	(9 960)	(2 125)	17 255
Investments at central banks and other credit institutions (Note 6)	56 478	-	(37 518)	-	18 960
Investments at amortised cost (Note 8)	1 175 127	-	(707 946)	(2 200)	464 981
TOTAL IMPAIRMENT AND PROVISIONS	2 326 335	761 815	(755 424)	(99 250)	2 233 476

AKZ'000

	BALANCE AS OF 31.12.2019	APPROPRIATIONS	REVERSALS AND CANCELLATIONS	CURRENCY REVALUATION	BALANCE AS OF 31.12.2020
IMPAIRMENT AND PROVISIONS FOR CUSTOMER LOANS	1 268 787	551 353	(853 071)	98 321	1 065 390
Impairment of customer loans (Note 9)	534 480	459 283	(65 814)	-	927 949
Provision for guarantees and import documentary credits	734 307	92 070	(787 257)	98 321	137 441
IMPAIRMENT OF OTHER FINANCIAL ASSETS	629 951	790 449	(173 496)	14 041	1 260 945
Cash balances at other credit institutions (Note 5)	31 060	-	(12 273)	10 553	29 340
Investments at central banks and other credit institutions (Note 6)	217 701	-	(161 223)	-	56 478
Investments at amortised cost (Note 8)	381 190	790 449	-	3 488	1 175 127
TOTAL IMPAIRMENT AND PROVISIONS	1 898 738	1 341 802	(1 026 567)	112 362	2 326 335

15

OTHER LIABILITIES

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
DEFERRED FEES	364 003	152 850
ACCRUED EXPENSES	265 937	422 158
OTHER TAX LIABILITIES	213 827	206 701
Tax on capital expenditure	-	-
Stamp duty	17 398	15 455
Tax on employment income	71 535	74 134
Urban property tax	4 136	42 565
Value Added Tax	116 373	74 547
Other	4 385	-
OTHER ADMINISTRATIVE AND MARKETING COSTS PAYABLE	285 549	316 870
SALARIES AND OTHER REMUNERATION PAYABLE	532 124	406 226
Holiday month remuneration	266 062	203 113
Holiday allowance	266 062	203 113
STC MOVEMENTS PENDING CLEARING	15 881	10 975
SOCIAL SECURITY CONTRIBUTION	32 550	36 498
LEASE LIABILITIES	1 319 701	1 793 366
OTHER	635 571	7 890 774
TOTAL	3 665 143	11 236 418

As of 31 December 2021 and 2020, the heading "Deferred fees" refers to fees for deferral relating to import documentary credits and guarantees provided. Deferred fees on loan operations are deducted from the respective heading customer loans (Note 9).

As of 31 December 2020, the "others" item consisted of a balance of 6 499 174 thousand Kwanzas relating to forward currency purchases settled in February and March 2021. This balance is also reflected in assets (Note 12).

16

EQUITY CAPITAL

SHARE CAPITAL

The Bank was incorporated with share capital of tAOA 2 500 000, represented by 2 500 000 shares with a par value of 1 000 Angolan Kwanza each, fully subscribed and paid up in cash.

On 1 October 2015, the General Meeting approved a capital increase to tAOA 6 000 000 by means of the issue of 3 500 000 new shares with a par value of AOA 1 000, to be subscribed proportionally by the shareholders.

In March 2016, the Bank received authorisation from the National Bank of Angola to carry out the capital increase to tAOA 6 000 000, as approved by the General Meeting on 1 October 2015.

An increase in the Bank's share capital in the amount of tAOA 4 000 000 was approved at the General Meeting of Shareholders held on 30 October 2017, the Bank's share capital thus rising to tAOA 10 000 000. The aforementioned increase was made by the shareholders in March 2018 and was authorised by the National Bank of Angola on 11 June 2018.

It was decided at the General Meeting of Shareholders held on 30 July 2019 to increase the Bank's share capital by means of incorporation of reserves in the amount of tAOA 7 000 000, thus increasing the Bank's share capital to tAOA 17 000 000.

At 31 December 2021 and 2020, the Bank's shareholder structure was as follows:

AKZ'000

	31-12-2021			31-12-2020		
	TOTAL SHARES	%	SHARE CAPITAL	TOTAL SHARES	%	SHARE CAPITAL
RAFAEL ARCANJO KAPOSE	7 990 000	47.00%	7 990 000	7 990 000	47.00%	7 990 000
FRANCISCA KAMIA KAPOSE	7 650 000	45.00%	7 650 000	7 650 000	45.00%	7 650 000
SEVERIANO TYIHONGO KAPOSE	850 000	5.00%	850 000	850 000	5.00%	850 000
MARIA DO CÉU FIGUEIRA	425 000	2.50%	425 000	425 000	2.50%	425 000
SÉRGIO DA CUNHA VELHO	85 000	0.50%	85 000	85 000	0.50%	85 000
TOTAL	17 000 000	100%	17 000 000	17 000 000	100%	17 000 000

As of 31 December 2021 and 2020, the Bank does not hold any own shares nor were there differential voting right shares.

LEGAL RESERVE

Pursuant to Article 89 of the Financial Institutions Act, Banks must establish a legal reserve of not less than 10% of the net profits calculated in each year, intended to form a legal reserve up to a limit equivalent to the value of the share capital.

To this end, a minimum of 10% of the previous year's net income will be transferred to this reserve annually. This reserve may only be used to cover accumulated losses when the other reserves constituted are exhausted.

APPROPRIATION OF EARNINGS

By resolution adopted by the General Meeting held on 26 March 2020, it was decided to transfer 10% of the amount of tAOA 9 647 353 relating to statutory net earnings determined in 2019 to legal reserves (tAOA 1 464 735), with 56% being transferred to retained earnings (tAOA 8 182 618). The remaining 34% (tAOA 5,000,000) was distributed as dividends.

By resolution adopted by the General Meeting held on 31 March 2021, it was decided to transfer 10% of the amount of tAOA 9 352 715 relating to statutory net earnings determined in 2020 to legal reserves (tAOA 935 272), with 90% being transferred to retained earnings (tAOA 8 417 443).

Balances and transactions with related entities at 31 December 2021 and 2020 are presented in Note 26.

17

NET INTEREST INCOME

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
INTEREST AND SIMILAR INCOME	10 879 098	5 996 694
From customer loans	3 656 840	2 685 408
From investments at central banks and other credit institutions	623 552	757 121
From Treasury Bonds in domestic currency	6 488 558	1 590 553
From treasury bonds in currency indexed to the USD	90 514	945 941
From Treasury Bills	19 634	17 671
INTEREST AND SIMILAR CHARGES	(1 358 824)	(1 345 561)
From customer funds and other loans	(1 205 382)	(1 042 951)
From rights of use	(153 442)	(302 610)
NET INTEREST INCOME	9 520 274	4 651 133

In the Diário da República of 20 October 2016, Presidential Legislative Decree 2/14 was published, approving the revision and republication of the Tax on Capital Expenditure ("IAC") Code. According to the legal text concerned, income from public debt securities (Treasury Bills and Treasury Bonds) and private debt securities (bonds and other corporate debt securities) are taxed under tax on capital expenditure, and are not thus taxed under Corporation Tax. The costs incurred by the Bank in connection with IAC are recorded under the heading "Other operating profit or loss - Tax on capital expenditure".

18

NET EARNINGS FROM SERVICES AND FEES

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
FEES RECEIVED	5 584 026	4 335 106
For foreign currency transfers	2 366 868	2 482 685
For opening of documentary credits	913 765	263 433
For collection of documentary credits	376 183	661 593
For purchase and sale of foreign currency	-	136
For guarantees provided	29 347	36 333
For opening/renewal loan financing	33 606	23 273
For opening/renewal secured current account	44 259	72 900
For licensing of contracts	643 861	-
For office allowances	476 197	424 437
Others	699 940	370 316
OTHER INCOME FROM SERVICES AND FEES	3 600	2 175
Office allowance	-	1
Other	3 600	2 174
EXPENSES FROM SERVICES AND FEES	(248 161)	(282 030)
Commissions paid	(248 161)	(282 030)
INCOME FROM FEES	5 339 465	4 055 251

19

PROFIT OR LOSS FROM INVESTMENTS AT AMORTISED COST

AKZ'000

	31-12-2021			31-12-2020		
	REVENUE	COSTS	TOTAL	REVENUE	COSTS	TOTAL
PROFIT OR LOSS FROM INVESTMENTS AT AMORTISED COST	-	(60 243)	(60 243)	-	(5 464)	(5 464)

20

FOREIGN EXCHANGE GAINS AND LOSSES

For the years ended 31 December 2021 and 2020, this heading corresponds to the gains and losses relating to exchange rate variations, whether realised or potential, arising from operations in foreign currency and the balance sheet exposure of foreign currency balances, and takes the following form:

AKZ'000

2021	PROFITS	LOSSES	NET
GAINS AND LOSSES FROM FOREIGN EXCHANGE TRANSACTIONS	4 472 418	3 750 761	8 223 179
GAINS AND LOSSES FROM FOREIGN CURRENCY REVALUATION	(2 368 334)	1 152 376	(1 215 958)
FOREIGN EXCHANGE GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS INDEXED TO THE USD			-
Foreign exchange revaluation of Treasury Bonds	-	(322 308)	(322 308)
Currency revaluation of time deposits	187 343	-	187 343
TOTAL			6 872 256

AKZ'000

2020	PROFITS	LOSSES	NET
GAINS AND LOSSES FROM FOREIGN EXCHANGE TRANSACTIONS	13 538 826	(1 193 528)	12 345 298
GAINS AND LOSSES FROM FOREIGN CURRENCY REVALUATION	121 107	(2 238 042)	(2 116 935)
FOREIGN EXCHANGE GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS INDEXED TO THE USD			-
Foreign exchange revaluation of Treasury Bonds	5 926 370	-	5 926 370
Currency revaluation of time deposits	-	(827 267)	(827 267)
TOTAL			15 327 466

The balance of the heading "Gains and losses from foreign exchange revaluation" results from exchange rate fluctuation and consequent revaluation of balance sheet balances in foreign currency.

The balance of the item "Foreign exchange revaluation of financial instruments indexed to the USD" results from exchange rate fluctuation and the consequent revaluation of operations with profit on Treasury Bonds in domestic currency indexed to the USD and cost of time deposits indexed to the USD.

21

OTHER OPERATING PROFIT OR LOSS

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
TAXES	(528 769)	(308 361)
Stamp duty	-	(131)
Tax on capital expenditure	(416 316)	(215 178)
Urban property tax	(19 024)	(19 024)
Special contribution on current invisible exchange transactions	-	-
Other	(1 770)	(51 792)
VAT - annual pro rata calculation adjustment	(91 659)	(10 828)
LITIGATION/NOTARY SERVICES	(728)	(2 264)
PENALTIES APPLIED BY REGULATORY AUTHORITIES	(384 605)	(241 499)
CONTRIBUTIONS TO EMPLOYERS' ASSOCIATIONS	(80 069)	(32 497)
OTHER	212 152	180 780
TOTAL	(782 019)	(403 841)

As of 31 December 2021 and 2020, the heading "Tax on capital expenditure" stands at tAOA 416 316 and tAOA 215 178, respectively. The tax on capital expenditure (IAC) is levied on income from capital investment.

22

PERSONNEL COSTS

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
WAGES AND SALARIES	(4 983 044)	(4 840 387)
Remuneration of the Management and Supervisory Bodies	(1 731 954)	(936 243)
Remuneration of Employees	(2 722 973)	(2 315 976)
Variable performance remuneration	(528 117)	(1 588 168)
OTHER COSTS	(419 866)	(476 022)
Remuneration of the Management and Supervisory Bodies	(406 629)	(388 601)
Employees	(13 237)	(87 421)
SOCIAL SECURITY	(112 685)	(253 610)
TRAINING COSTS	(80 246)	(65 009)
WORK ACCIDENT INSURANCE	(4 076)	(11 252)
PERSONNEL COSTS	(5 599 917)	(5 646 280)

As of 31 December 2021 and 2020, the Bank had 148 and 125 employees respectively, of which, as of 31 December 2021, 7 were members of the corporate bodies.

23

THIRD-PARTY SUPPLIES AND SERVICES

This caption may be broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
RENTAL CHARGES	(11 569)	(28 977)
SPECIALISED SERVICES	(1 813 322)	(1 711 025)
Audits and consultancy	(801 808)	(1 052 213)
Computing	(522 613)	(250 147)
Specialised Staff Fees	(225 534)	(240 519)
Image and Multimedia	(81 781)	(92 547)
Customs	(5 354)	-
Other	(176 232)	(75 599)
COMMUNICATIONS	(585 244)	(509 415)
SECURITY, MAINTENANCE AND REPAIR	(215 560)	(158 485)
PUBLICATIONS, ADVERTISING AND PUBLICITY	(129 519)	(102 536)
OTHER THIRD-PARTY SUPPLIES	(233 076)	(138 185)
TRANSPORT, TRAVEL AND ACCOMMODATION	(121 471)	(70 543)
MISCELLANEOUS MATERIALS	(153 674)	(158 384)
INSURANCE	(126 393)	(82 881)
WATER, ENERGY AND FUELS	(23 894)	(13 198)
TOTAL	(3 413 722)	(2 973 629)

24

OFF-BALANCE-SHEET ITEMS

At 31 December 2021 and 2020, these captions was broken down as follows:

AKZ'000

	31-12-2021	31-12-2020
Import Documentary Credits	50 848 197	7 642 824
Guarantees provided	1 281 086	1 764 407
Deposit and custody of securities	147 346	24 993 789
TOTAL	52 276 629	34 401 020

The guarantees and sureties provided are banking transactions that do not translate into mobilisations of funds by the Bank, and are related to guarantees provided to support import operations and for the execution of contracts by Bank customers. The guarantees provided represent values that may be due in the future.

Open documentary credits are irrevocable commitments by the Bank, on behalf of its customers, to pay/order payment of a certain amount to the supplier of a given good or service, within a stipulated period, against the presentation of documents regarding the dispatch of the merchandise or provision of the service. The condition of irrevocability consists in the fact that it may not be cancelled or altered without the express agreement of all the parties involved.

Notwithstanding the particularities of these contingent liabilities and commitments, the assessment of these operations follows the same basic principles as any other commercial operation, namely that of solvency, both for the customer and for the business underlying them, and the Bank requires the collateralisation of these operations where necessary. Since most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

As of 31 December 2021 and 2020, the provisions set up to cover the credit risk assumed in granting import documentary credit and liabilities from guarantees provided amount to tAOA 801 082 and tAOA 137 411, respectively.

25

BALANCES AND TRANSACTIONS WITH RELATED ENTITIES

As of 31 December 2021 and 2020, the balances held with related entities were as follows:

AKZ'000

31-12-2021	SHAREHOLDERS AND ENTITIES RELATED TO SHAREHOLDERS	MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD	TOTAL
ASSETS	(12 011 441)	(16 009)	(12 027 450)
Credits (Note 6)	-	-	-
Other amounts (Note 7)	(12 011 441)	(16 009)	(12 027 450)
LIABILITIES:	16 458 214	178 002	16 636 216
Deposits (Note 9)	-	-	-
Other liabilities (Note 10)	16 458 214	178 002	16 636 216
OFF-BALANCE-SHEET	(21 378 324)	-	(21 378 324)
Guarantees Provided and Import Documentary Credits	(52 926 609)	-	(52 926 609)
Guarantees Received	(74 304 933)	-	(74 304 933)
STATEMENT OF INCOME	1 944 359	4	1 944 363
Credit income (Note 13)	41 078	5 728	46 805
Cost of deposits (Note 13)	1 337 874	8 264	1 346 138
Provision of financial services (Note 15)	279	40 610	40 889
Third-party supplies (Note 17)	3 323 590	54 606	3 378 195

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31-12-2020	SHAREHOLDERS AND ENTITIES RELATED TO SHAREHOLDERS	MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD	TOTAL
ASSETS	(12 066 659)	(54 423)	(12 121 082)
Credits (Note 6)	-	-	-
Other amounts (Note 7)	(12 066 659)	(54 423)	(12 121 082)
LIABILITIES:	8 040 557	521 649	8 562 206
Deposits (Note 9)	-	-	-
Other liabilities (Note 10)	8 040 557	521 649	8 562 206
OFF-BALANCE-SHEET	(882 203)	-	(882 203)
Guarantees Provided and Import Documentary Credits	(24 726 789)	100 000	(24 626 789)
Guarantees Received	(25 608 993)	100 000	(25 508 993)
STATEMENT OF INCOME	1 959 329	5 921	1 965 250
Credit income (Note 13)	4 803	19 341	24 144
Cost of deposits (Note 13)	337 892	5 194	343 086
Provision of financial services (Note 15)	129	119 613	119 741
Third-party supplies (Note 17)	2 302 152	150 069	2 452 221

At 31 December 2021, the main related entities were as follows:

- **SHAREHOLDERS AND THEIR RELATIVES**
- **COREAUTO LDA**
- **DELTA-JET, LDA**
- **EHD-EXPLORACAO L.COM.E EXP.MINERAIS, SA**
- **IHE PROMOCAO E INVEST IMOBILIARIOS LDA**
- **IMOSUL LIMITADA**
- **IMOSUL TRADING, LIMITADA**
- **IMOSUL HIDRAULICA - LOGIST. E TRANS. LDA**
- **CORPORACAO KIANDA - PRE SER E COMERCIO, LDA**
- **MARKELUB, LDA**
- **POIBA - POLO INDUSTRIAL DE BEBIDAS E ALIMENTOS**
- **S.TULUMBA-GREEN LAND, SA**
- **S.TULUMBA-INVESTIMENTOS E PARTICIPACOES**
- **STI-SILVESTRE TULUMBA INVESTIMENTOS**
- **S TULUMBA - INDUSTRIA ALIMENTAR, SA.**
- **GLOBALINE-INVESTIMENTOS LDA**
- **DALP AUTOMOVEL DISTRI DE AUT LIGEIROS**
- **SOLO OCEAN - INDUSTRIA DE PESCA, LDA**
- **SRR, LIMITADA - HOTEL SERRA DA CHELA**
- **NUTRIAVELE LDA**
- **SUL TRADING**
- **ESOPAK LIMITADA**
- **NUTRIAVELE, LDA**
- **TRANSPORTES-SRR LIMITADA**

As of 31 December 2021, operations with related entities existing at the level of the credit portfolio represent 26% of the Bank's own funds (31 December 2020: 32%) and 9% of total net assets (31 December 2020: 12%).

As of 31 December 2021, the net exposure of financial collateral of loans granted to related parties amounts to tAOA 22,745,301 (31 December 2020: tAOA 7,300,760).

Transactions with related parties at the level of off-balance sheet items (guarantees provided and import documentary credits) an increase from tAOA 25 508 993 on 31 December 2020 to tAOA 74 304 933 on 31 December 2021.

The guarantees received shown in the table above include financial collateral and mortgage collateral.

Whenever exposures to related entities exceed the limits of large exposures, as established in National Bank of Angola Notice 09/2016, the amount that exceeds the limit is deducted from the Regulatory Own Funds for purposes of calculating the Regulatory Solvency Ratio, as provided for in National Bank of Angola Notice 02/2016. During the year, the Bank presented a Regulatory Solvency Ratio never less than 10%, even when these rules were applied.

The National Bank of Angola published Notice 8/2021 and a set of Instructions that support it, which establish new rules for calculating the Regulatory Solvency Ratio, liquidity risk and interest rate risk, which will become mandatory with effect from 31 March of 2022. If these new regulations were to be applied as of 31 December 2021, according to a preliminary estimate made by the Bank, the new requirements would continue to be met.

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BALANCE SHEET BY CURRENCY

As of 31 December 2021 and 2020, the Bank's Balance Sheet by currency has the following structure:

AKZ'000

31-12-2021	LOCAL CURRENCY	DOMESTIC CURRENCY INDEXED TO THE USD	FOREIGN CURRENCY	TOTAL
Cash and cash balances at central banks	10 615 212	-	4 008 101	14 623 313
Cash balances at other credit institutions	1 069 033	-	31 637 138	32 706 171
Investments at central banks and other credit institutions	15 332 538	-	-	15 332 538
Financial assets at fair value through other comprehensive income	-	68 203	-	68 203
Investments at amortised cost	34 777 966	1 192 686	-	35 970 652
Customer loans	20 196 479	-	-	20 196 479
Other tangible assets	9 758 696	-	-	9 758 696
Intangible assets	49 403	-	-	49 403
Current tax assets	235 116	-	-	235 116
Deferred tax assets	752 402	-	-	752 402
Other assets	877 518	-	317 350	1 194 868
TOTAL ASSETS	93 664 363	1 260 889	35 962 589	130 887 841
Funds from central banks and other credit institutions	158 766	-	-	158 766
Customer funds and other loans	54 890 416	-	21 281 626	76 172 042
Provisions	22 162	(1)	778 921	801 082
Current tax liabilities	2 996 530	-	-	2 996 530
Deferred tax liabilities	59 813	-	-	59 813
Other liabilities	3 465 919	-	199 224	3 665 143
TOTAL LIABILITIES	61 593 606	(1)	22 259 771	83 853 376
ASSETS/LIABILITIES (NET)	32 070 757	1 260 890	13 702 818	47 034 465

AKZ'000

31-12-2020	LOCAL CURRENCY	DOMESTIC CURRENCY INDEXED TO THE USD	FOREIGN CURRENCY	TOTAL
Cash and cash balances at central banks	13 683 173	-	2 702 292	16 385 465
Cash balances at other credit institutions	46 060	-	16 179 719	16 225 779
Investments at central banks and other credit institutions	9 917 536	-	-	9 917 536
Financial assets at fair value through other comprehensive income	68 203	-	-	68 203
Investments at amortised cost	15 732 411	5 377 835	-	21 110 246
Customer loans	17 588 175	-	-	17 588 175
Other tangible assets	10 355 839	-	-	10 355 839
Intangible assets	102 964	-	-	102 964
Current tax assets	235 116	-	-	235 116
Deferred tax assets	43 876	-	-	43 876
Other assets	3 762 335	-	3 435 715	7 198 050
TOTAL ASSETS	**71 535 688**	**5 377 835**	**22 317 726**	**99 231 249**
Funds from central banks and other credit institutions	5 059 756	-	98 842	5 158 598
Customer funds and other loans	30 687 728	2 174 040	7 478 574	40 340 342
Provisions	49 404	-	88 037	137 441
Current tax liabilities	3 755 868	-	-	3 755 868
Deferred tax liabilities	402 846	-	-	402 846
Other liabilities	7 538 225	-	3 698 193	11 236 418
TOTAL LIABILITIES	**47 493 827**	**2 174 040**	**11 363 646**	**61 031 513**
ASSETS/LIABILITIES (NET)	24 041 861	3 203 795	10 954 080	38 199 736

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FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following fair value hierarchy, with three levels in the valuation of financial instruments, which reflects the level of judgment, the observability of the data used and the importance of the parameters applied in determining the fair value assessment of the instrument, in accordance with IFRS 13:

LEVEL 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving financial instruments identical to the instruments to be valued. If there is more than one active market for the same financial instrument, the relevant price is the one prevailing in the main market of the instrument, or the most advantageous market for which access exists;

LEVEL 2: Fair value is determined based on valuation techniques supported by data observable in active markets, whether direct (prices, rates, spreads...) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use estimating the fair value of the same financial instrument. It also includes instruments whose valuation is obtained through quotations published by independent entities, but whose markets have less liquidity; and,

LEVEL 3: Fair value is determined based on unobservable input in active markets, using techniques and assumptions that the market participants would use to value the same instruments, including assumptions regarding the inherent risks, the valuation technique and inputs used, and contemplating processes for reviewing the accuracy of the values thus obtained.

The Bank considers an active market for a given financial instrument, on the measurement date, depending on the volume of business and the liquidity of the operations carried out, the relative volatility of quoted prices and the readiness and availability of information, and, for this purpose, it must verify the following minimum conditions:

- Existence of frequent daily trading quotes in the last year;
- The quotes mentioned above change regularly;
- There are executable quotes from more than one entity.

A parameter used in a valuation technique is considered to be observable in the market if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC market and it is reasonable to assume that active market conditions exist, with the exception of the trading volume condition; and,
- The value of the parameter may be obtained by the inverse calculation of the prices of financial instruments and/or derivatives where the remaining parameters necessary for the initial assessment are observable in a liquid market or in an OTC market that comply with the preceding paragraphs.

As of 31 December 2021 and 2020, the valuation categories of the financial instruments are as follows:

AKZ'000

31-12-2021	VALUED AT FAIR VALUE	VALUED AT AMORTISED COST	VALUED AT HISTORICAL COST	IMPAIRMENT	NET VALUE
ASSETS					
Cash and cash balances at central banks	-	14 623 313	-	-	14 623 313
Cash balances at other credit institutions	-	32 723 426	-	(17 255)	32 706 171
Investments at central banks and other credit institutions	-	15 351 498	-	(18 960)	15 332 538
Financial assets at fair value through other comprehensive income	-	-	68 203	-	68 203
Investments at amortised cost	-	36 435 634	-	(464 982)	35 970 652
Customer loans	-	21 127 677	-	(931 198)	20 196 479
	-	120 261 548	68 203	(1 432 395)	118 897 356
LIABILITIES					
Funds from central banks and other credit institutions	-	(158 766)	-	-	(158 766)
Customer funds and other loans	-	(76 172 042)	-	-	(76 172 042)
	-	(76 330 808)	-	-	(76 330 808)
ASSETS/LIABILITIES (NET)	-	43 930 740	68 203	(1 432 395)	42 566 548

AKZ'000

31-12-2020	VALUED AT FAIR VALUE	VALUED AT AMORTISED COST	VALUED AT HISTORICAL COST	IMPAIRMENT	NET VALUE
ASSETS					
Cash and cash balances at central banks	-	16 385 465	-	-	16 385 465
Cash balances at other credit institutions	-	16 255 119	-	(29 340)	16 225 779
Investments at central banks and other credit institutions	-	9 974 014	-	(56 478)	9 917 536
Financial assets at fair value through other comprehensive income	-	-	68 203	-	68 203
Investments at amortised cost	-	22 285 373	-	(1 175 127)	21 110 246
Customer loans	-	18 516 124	-	(927 949)	17 588 175
	-	83 416 095	68 203	(2 188 894)	81 295 404
LIABILITIES					
Funds from central banks and other credit institutions	-	(5 158 598)	-	-	(5 158 598)
Customer funds and other loans	-	(40 340 342)	-	-	(40 340 342)
	-	(45 498 940)	-	-	(45 498 940)
ASSETS/LIABILITIES (NET)	-	37 917 155	68 203	(2 188 894)	35 796 464

FAIR VALUE OF ASSETS AND LIABILITIES VALUED AT FAIR VALUE

At 31 December 2021 and 2020 the Bank does not present financial assets and liabilities valued at fair value.
The only asset that forms part of the portfolio of Financial assets at fair value through other comprehensive income is the financial stake held in EMIS which, as mentioned in Note 7, is measured at acquisition cost as it is considered to reflect a reasonable and prudent approximation of the fair value of that equity instrument.

FAIR VALUE OF ASSETS AND LIABILITIES VALUED AT AMORTISED COST

The fair value of financial assets and liabilities measured at amortised cost is presented as follows:

AKZ'000

31-12-2021		FAIR VALUE				
	AMORTISED COST (NET VALUE)	"QUOTED MARKET PRICES (LEVEL 1)"	VALUATION MODELS WITH PARAMETERS OBSERVABLE IN THE MARKET (LEVEL 2)	VALUATION MODELS WITH PARAMETERS NOT OBSERVABLE IN THE MARKET (LEVEL 3)	TOTAL FAIR VALUE	DIFFERENCE
ASSETS						
Cash and cash balances at central banks	14 623 313	-	14 623 313	-	14 623 313	-
Cash balances at other credit institutions	32 706 171	-	32 706 171	-	32 706 171	-
Investments at central banks and other credit institutions	15 332 538	-	15 332 538	-	15 332 538	-
Investments at amortised cost	35 970 652	-	32 426 438	-	32 426 438	3 544 214
Customer loans	20 196 479	-	-	20 196 479	20 196 479	-
	118 829 153	-	95 088 460	20 196 479	115 284 939	3 544 214
LIABILITIES						
Funds from central banks and other credit institutions	158 766	-	158 766	-	158 766	-
Customer funds and other loans	76 172 042	-	76 172 042	-	76 172 042	-
	76 330 808	-	76 330 808	-	76 330 808	-

AKZ'000

31-12-2020		FAIR VALUE				
	AMORTISED COST (NET VALUE)	"QUOTED MARKET PRICES (LEVEL 1)"	VALUATION MODELS WITH PARAMETERS OBSERVABLE IN THE MARKET (LEVEL 2)	VALUATION MODELS WITH PARAMETERS NOT OBSERVABLE IN THE MARKET (LEVEL 3)	TOTAL FAIR VALUE	DIFFERENCE
ASSETS						
Cash and cash balances at central banks	16 385 465	-	16 385 465	-	16 385 465	-
Cash balances at other credit institutions	16 255 119	-	16 255 119	-	16 255 119	-
Investments at central banks and other credit institutions	9 917 536	-	9 917 536	-	9 917 536	-
Investments at amortised cost	21 110 246	-	22 092 141	-	22 092 141	-981 895
Customer loans	17 588 175	-	-	17 588 175	17 588 175	-
	81 256 541	-	64 650 261	17 588 175	82 238 436	-981 895
LIABILITIES						
Funds from central banks and other credit institutions	5 158 598	-	5 158 598	-	5 158 598	-
Customer funds and other loans	40 340 342	-	40 340 342	-	40 340 342	-
	45 498 940	-	45 498 940	-	45 498 940	-

The main methodologies and assumptions used in estimating the fair value of financial assets and liabilities recorded in the balance sheet at amortised cost are analysed as follows:

CASH AND CASH AT CENTRAL BANKS, CASH AT OTHER CREDIT INSTITUTIONS AND INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

These assets are very short-term, as a result of which the carrying amount is a reasonable estimate of their fair value.

INVESTMENTS AT AMORTISED COST

The fair value of these financial instruments is based on quoted market prices, where available. If they do not exist, the fair value is estimated based on an update of the expected cash flows of capital and interest in the future for these instruments.

CUSTOMER LOANS

The fair value of customer loans is estimated based on the updating of expected principal and interest cash flows, considering that the instalments are paid on the dates laid down in the contracts. The discount rates used are the current rates charged for loans with similar characteristics.

FUNDS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The fair value of these liabilities is estimated based on the updating of expected principal and interest cash flows, considering that instalment payments occur on the dates laid down in the contracts. These liabilities are very short term, as a result of which the carrying amount is a reasonable estimate of their respective fair value.

CUSTOMER FUNDS AND OTHER LOANS

The fair value of these financial instruments is estimated based on the updating of the expected cash flows of principal and interest. The discount rate used is that which reflects the rates applied for deposits with similar characteristics at the balance sheet date. Considering that the applicable interest rates are renewed for periods of less than one year, there are no materially relevant differences in their fair value.

As of 31 December 2021 and 2020, interest and commission income on financial instruments was as follows:

AKZ'000

31-12-2021 THROUGH PROFIT AND LOSS	GAINS	LOSSES	NET
ASSETS	10 956 963	-	10 956 963
Investments at central banks and other credit institutions	623 552	-	623 552
Investments at amortised cost	6 598 706	-	6 598 706
Customer loans	3 734 705	-	3 734 705
LIABILITIES	-	(1 358 824)	(1 358 824)
Customer funds and other loans	-	(1 205 382)	(1 205 382)
Interest on rights of use (IFRS 16)	-	(153 442)	(153 442)
OFF-BALANCE-SHEET	2 439 353	-	2 439 353
Import documentary credit	2 410 006	-	2 410 006
Guarantees provided	29 347	-	29 347
TOTAL	13 396 316	(1 358 824)	12 037 492

AKZ'000

31-12-2020 THROUGH PROFIT AND LOSS	GAINS	LOSSES	NET
ASSETS	6 155 950	-	6 155 950
Investments at central banks and other credit institutions	757 121	-	757 121
Investments at amortised cost	2 617 250	-	2 617 250
Customer loans	2 781 579	-	2 781 579
LIABILITIES	-	(1 345 561)	(1 345 561)
Customer funds and other loans	-	(1 042 951)	(1 042 951)
Interest on rights of use (IFRS 16)	-	(302 610)	(302 610)
OFF-BALANCE-SHEET	961 359	-	961 359
Import documentary credit	925 026	-	925 026
Guarantees provided	36 333	-	36 333
TOTAL	7 117 309	(1 345 561)	5 771 748

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RISK MANAGEMENT

The Bank is subject to different risks in the context of its business activities. Risk management is performed centrally to the specific risks of each business. The Bank's risk management policy aims to maintain an appropriate relationship between its own capital and the activity pursued, as well as the corresponding risk/return profile by line of business. In this context, the monitoring and control of the main types of financial risks - credit, market, liquidity and operational risks - to which the Bank's activities is subject assumes particular importance.

MAIN RISK CATEGORIES

CREDIT – Credit risk is associated with the degree of uncertainty in recovering the investment and its return, due to the incapacity of either a debtor (or the debtor's guarantor, if any), thus causing a financial loss for the creditor. Credit risk is shown in debt securities or other balances receivable.

MARKET – The concept of market risk reflects the potential loss that may be reported by a given portfolio as a result of changes in rates (interest and exchange rates) and/or the prices of the different financial instruments that comprise it, considering both the correlations between them, and their respective volatilities. Thus, Market Risk encompasses interest rate, exchange rate and other price risks.

LIQUIDITY – Liquidity risk reflects the Bank's inability to meet its obligations associated with financial liabilities at each maturity date, without incurring significant losses resulting from a deterioration in the conditions of access to finance (financing risk) and/or sale of its assets for prices below the prices usually charged in the market (market liquidity risk).

OPERATIONAL – Operational risk is defined as the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events.

INTERNAL ORGANISATION

As a basic element for the success of the activity, the Bank considers it essential to implement and preserve an appropriate risk management system, which should take the form of defining the Bank's risk appetite and the implementation of strategies and policies aimed at achieving its objectives, taking into account the risk established, ensuring that this remains within predefined limits and is subject to appropriate and continuous supervision. The Bank's Board of Directors is responsible for approving the risk appetite, global risk policy and specific policies for significant risks. This includes the approval of the highest level principles and rules that must be followed in the Bank's risk management, as well as the guidelines that should dictate the allocation of capital to the different risks and business lines.

The Board of Directors, through the Risk Committee, ensures that there is adequate risk control and effective management systems in all areas of the Bank. The Risk Committee is responsible for periodically monitoring the overall levels of risk incurred, ensuring that they are compatible with the objectives and strategies approved for the development of the activity.

The risk management function is performed by the Risk Division, under the supervision of the "*Risk Officer*". It is responsible for monitoring and reporting the Bank's risk situation, namely: establishing and promoting risk management policies, procedures, methodologies and tools; monitoring the risk-taking of operational units and promoting the importance of control at the level of the first line of defence provided by the operational units; collecting relevant information from operating units in order to regularly control risk appetite metrics; automatically produce risk appetite reports (whenever possible).

The *Compliance* and Internal Control Division, responsible for the *compliance* function, covers all areas, processes and activities of the Bank, and has the mission of contributing towards the prevention and mitigation of "compliance risks", which translate into the risk of legal or regulatory penalties, financial losses or loss of reputation, as a result of failure to comply with the application of laws, regulations, codes of conduct and best banking practices, promoting respect by the Bank and its employees for all applicable regulations through independent intervention, in conjunction with all the Bank's organisational units.

Functionally, the risk and *compliance* areas report to an executive director who does not accumulate portfolios of operating units and reports hierarchically to the Board of Directors through the Committees made up of non-executive directors in which he or she participates.

In recent years, the National Bank of Angola has been issuing a set of Notices and Instructions with a special focus on risk management and reporting by Financial Institutions. The Bank is in the process of implementing them in order to report within the legally applicable deadlines.

RISK ASSESSMENT

CREDIT RISK

Credit risk models play an essential role in the credit decision process. Thus, the decision-making process for loan portfolio operations is based on a set of policies. Credit decisions depend on risk assessments and compliance with various rules regarding the financial capacity and behaviour of applicants.

Below is information on the Bank's exposure to credit risk:

AKZ'000

2021	GROSS BOOK VALUE	IMPAIRMENT	NET BOOK VALUE
EQUITY			
Cash and cash balances at central banks	14 623 313	-	14 623 313
Cash balances at other credit institutions	32 723 426	(17 255)	32 706 171
Investments at central banks and other credit institutions	15 351 498	(18 960)	15 332 538
Investments at amortised cost	36 435 634	(464 982)	35 970 652
Customer loans	21 127 677	(931 198)	20 196 479
EQUITY EXPOSURE	120 261 548	(1 432 395)	118 829 153
OFF-BALANCE-SHEET			
Import documentary credits	50 848 197	(781 395)	50 066 802
Guarantees provided	1 281 086	(19 687)	1 261 399
Irrevocable lines of credit	-	-	-
OFF-BALANCE SHEET EXPOSURE	52 129 283	(801 082)	51 328 201
TOTAL	172 390 831	(2 233 477)	170 157 354

AKZ'000

2020	GROSS BOOK VALUE	IMPAIRMENT	NET BOOK VALUE
EQUITY			
Cash and cash balances at central banks	16 385 465	-	16 385 465
Cash balances at other credit institutions	16 255 119	(29 340)	16 225 779
Investments at central banks and other credit institutions	9 974 014	(56 478)	9 917 536
Investments at amortised cost	22 285 373	(1 175 127)	21 110 246
Customer loans	18 516 124	(927 949)	17 588 175
EQUITY EXPOSURE	83 416 095	(2 188 894)	81 227 201
OFF-BALANCE-SHEET			
Import documentary credits	7 642 824	(111 663)	7 531 161
Guarantees provided	1 764 407	(25 778)	1 738 629
OFF-BALANCE SHEET EXPOSURE	9 407 231	(137 441)	9 269 790
TOTAL	92 823 326	(2 326 335)	90 496 991

As of 31 December 2021 and 2020, the financial instruments subject to the impairment requirements provided for in IFRS 9, analysed by stages of impairment, are detailed in the following tables:

AKZ'000

GROSS EXPOSURE 2021	STAGE 1	STAGE 2	STAGE 3	TOTAL
FINANCIAL ASSETS AT AMORTISED COST				
Investments at central banks and other credit institutions	15 351 498	-	-	15 351 498
Customer loans	20 852 824	226	274 627	21 127 677
Instruments at amortised cost	36 435 634	-	-	36 435 634
Warranties and other commitments	52 129 283	-	-	52 129 283
TOTAL	124 769 239	226	274 627	125 044 092

IMPAIRMENT LOSSES 2021	STAGE 1	STAGE 2	STAGE 3	TOTAL
FINANCIAL ASSETS AT AMORTISED COST				
Investments at central banks and other credit institutions	(18 960)	-	-	(18 960)
Customer loans	(659 295)	(135)	(271 768)	(931 198)
Instruments at amortised cost	(464 982)	-	-	(464 982)
Warranties and other commitments	(801 082)	-	-	(801 082)
TOTAL	(1 944 319)	(135)	(271 768)	(2 216 222)

NET EXPOSURE 2021	STAGE 1	STAGE 2	STAGE 3	TOTAL
FINANCIAL ASSETS AT AMORTISED COST				
Investments at central banks and other credit institutions	15 332 538	-	-	15 332 538
Customer loans	20 193 529	91	2 859	20 196 479
Instruments at amortised cost	35 970 652	-	-	35 970 652
Warranties and other commitments	51 328 201	-	-	51 328 201
TOTAL	122 824 920	91	2 859	122 827 870

AKZ'000

GROSS EXPOSURE 2020	STAGE 1	STAGE 2	STAGE 3	TOTAL
FINANCIAL ASSETS AT AMORTISED COST				
Investments at central banks and other credit institutions	9 974 014	-	-	9 974 014
Customer loans	17 558 041	-	958 083	18 516 124
Instruments at amortised cost	22 285 373	-	-	22 285 373
Warranties and other commitments	9 702 231	-	-	9 702 231
TOTAL	59 519 659	-	958 083	60 477 742

IMPAIRMENT LOSSES 2020	STAGE 1	STAGE 2	STAGE 3	TOTAL
FINANCIAL ASSETS AT AMORTISED COST				
Investments at central banks and other credit institutions	(56 478)	-	-	(56 478)
Customer loans	(541 204)	-	(386 745)	(927 949)
Instruments at amortised cost	(1 175 127)	-	-	(1 175 127)
Warranties and other commitments	(137 441)	-	-	(137 441)
TOTAL	(1 910 250)	-	(386 745)	(2 296 995)

NET EXPOSURE 2020	STAGE 1	STAGE 2	STAGE 3	TOTAL
FINANCIAL ASSETS AT AMORTISED COST				
Investments at central banks and other credit institutions	9 917 536	-	-	9 917 536
Customer loans	17 016 837	-	571 338	17 588 175
Instruments at amortised cost	21 110 246	-	-	21 110 246
Warranties and other commitments	9 564 790	-	-	9 564 790
TOTAL	57 609 409	-	571 338	58 180 747

The Bank's impairment policy for financial assets is described in Note 2.3.11, which includes greater detail on the criteria and for each of the above stages of expected credit losses.

Regarding the instruments at amortised cost, it should be noted that, on 27 December 2019, the National Bank of Angola published Directive 13/DSB/DRO – "Guide on Recommendations for the Implementation of AQA Methodologies for the Year 2019" with the aim of standardising the methodologies used in the Asset Quality Assessment (AQA) across all Banking Financial Institutions.

In the specific case of impairment for national public debt securities (in domestic or foreign currency) measured at the amortised cost in the balance sheet of those institutions, the Directive establishes that, in determining impairment, the following criteria should be considered:

- 12-month probability of default ("PD") for Angola's rating as published in the *Moody's* study applicable to the year concerned;
- Loss given default ("LGD") associated with verified sovereign *Default* events, as indicated in the aforementioned study.

Resulting from the economic deterioration of the situation in Angola, caused mainly by the abrupt fall in oil prices and the worsening of the external and budget deficits, in the year 2020, the three main international rating agencies carried out a review of the country's rating with potential direct impacts on the level impairment of national public debt securities measured at amortised cost.

In assessing the existence of a significant increase in credit risk as of 31 December 2020 for the portfolio of instruments at amortised cost, which must be carried out from the date of acquisition of the financial assets, the Bank considered the Treasury Bonds acquired after October 2017 met the conditions to remain at Stage 1, as at the time of their acquisition, Angolan sovereign risk was already B2 - *highly speculative*, as a result of which the implicit risk already existed, and did not change significantly until 31 December 2020 (only two rating *downgrades* were reported).

Likewise, as, at 31 December 2020, they had already been the subject of more than 2 rating *downgrades* since the acquisition date, the Treasury Bonds purchased before October 2017 meet the criteria to be considered as being at Stage 2 (significant increase in credit risk).

During 2021, following the improvement in economic indicators, the rating agencies improved the Angola risk rating, which resulted in the reversal of impairments during the year. In line with the above, as of 31 December 2021, Treasury Bonds acquired up to April 2016 meet the conditions to remain in tier 1, with Treasury bonds acquired before that date considered to be in tier 2.

As of 31 December 2021 and 2020, the credit standing of financial assets showed the following detail:

AKZ'000

2021	RATING SOURCE	RATING LEVEL	GROSS EXPOSURE	IMPAIRMENT	NET EXPOSURE
Cash and cash balances at central banks	External Rating	B1 to B3	12 942 195	-	12 942 195
		Unrated	1 681 118	-	1 681 118
			14 623 313	-	14 623 313
Cash balances at other credit institutions	External Rating	Baa1 to Baa3	32 723 426	(17 255)	32 706 171
Investments at central banks and other credit institutions	External Rating	B1 to B3	8 842 781	-	8 842 781
		Unrated	6 508 717	(18 960)	6 489 757
			15 351 498	(18 960)	15 332 538
Investments at amortised cost	External Rating	B1 to B3	36 435 633	(464 981)	35 970 652
Customer loans - equity	Internal rating	A	5 671 193	-	5 671 193
		B	15 116 142	(918 508)	17 167 815
		C	340 342	(12 690)	327 652
			21 127 677	(931 198)	20 196 479
Customer loans - off-balance sheet	Internal rating	A	-		-
		B	52 129 283	(801 082)	51 328 201
			52 129 283	(801 082)	51 328 201
TOTAL			172 390 830	(2 233 476)	170 157 354

AKZ'000

2020	RATING SOURCE	RATING LEVEL	GROSS EXPOSURE	IMPAIRMENT	NET EXPOSURE
Cash and cash balances at central banks	External Rating	B1 to B3	14 566 481	-	14 566 481
		Unrated	1 818 984	-	1 818 984
			16 385 465	-	16 385 465
Cash balances at other credit institutions	External Rating	Baa1 to Baa3	16 255 119	(29 340)	16 225 779
Investments at central banks and other credit institutions	External Rating	B1 to B3	3 471 023	-	3 471 023
		Unrated	6 502 991	(56 478)	6 446 513
			9 974 014	(56 478)	9 917 536
Investments at amortised cost	External Rating	CCC+ to CCC	22 293 533	(1 183 287)	21 110 246
Customer loans - equity	Internal rating	A	430 389	(10 029)	420 360
		B	17 127 652	(529 227)	17 167 815
		G	958 082	(388 692)	569 390
			18 516 123	(927 948)	17 588 175
Customer loans - off-balance sheet	Internal rating	A	-		-
		B	9 407 231		9 407 231
			9 407 231	-	9 407 231
TOTAL			92 831 485	(2 197 053)	90 634 432

As of 31 December 2021 and 2020, the geographic concentration of the credit risk was as follows:

AKZ'000

2021	ANGOLA	OTHER AFRICAN COUNTRIES	EUROPE	OTHER	TOTAL
Cash and cash balances at central banks	14 623 313	-	-	-	14 623 313
Cash balances at other credit institutions	1 069 034	160 359	17 574 892	13 901 886	32 706 171
Investments at central banks and other credit institutions	15 332 538	-	-	-	15 332 538
Investments at amortised cost	35 970 652	-	-	-	35 970 652
Customer loans - equity	20 196 479	-	-	-	20 196 479
EQUITY EXPOSURE	87 192 016	160 359	17 574 892	13 901 886	118 829 153
OFF-BALANCE SHEET	52 129 283	-	-	-	52 129 283
TOTAL	139 321 299	160 359	17 574 892	13 901 886	170 958 436

AKZ'000

2020	ANGOLA	OTHER AFRICAN COUNTRIES	EUROPE	OTHER	TOTAL
Cash and cash balances at central banks	16 385 465	-	-	-	16 385 465
Cash balances at other credit institutions	46 060	199 358	12 587 803	3 392 558	16 225 779
Investments at central banks and other credit institutions	9 917 536	-	-	-	9 917 536
Investments at amortised cost	21 110 246	-	-	-	21 110 246
Customer loans - equity	17 588 175	-	-	-	17 588 175
EQUITY EXPOSURE	65 047 482	199 358	12 587 803	3 392 558	81 227 201
CUSTOMER LOANS - OFF-BALANCE SHEET	9 407 231	-	-	-	9 407 231
TOTAL	74 454 713	199 358	12 587 803	3 392 558	90 634 432

At 31 December 2021 and 2020, total contractual cash flows of the financial instruments are as follows:

AKZ'000

2021	IN CASH	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 3 YEARS	BETWEEN 3 YEARS AND 5 YEARS	OVER 5 YEARS	INDETERMINATE	TOTAL
ASSETS										
Cash and cash balances at central banks	14 623 312	-	-	-	-	-	-	-	-	14 623 312
Cash balances at other credit institutions	32 706 171	-	-	-	-	-	-	-	-	32 706 171
Investments at central banks and other credit institutions	-	10 622 526	4 656 298	-	-	-	-	-	(18 960)	15 259 864
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	68 203	68 203
Investments at amortised cost	-	-	3 369 186	1 134 072	8 903 587	20 679 106	-	-	(464 982)	33 620 969
Customer loans	272 088	1 000 000	5 474 961	1 411 025	1 128 418	4 450 648	6 039 602	909 003	(931 198)	19 754 547
TOTAL ASSETS	47 601 571	11 622 526	13 500 445	2 545 097	10 032 005	25 129 754	6 039 602	909 003	(1 346 937)	116 033 066
LIABILITIES										
Funds from central banks and other credit institutions	(158 766)	-	-	-	-	-	-	-	-	(158 766)
Customer funds and other loans	(57 012 311)	(4 207 450)	(11 266 483)	(1 375 827)	(1 808 030)	-	-	-	-	(75 670 101)
TOTAL LIABILITIES	(57 171 077)	(4 207 450)	(11 266 483)	(1 375 827)	(1 808 030)	-	-	-	-	(75 828 867)
LIQUIDITY GAP	(9 569 506)	7 415 076	2 233 962	1 169 270	8 223 975	25 129 754	6 039 602	909 003	(1 346 937)	40 204 199

AKZ'000

2020	IN CASH	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 3 YEARS	BETWEEN 3 YEARS AND 5 YEARS	OVER 5 YEARS	INDETERMINATE	TOTAL
ASSETS										
Cash and cash balances at central banks	16 385 465	-	-	-	-	-	-	-	-	16 385 465
Cash balances at other credit institutions	16 225 779	-	-	-	-	-	-	-	-	16 225 779
Investments at central banks and other credit institutions	-	6 500 000	3 435 900	-	-	-	-	-	(99 881)	9 836 019
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	68 203	68 203
Investments at amortised cost	3 007 563	-	1 431 161	961 435	1 627 081	13 470 582	-	-	(1 283 940)	19 213 882
Customer loans	14 955	-	7 105 994	1 579 888	1 132 707	2 162 827	5 563 060	644 123	(927 949)	17 275 605
TOTAL ASSETS	35 633 762	6 500 000	11 973 055	2 541 323	2 759 788	15 633 409	5 563 060	644 123	(2 243 567)	79 004 953
LIABILITIES										
Funds from central banks and other credit institutions	(157 194)	(5 000 000)	-	-	-	-	-	-	-	(5 157 194)
Customer funds and other loans	(32 473 120)	(1 586 400)	(2 177 454)	(2 950 000)	(43 000)	(849 718)	-	-	-	(40 079 692)
TOTAL LIABILITIES	(32 630 314)	(6 586 400)	(2 177 454)	(2 950 000)	(43 000)	(849 718)	-	-	-	(45 236 886)
LIQUIDITY GAP	3 003 448	(86 400)	9 795 601	(408 677)	2 716 788	14 783 691	5 563 060	644 123	(2 243 567)	33 768 067

For the purpose of reducing credit risk, mortgage collateral and financial collateral are relevant, as they allow a direct reduction in the value of the position. Also considered are personal protection guarantees with effect of substitution in the exposure. In terms of direct reduction, credit operations collateralised by financial collateral are included, namely deposits, Angolan state bonds, among other similar items.

In relation to mortgage collateral, the valuations of the assets are carried out by independent appraisers registered with the CMC or by the Institution's own structural unit, regardless of the commercial area. Assets are revalued by means of on-site assessments, carried out by an appraiser, in accordance with the best practices adopted in the market. The Bank only considers real estate as mitigating credit risk, if the conditions set out in Directive 01/DSB/2020 of the National Bank of Angola are met.

The impairment loss calculation model is governed by the general principles defined in IFRS 9, as well as the IAS/IFRS implementation guidelines and iterations with the National Bank of Angola, in order to align the calculation process with best international practice.

The Bank's impairment model begins by segmenting the loan portfolio's customers into different groups, depending on whether there are signs of impairment (which include internal and external information) and the size of the set of exposures of each economic group/customer.

Individually significant Economic Groups are subject to case by case analysis. In the group of individually significant customers, customer exposures are subject to analysis on an case by case basis. This analysis focuses on the credit standing of the debtor, as well as on the expectations of credit recovery, taking into account in particular existing collateral and guarantees.

The amount of impairment for Individually Significant customers is calculated using the *discounted cash flow method*, i.e., the amount of impairment corresponds to the difference between the credit amount and the sum of the expected cash flows for the customer's various operations, updated according to the interest rates for each operation.

The remainder, or those that result in an assessment of the absence of impairment, are incorporated into the collective model. Given the absence of a history of operations with statistical relevance, the Bank opted to use a market *benchmark* based on information from Angolan financial institutions that have already adopted IFRS 9.

It should be noted that restructured credit is a sign of impairment, as a result of which the portfolio of loans marked as restructured is included in loans with signs of impairment.

The table below shows the impact of a 20% increase in the impairment rate.

IMPACT OF A 20% INCREASE IN THE IMPAIRMENT RATE ON:					
VALUE OF REGULATORY OWN FUNDS REQUIREMENTS		VALUE OF REGULATORY OWN FUNDS		REGULATORY SOLVENCY RATIO	
ORIGINAL	STRESSED	ORIGINAL	STRESSED	ORIGINAL	STRESSED
10 226 947	9 860 691	46 985 060	40 855 360	45.94%	41.43%

MARKET RISK

With regard to information and market risk analysis, regular reporting on financial asset portfolios is ensured. In terms of own portfolios, several risk limits are defined. Different exposure limits are also defined per Issuer, per type/class of asset and level of credit standing (rating). *Stop Loss* and *Loss Trigger* limits are also defined for positions held for trading and available for sale.

The Bank also complies with Notice 08/2016, of 16 May, regarding the Interest Rate Risk in the banking book (financial instruments not held in the trading book). The investment portfolio is fully concentrated in National Treasury bonds.

The assessment of interest rate risk originating from banking book operations is carried out by analysing risk sensitivity. Based on the financial characteristics of each contract, the respective forecast of the expected cash flows is made, according to the rate reset dates and any behavioural assumptions considered. The aggregation, for each of the currencies analysed, of the expected cash flows in each of the time intervals allows the determination of the interest rate gaps by the reset period. Following the recommendations of National Bank of Angola Instruction 06/2016, of 08 August, the Bank calculates its exposure to balance sheet interest rate risk based on the methodology defined in the instruction.

As of 31 December 2021 and 2020, the Bank's assets and liabilities are broken down by rate type as follows:

AKZ'000

2021	FIXED RATE EXPOSURE	VARIABLE RATE EXPOSURE	NOT SUBJECT TO INTEREST RATE RISK	DERIVATIVES	TOTAL
ASSETS					
Cash and cash balances at central banks	-	-	14 623 313	-	14 623 313
Cash balances at other credit institutions	-	-	32 706 171	-	32 706 171
Investments at central banks and other credit institutions	15 332 538	-	-	-	15 332 538
Financial assets at fair value through other comprehensive income	-	-	68 203	-	68 203
Investments at amortised cost	35 970 652				35 970 652
Customer loans	12 291 725	7 904 754	-	-	20 196 479
TOTAL ASSETS	63 594 915	7 904 754	47 397 687	-	118 897 356
LIABILITIES					
Funds from central banks and other credit institutions	-	-	(158 766)	-	(158 766)
Customer funds and other loans	(18 795 937)		(57 376 105)		(76 172 042)
TOTAL LIABILITIES	(18 795 937)	-	(57 534 871)	-	(76 330 808)
TOTAL	44 798 978	7 904 754	(10 137 184)	-	42 566 548

AKZ'000

2020	FIXED RATE EXPOSURE	VARIABLE RATE EXPOSURE	NOT SUBJECT TO INTEREST RATE RISK	DERIVATIVES	TOTAL
ASSETS					
Cash and cash balances at central banks	-	-	16 385 465	-	16 385 465
Cash balances at other credit institutions	-	-	16 225 779	-	16 225 779
Investments at central banks and other credit institutions	9 917 536	-	-	-	9 917 536
Financial assets at fair value through other comprehensive income	-	-	68 203	-	68 203
Investments at amortised cost	21 110 246				21 110 246
Customer loans	12 989 538	4 598 637	-	-	17 588 175
TOTAL ASSETS	44 017 320	4 598 637	32 679 447	-	81 295 404
LIABILITIES					
Funds from central banks and other credit institutions	-	-	(5 158 598)	-	(5 158 598)
Customer funds and other loans	(8 397 222)		(31 943 120)		(40 340 342)
TOTAL LIABILITIES	(8 397 222)	-	(37 101 718)	-	(45 498 940)
TOTAL	35 620 098	4 598 637	(4 422 271)	-	35 796 464

As of 31 December 2021 and 2020, financial instruments with exposure to interest rate risk according to their maturity date and the interest rate reset date were as follows:

AKZ'000

2021	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 3 YEARS	BETWEEN 3 YEARS AND 5 YEARS	OVER 5 YEARS	INDETERMINATE	TOTAL
ASSETS									
Investments at central banks and other credit institutions	10 648 523	4 702 975	-	-	-	-	-	(18 960)	15 332 538
Investments at amortised cost	-	3 600 421	1 228 776	9 540 496	22 065 941	-	-	(464 982)	35 970 652
Customer loans	1 273 849	5 697 603	1 401 782	1 143 879	4 646 573	6 061 909	902 082	(931 198)	20 196 479
TOTAL ASSETS	11 922 372	14 000 999	2 630 558	10 684 375	26 712 514	6 061 909	902 082	(1 415 140)	71 499 669
LIABILITIES									
Customer funds and other loans	(4 558 162)	(11 474 346)	(1 524 609)	(1 817 615)	-	-	-	(56 797 310)	(76 172 042)
TOTAL LIABILITIES	(4 558 162)	(11 474 346)	(1 524 609)	(1 817 615)	-	-	-	(56 797 310)	(76 172 042)
LIQUIDITY GAP	7 364 210	2 526 653	1 105 949	8 866 760	26 712 514	6 061 909	902 082	(58 212 450)	(4 672 373)

AKZ'000

2020	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 YEAR AND 3 YEARS	BETWEEN 3 YEARS AND 5 YEARS	OVER 5 YEARS	INDETERMINATE	TOTAL
ASSETS									
Investments at central banks and other credit institutions	6 546 394	3 471 023	-	-	-	-	-	(99 881)	9 917 536
Investments at amortised cost	2 938 107	1 431 161	1 029 614	1 787 016	15 127 149	-	-	(1 202 801)	21 110 246
Customer loans	14 956	7 382 987	1 584 388	1 130 767	2 187 045	5 579 881	636 100	(927 949)	17 588 175
TOTAL ASSETS	9 499 457	12 285 171	2 614 002	2 917 783	17 314 194	5 579 881	636 100	(2 230 631)	48 615 957
LIABILITIES									
Customer funds and other loans	(2 219 358)	(2 202 650)	(3 063 612)	(43 324)	(849 846)	-	-	(31 961 552)	(40 340 342)
TOTAL LIABILITIES	(2 219 358)	(2 202 650)	(3 063 612)	(43 324)	(849 846)	-	-	(31 961 552)	(40 340 342)
LIQUIDITY GAP	7 280 099	10 082 521	(449 610)	2 874 459	16 464 348	5 579 881	636 100	(34 192 183)	8 275 615

As of 31 December 2021 and 2020, the analysis of the sensitivity of the book value of financial instruments to changes in interest rates was as follows:

AKZ'000

2021	-200BP	-100BP	-50BP	+50BP	+100BP	+200BP
Interest and similar income	(16 450 723)	(8 225 362)	(4 112 681)	4 112 681	8 225 362	16 450 723
Interest and similar charges	5 167 296	2 583 648	1 291 824	(1 291 824)	(2 583 648)	(5 167 296)
TOTAL	(11 283 428)	(5 641 714)	(2 820 857)	2 820 857	5 641 714	11 283 428

AKZ'000

2020	-200BP	-100BP	-50BP	+50BP	+100BP	+200BP
Interest and similar income	(15 967 643)	(7 983 822)	(3 991 911)	3 991 911	7 983 822	15 967 643
Interest and similar charges	85 134	42 567	21 284	(21 284)	(42 567)	(85 134)
TOTAL	(15 882 509)	(7 941 255)	(3 970 627)	3 970 627	7 941 255	15 882 509

LIQUIDITY RISK

Liquidity risk is assessed using internal metrics defined by the Bank's management, namely, exposure limits. This control is reinforced by carrying out monthly sensitivity analyses, in order to characterise the Bank's risk profile and ensure that its obligations in a liquidity crisis scenario are fulfilled.

The control of liquidity levels aims to maintain a satisfactory level of cash and cash equivalents to meet financial needs in the short, medium and long term. Liquidity risk is monitored daily, and various reports are prepared for purposes of control and for monitoring and supporting decision-making by the Executive Board.

The liquidity situation evolves, in particular, based on the estimated future cash flows for various time frames, taking into account the Bank's balance sheet. The liquidity position of the day of analysis and the amount of assets considered highly liquid existing in the portfolio of uncompromised securities are added to the valued determined, thus giving the accumulated liquidity gap for various time frames. Additionally, liquidity positions are monitored from a prudential standpoint, calculated according to the rules required by the National Bank of Angola (Instruction 06/2016, of 08 August).

As of 31 December 2021 and 2020, financial instruments by currency were as follows:

AKZ'000

2021	KWANZAS	US DOLLARS	EUROS	OTHERS	TOTAL
ASSETS					
Cash and cash balances at central banks	10 615 210	247 757	3 759 979	367	14 623 313
Cash balances at other credit institutions	1 069 033	24 277 377	7 046 632	313 129	32 706 171
Investments at central banks and other credit institutions	15 332 538	-	-	-	15 332 538
Financial assets at fair value through other comprehensive income	68 203	-	-	-	68 203
Investments at amortised cost	35 970 652	-	-	-	35 970 652
Customer loans	20 196 479	-	-	-	20 196 479
TOTAL ASSETS	83 252 115	24 525 134	10 806 611	313 496	118 897 356
LIABILITIES					
Funds from central banks and other credit institutions	(158 766)	-	-	-	(158 766)
Customer funds and other loans	(54 890 416)	(10 690 260)	(10 591 366)	-	(76 172 042)
TOTAL LIABILITIES	(55 049 182)	(10 690 260)	(10 591 366)	-	(76 330 808)
TOTAL	28 202 933	13 834 874	215 245	313 496	42 566 548

AKZ'000

2020	KWANZAS	US DOLLARS	EUROS	OTHERS	TOTAL
ASSETS					
Cash and cash balances at central banks	13 683 173	109 315	2 592 512	465	16 385 465
Cash balances at other credit institutions	46 060	11 719 849	4 022 991	436 879	16 225 779
Investments at central banks and other credit institutions	9 917 536	-	-	-	9 917 536
Financial assets at fair value through other comprehensive income	68 203	-	-	-	68 203
Investments at amortised cost	21 110 246	-	-	-	21 110 246
Customer loans	17 588 175	-	-	-	17 588 175
TOTAL ASSETS	62 413 393	11 829 164	6 615 503	437 344	81 295 404
LIABILITIES					
Funds from central banks and other credit institutions	(5 059 756)	-	(98 842)	-	(5 158 598)
Customer funds and other loans	(32 861 768)	(150 392)	(7 328 143)	(39)	(40 340 342)
TOTAL LIABILITIES	(37 921 524)	(150 392)	(7 426 985)	(39)	(45 498 940)
TOTAL	24 491 869	11 678 772	(811 482)	437 305	35 796 464

As of 31 December 2021 and 2020, the analysis of the sensitivity of the book value of financial instruments to changes in the exchange rates was as follows:

AKZ'000

2021	-20%	-10%	0%	10%	20%
Regulatory solvency ratio	44.19%	45.07%	45.94%	46.77%	47.59%
United States Dollars	(2 658 689)	(1 329 344)	(664 672)	664 672	1 329 344
Euros	(30 551)	(15 275)	(7 638)	7 638	15 275
Others	(63 194)	(31 597)	(15 799)	15 799	31 597
TOTAL	(3 611 624)	(1 805 813)	(902 906)	902 906	1 805 813

2020	-20%	-10%	0%	10%	20%
Regulatory solvency ratio	43.26%	44.20%	43.77%	46.00%	46.88%
United States Dollars	(828 012)	(414 006)	(207 003)	207 003	414 006
Euros	(2 734 899)	(1 367 450)	(683 725)	683 725	1 367 450
Others	(48 713)	(24 357)	(12 178)	12 178	24 357
TOTAL	(3 611 624)	(1 805 813)	(902 906)	902 906	1 805 813

OPERATIONAL RISK

An operational risk management system has been implemented, based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The Bank's Risk Division carries out the Bank's corporate operational risk management function, which is supported by the existence of interlocutors in different organisational units who ensure the proper implementation of operational risk management within the Bank.

CONCENTRATION RISK

Metrics are defined to control concentration risk in the risk appetite statement, the compliance of which with the limits defined by the Board of Directors is verified periodically and reported to the Risk Committee, the Board of Directors and the Executive Board.

CAPITAL MANAGEMENT AND SOLVENCY RATIO

The Bank's own funds are calculated in accordance with the applicable regulatory standards, namely with Notice 02/2016. The requirements for the solvency ratio are found in Notice 03/2016, Notice 04/2016 and Notice 05/2016. The applicable instructions are as follows: Instruction 12/2016, Instruction 13/2016, Instruction 14/2016, Instruction 15/2016, Instruction 16/2016, Instruction 17/2016 and Instruction 18/2016.

Angolan financial institutions must maintain a level of own funds compatible with the nature and scale of operations duly weighted by the risks inherent to the operations, with a minimum Regulatory Solvency Ratio of 10%.

As of the date of approval of the financial statements and accompanying notes by the Board of Directors, no dividend distribution has yet been decided, as a result of which the amounts below do not incorporate any expectation.

AKZ'000

	31.12.2021	31.12.2020
Basic Regulatory Own Funds	46 985 060	38 195 458
Regulatory Own Funds	-	-
Regulatory Own Funds Requirements credit risk	5 492 677	3 752 818
Regulatory Own Funds Requirements market risk	1 101 047	1 216 924
Regulatory Own Funds Requirements operational risk	3 633 223	3 756 945
REGULATORY SOLVENCY RATIO	45.94%	43.77%
REGULATORY SOLVENCY RATIO (BASE)	45.94%	43.77%

According to preliminary estimates, if the regulatory solvency ratio were calculated in light of the rules of Notice 8/2021 and the respective instructions, the Bank would report 40% as of 31 December 2021.

29

NEW STANDARDS

1. IMPACT OF THE ADOPTION OF NEW STANDARDS, AMENDMENTS TO STANDARDS THAT BECAME EFFECTIVE FOR THE ANNUAL PERIODS BEGINNING 1 JANUARY 2021:

a) IFRS 16 (amendment), "Leases - Rent bonuses related to COVID-19" This change introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether the bonuses granted by lessors under COVID-19 qualify as "modifications" when three criteria are cumulatively met: i) a change in lease payments result in a revised fee for the lease that is substantially equal to, or less than, the fee immediately prior to the change; ii) any reduction in lease payments only affects payments due on or before 30 June 2021; and iii) there are no significant changes to other terms and conditions of the lease. Lessees who choose to apply this exemption account for the change in rent payments as variable rental fees in the period(s) in which the event or condition triggers to the reduction in payment occurs. This change is applied retrospectively with impacts reflected as an adjustment to retained earnings (or another component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the change.

b) IFRS 4 (amendment), 'Insurance contracts – deferral of the application of IFRS 9'. This amendment refers to the temporary accounting consequences that result from the difference between the date of entry into force of IFRS 9 – Financial Instruments and the future IFRS 17 – Insurance Contracts. In particular, the amendment made to IFRS 4 postpones until 2023 the expiry date of the temporary exemption from application of IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.

c) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) Reform of benchmark interest rates - phase 2. These amendments address issues that arise during the reform of a benchmark interest rate, including the replacement of a benchmark interest rate by an alternative, allowing the adoption of exemptions such as: i) changes in the designation and documentation of hedging; ii) amounts accumulated in the cash flow hedge reserve; iii) retrospective assessment of the effectiveness of a hedging relationship under IAS 39; iv) changes in hedging relationships for groups of items; v) presumption that an alternative benchmark, designated as an unspecified contractually specified risk component, is separately identifiable and qualifies as a hedged risk; and vi) updating the effective interest rate, without recognising a gain or loss, for financial instruments measured at amortised cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

The amendments that became effective in 2021 had no impact on the Bank's financial statements. With regard to the amendments resulting from the "Interest rate benchmark reform – phase 2", management carried out an assessment of exposure to these rates, as disclosed in Note 32.

2. STANDARDS (NEW AND AMENDED) PUBLISHED, THE APPLICATION OF WHICH IS MANDATORY FOR ANNUAL PERIODS BEGINNING AFTER 1 JANUARY 2022:

a) IAS 1 (amendment), 'Presentation of financial statements - classification of liabilities' (effective for annual periods beginning on or after 1 January 2023). This amendment seeks to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer their payment, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise that right), or by events occurring after the reporting date, such as non-performance of a "covenant". This amendment also includes a new definition of "settlement" of a liability. This amendment is for retrospective application.

b) IAS 16 (amendment) 'Income obtained before commissioning' (effective for annual periods beginning on or after 1 January 2022). Change in the accounting treatment given to the consideration obtained from the sale of products resulting from production in test phase of tangible fixed assets, prohibiting its deduction from the acquisition cost of the assets. This amendment is for retrospective application, without restatement of comparatives.

c) IAS 37 (amendment) 'Onerous contracts – cost of fulfilling a contract' (effective for annual periods beginning on or after

1 January 2022). This amendment specifies that, in the assessment of whether or not a contract is onerous, only expenses directly related to the performance of the contract may be considered, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses for the tangible assets used to carry out the contract. This amendment should be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, with no need to restate the comparative data.

d) IFRS 3 (amendment) 'Reference to the Conceptual Framework' (effective for annual periods beginning on or after 1 January 2022). This amendment updates the references to the Conceptual Framework in the text of IFRS 3, with no changes being made to the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be adopted for liabilities and contingent liabilities under IAS 37 and IFRIC 21 and prohibits the registration of contingent assets of the acquiree in a business combination. This amendment is for prospective application.

e) Improvements to the 2018 – 2020 standards (to be applied in financial years beginning on or after 1 January 2022). This cycle of improvements changes the following regulations: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

f) IAS 1 (amendment) 'Disclosure of accounting policies' (effective for annual periods beginning on or after 1 January 2023). Amendment of the requirements for disclosure to "material" rather than "significant" accounting policies. Information relating to an accounting policy is considered material if, in its absence, users of the financial statements would not be able to understand other financial information included in those same financial statements. Immaterial information regarding accounting policies does not need to be disclosed. IFRS *Practice Statement 2* was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

g) IAS 8 (amendment) 'Definition of accounting estimates' (effective for annual periods beginning on or after 1 January 2023). Introduction of the definition of an accounting estimate and the way in which it is distinguished from changes in accounting policies. Accounting estimates are now defined as monetary values subject to uncertainty in their measurement, used to achieve the objective(s) of an accounting policy.

h) IFRS 16 (amendment), 'Leases - COVID-19-related rent concessions beyond 30 June 2021' (effective for annual periods beginning on or after 1 April 2021). The amendment extends the date of application of the amendment to IFRS 16 - 'Leases - COVID-19 related rent concessions' from 30 June 2021 to 30 June 2022. The conditions for application of the practical relief remain, where: i) if the lessee is already applying the practical relief of 2020, it will have to continue to apply it to all lease contracts with similar characteristics, and under comparable conditions; and ii) if the lessee has not applied the practical relief to the 2020 eligible rent concessions, this extension cannot be applied to the 2020 amendment. This change is applied retrospectively with the impacts reflected as an adjustment to the opening balance of retained earnings of the annual reporting period in which the lessee first adopts this amendment.

i) IAS 12 (amendment) 'Deferred tax related to assets and liabilities arising from a single transaction' (effective for annual periods beginning on or after 1 January 2023). IAS 12 now requires entities to recognise deferred tax on certain specific transactions, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences. Eligible transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for decommissioning, restoration or similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, where they are not relevant for tax purposes on the date of initial recognition. These taxable differences are no longer subject to the exemption from initial recognition of deferred taxes. The cumulative effect of the initial application of this amendment is recognised as an adjustment to the opening balance of retained earnings (or other equity component, as appropriate) for the earliest comparative period presented.

j) IFRS 17 (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of technical liabilities, which are reassessed at each reporting date. The current measurement may be carried out by applying the complete model ("building block approach") or the simplified model ("premium allocation approach"). The complete model is based on risk-adjusted discounted cash flow scenarios weighted by the likelihood of occurrence, and a contractual service margin, which represents the estimated future profit from the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin, unless this becomes negative. IFRS 17 is for retrospective application with some exemptions at the transition date.

k) IFRS 17 (amendment), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This amendment comprises specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the balance sheet; vii) recognition and measurement of the statement of income; and viii) disclosures. This change also includes clarifications, which aim to simplify some of the requirements of this standard and streamline its implementation.

l) IFRS 17 (amendment), 'Initial application of IFRS 17 and IFRS 9 - Comparative Information' (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment only applies to insurers in the transition to IFRS 17 and allows the adoption of an "overlay" in the classification of a financial asset for which the entity does not implement retrospective application, under the ambit of IFRS 9. This amendment aims to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, in the comparative information presented upon initial application of IFRS 17, providing for: (i) application financial asset to financial asset; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

It is not estimated that the changes that will become effective in 2022 and subsequent years will have an impact on the Bank's financial statements, with the exception of the amendment to IAS 12 – Income tax to apply to lease contracts and the amendment to IAS 1 with respect to the disclosure of material accounting policies.

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REFORM OF BENCHMARK INTEREST RATES

Over the last few years, financial regulatory authorities worldwide have been promoting the abandonment of the use of IBOR indexes and their replacement by risk-free indexes, which has given rise to the need for a transition from LIBOR indexes to the new indexes recommended by the work groups created in different jurisdictions.

This transition was accelerated with the communication of the cessation of LIBOR indexes from the beginning of 2022, which implies that market participants start to use new risk-free indexes and change the contracts affected by the cessation of publication of LIBOR indexes.

The Bank has adopted an active stance, in order to identify and address the inherent risks and ensure an adequate transition, namely with regard to legal and litigation risks arising from contracts with reference to indexes that will be discontinued and the need to amend their wording, operational risks arising from the need for technological, process and control adaptations, financial and accounting risks due to the use and alteration of indexes, as well as reputation risk.

The Bank considers its exposure to LIBOR as immaterial, given the reduced volume of assets and the absence of liabilities related to these indexes. USD LIBOR is the only index in terms of the Bank's exposure as of 31 December 2021. The Bank has an exposure on the balance sheet, under the heading loans to customers, in the amount of tAOA 8 534 625.

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SUBSEQUENT EVENTS

The Bank analyses events occurring after the balance sheet date, i.e., favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorised for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (events that give rise to adjustments);
- Those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

If material, events after the date of the financial statements that are not deemed adjustable events are disclosed in the accompanying notes to the financial statements.

As is widely known, developments since the invasion of Ukraine by Russia on 24 February 2022, which resulted in the application of economic sanctions on Russia by the West and an escalation in *commodity* prices, have led to a change in prospects for growth in activity and prices in most world economies, albeit at different intensities.

The revision of outlooks naturally affects Russia's economy with greater intensity, followed, but at a great distance, by the economies of the Euro Zone, the United Kingdom and other geographic regions further away from the centre of the conflict and with less dependence on the oil and gas supplied by Russia (among them, the USA, Japan and China).

Uncertainty is, however, quite high, so perspectives remain under permanent review, being greatly affected by the duration of the ongoing conflict and its impact on financial markets, especially *commodities*, as well as by economic policy reactions.

As of 31 December 2021, the Bank does not have any direct exposure to entities based in Russia or Ukraine, and it is also not aware that the aforementioned conflict has a material direct or indirect impact on its customers, suppliers and other business partners. Against this background, bearing in mind not only the activity carried out by the Bank, but also the information available to date, the Board of Directors does not estimate material effects in terms of the financial statements for the 2021 and subsequent financial years as a result of the conflict. However, given the uncertainty regarding the unfolding of the conflict and its potential effects, as of the present date, it is impossible to estimate and quantify the future impacts on the Angolan economy, and in particular in terms of the banking business, as a result of which the Board of Directors will continue to evaluate this situation carefully over the forthcoming financial year.

Finally, it is important to note that since this conflict is not a subsequent event adjustable on 31 December 2021, the credit risk parameters used by the Bank with reference to that date do not incorporate any effect or adjustment resulting therefrom. Naturally, this situation will be taken into account in the review of the risk parameters to be carried out in the next financial year.

We are not aware of any additional other facts or events subsequent to 31 December 2021 that would justify adjustments or additional disclosure in the Notes to the financial statements.

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ANNEXES

Independent auditor's report

To Board of Directors of
BCS - Banco de Crédito do Sul, S.A

Introduction

1. We have audited the accompanying financial statements of BCS - Banco de Crédito do Sul S.A., which comprise the balance sheet as at 31 December 2021, which show a total of 130 887 841 thousand kwanzas, and total shareholder's equity of 47 034 465 thousand kwanzas including a net profit of 8 834 729 thousand kwanzas, the statement of income and of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the corresponding notes to the financial statements.

Responsibilities of Board of Director for the financial statements

2. The Board of Directors is responsible for the correct preparation and presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) in force and for such internal control as the Board of Director determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an independent opinion on these financial statements based on our audit, which was conducted in accordance with the Technical Standards issued by the Institute of Statutory Auditors "Ordem dos Contabilistas e Peritos Contabilistas de Angola". Those standards require that we meet ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence of the amounts and disclosures contained in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers the internal control that is relevant to the preparation and presentation of the financial statements, so as to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

6. In our opinion, the financial statements mentioned in paragraph 1 present fairly in all material aspects, the financial position of BCS - Banco de Crédito do Sul, S.A. as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) in force.

25 March 2022

PricewaterhouseCoopers (Angola), Limitada
Registered with OCPCA under no. E20170010

Represented by:

Ricardo Santos, OCPCA member no. 20120086
(free translation from the original in Portuguese)

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholders of Banco
BCS - Banco de Crédito do Sul, S.A.

1. Pursuant to the law and the mandate given to us, in accordance with our Charter, we present the Report on the inspection we carried out and our Opinion on the legal reporting documents presented by the Board of Directors of **BCS - Banco de Crédito do Sul, S.A.** in relation to the year ended 31 December 2021.

2. During the year, we monitored the development of the Bank's activity, the propriety of the accounting records and compliance with the applicable legal and statutory rules with the frequency and to the extent we deemed appropriate. We also received the information and clarifications requested of the Board of Directors and the Bank's various departments.

3. We analysed and agree with the content of the Report drafted by the External Auditors, as issued by the company **Price Waterhouse Coopers (Angola), Lda**, which we have deemed fully reproduced, and which, taking into account the procedures carried out, provides a reasonable basis for expressing a qualified opinion, in accordance with the prevailing International Financial Reporting Standards (IFRS).

4. Within the scope of our duties, we examined the Balance Sheet at 31 December 2021, the Statements of Income and other comprehensive income, changes in equity and cash flows for the year then ended, as well as the respective accompanying notes, including accounting policies and the valuation criteria adopted.

5. Additionally, we analysed the Management Report for the year 2020 prepared by the Board of Directors and the proposal for the appropriation of earnings, included therein.

6. In view of the above, and taking into account the work performed, namely in compliance with accounting, administrative, financial and internal control procedures, we are of the opinion that the General Meeting should:

- Approve the Management Report for the year ended 31 December 2021.
- Approve the Accounts relating to that period.
- Approve the Proposed Appropriation of Earnings.

7. Finally, we should like to acknowledge the Bank's Board of Directors and departments for the tireless and prompt cooperation shown to us at all times.

Luanda, 29 March 2022

The Supervisory Board

Miguel Cristóvão Tyimbonde

Miguel Cristóvão Tyimbonde

Chair of the Supervisory Board - OCPCA number 20120125

Lúcio Costa

Lúcio Alberto Pires da Costa

Board Member

Fernando Pontes Pereira

Fernando Pontes Pereira

Board Member

BCS

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