YOUR PRIVATE BANK

ANNUAL REPORT 2019

BANCA PRIVADA E CORPORATIVA

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

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01

PRESENTATION OF BANCO BCS

1.1

MESSAGE FROM THE CHAIRMAN

THE ECONOMY AND THE FUTURE OF ANGOLA

Angola, with a population of 31.1 million, is the fifth largest economy in Sub-Saharan Africa, with the Oil & Gas sector predominant.

Angola has an area of over 1,246,000 km2, including prime land and sea access, and borders 4 countries.

The country has a young population with a growing level of qualification and there is an emergent middle class in the society.

Angola is in a favourable position to become a platform between Southwest Africa, America and Europe.

In order to reduce dependence on the Oil & Gas sector, the Angolan Executive is committed to implementing a raft of structural reforms to diversify and boost the economy...

- New infrastructure development projects
- Major investment in public services, namely Water, Electricity and Gas
- Increased investment in the primary sector
- New private investment law and implementation of fiscal reforms
- Restructuring of the public sector
- PROPIV - Programme of Privatisations
- PRODESI Programme (Programme for Domestic Production, Diversification in Exports and Substitution of Imports)
- AIPEX (Private Investment and Export Promotion Agency) was created as a new entity in charge of private investment, promoting exports and creating international partnerships

And attracting foreign capital, accelerating economic diplomacy to boost the business environment in Angola and its economic development...

Among other initiatives, focusing on the implementation of the 2019-2022 Privatisations Programme (PROPRIV), which aims to reduce the weight of the State in the economy, the weight of the public debt on the economy and promote business development through the privatisation of 195 companies/captives from different sectors, in particular Industry (62 companies), Mineral Resources and Petroleum (29 companies) and the Agro-industrial and Agro-livestock sectors (25 companies)

To prepare for the greatest challenge and opportunity created...

The African Continental Free Trade Area (AfCFTA) represents a market of 1.2 billion people and a gross domestic product (GDP) amounting to USD 2.5 trillion, in all 55 states of the African Union. In terms of the number of participating countries, the AfCFTA will be the largest free trade area in the world since the formation of the World Trade Organisation.

It is also a highly dynamic market. It is predicted that the population of Africa will reach 2.5 billion by 2050, which will represent 26% of the population of working age in the world, with economies expected to grow twice as fast as those of developed countries.

We are committed to growing the Angolan economy, its entrepreneurs, its citizens and our Customers. It is this commitment that motivates us to adopt a dynamic business strategy in line with the evolution of the Angolan economy and the national and international financial system.

INNOVATION, DYNAMISM AND SOUNDNESS

Since its founding, BCS has focused its energies on the values essential to the quality of the financial services it provides, Trust, Agility, Closeness, Simplicity and Financial Soundness, following international best practice in terms of compliance, governance and internal control with the firm purpose of provide a service of excellence to all those who place their trust in us.

It is against this background that BCS pursues its activities.

In 2019, the strength and resilience of our business model were once again demonstrated, supported by disciplined execution based on our strategic priorities

We are in the process of building a responsible Bank focused on our business and strategic model, which is based on three fronts for sustained growth

1. Strict Internal Control
2. Optimisation of capital
3. Digital transformation

As a bank focused on major corporate customers, we are specialised in trade, corporate and project finance.

In 2019, BCS achieved positive results with a good financial and reputational performance, namely:

- Net Earnings of AOA 14,647,353,364.04;
- Return on Equity [ROE] 43.3%;
- Cost-to-Income Ratio: 25.8%;
- Solvency Ratio: 37.7%.

Equity and equivalents increased 46% in relation to 2018, a result of an increase in share capital to AOA 17,000,000,000.00 and the net earnings obtained.

INTERNATIONAL AWARDS

"BEST PRIVATE AND CORPORATE BANK IN ANGOLA 2017, 2018 and 2019" - In the annual "Global Banking & Finance Awards" of 2019, BCS' quality of service gained international recognition in the form of an award given by the prestigious British magazine "The European", an achievement we are extremely proud of.

I would like to leave some words of appreciation and thanks to our Employees who, through their professionalism and dedication, have leveraged the success of the Bank, to the Shareholders, for their trust and support, which have allowed us to overcome the challenges of this project, and to the entities we interact with, namely the National Bank of Angola, the Angolan Banking Association, Emis and the correspondent Banks.

Finally, I give special thanks to our Customers, the reason why we exist and continue to grow, for the trust they place in us on a daily basis. For them, we strengthen our ongoing commitment to improve the quality of the services provided.

At Banco BCS, we are always by your side.

Maria do Céu Figueira
Chair of the Board of Directors

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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", "BCS Bank" or the "Institution") opened in 2015 and, since then, has sought to become a flagship company in the Angolan financial sector, as delineated in its Strategic Plan and focus its activity in the ***Large Corporate*** and ***Private & Corporate segments***.

In 2019, the Bank continues to gain market share and increase its customer base, as a result of providing a service that seeks excellence and offering a wide range of financial products and services appropriate to the respective profiles.

The Bank currently has five business centres to serve customers, with the opening of a new centre at the planning stage, in accordance with the Bank's policy of expanding across the country. Also noteworthy is the expansion of the facilities in the Headquarters Building to keep up with the growth of the activity.

In its annual ***"Global Banking & Finance Awards"*** in 2019, the prestigious British magazine ***"The European"*** singled out Banco BCS for three international awards for ***"Best Private Bank in Angola"*** (in 2017, 2018 and 2019) and two for ***"Best Corporate Bank in Angola"*** (in 2018 and 2019).

The main focus of the Institution'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. In this developmental context, in terms of organisational structure, the specialisation by activity of the business areas and operational support should be emphasised.

2.2

CORPORATE STRUCTURE

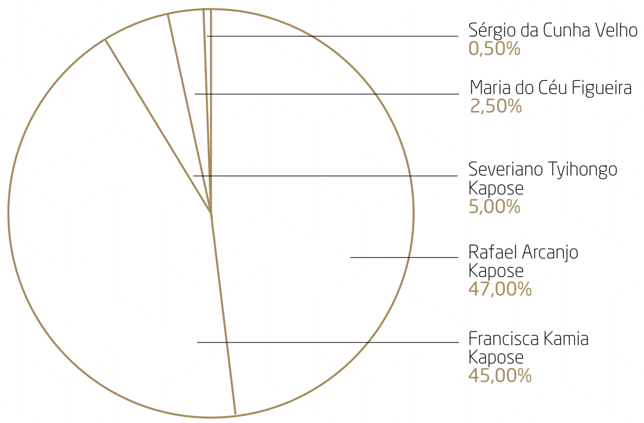
The Bank was incorporated in 2015 with share capital of tAOA 2 500 000 represented by 2.5 million shares, each having a par value of AOA 1 000, fully subscribed and paid up in cash.

In March 2016, the BNA approved a capital increase of tAOA 6 000 000 by means of the issue of 3 500 000 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 decided at the General Meeting to proceed with a capital increase in an amount of tAOA 4 000 000, raising the Bank's share capital to tAOA 10 000 000. The aforementioned increase was made by the shareholders in March 2018 and was authorised by 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 tAOA 7 000 000 was approved at the General Meeting of Shareholders held on 30 June 2019, the Bank's share capital thus rising to tAOA 17 000 000.

The Bank's shareholder structure as of 31 December 2019 is as follows:



It should be noted that, as of 31 December 2019, the Bank does not hold own shares and there are no differentiated voting right shares.

2.3

VISION, MISSION AND VALUES

VISION

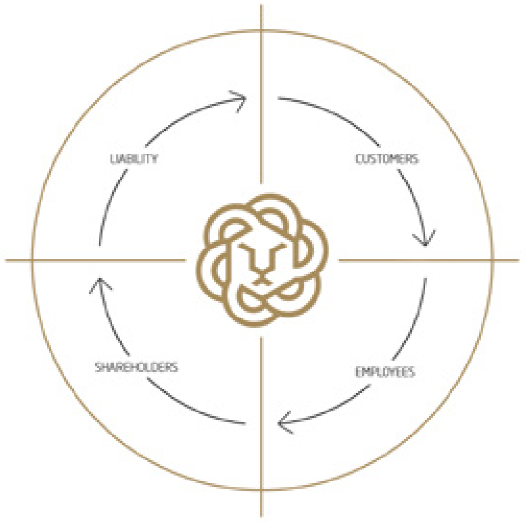
Banco BCS intends to be a leading bank among the institutions of the Angolan financial system, and later across Africa. To this end, as a distinctive feature in the positioning of the brand, the Bank provides banking and financial services with a high degree of consistency and professionalism, offering innovative solutions through modern platforms, at all times aligned with national and international best practice.

MISSION

Banco BCS' mission is to provide high quality banking products and services that increase the range of options available to our customers based on strict standards of conduct, confidentiality, professional ethics and corporate responsibility, in order to create value for shareholders, employees and the financial system.

BCS' DNA

ADN BCS



Together we are creating our history

WE BELIEVE IN OUR COUNTRY
To create value through a SEP of rules and procedures that respect international standards of compliance, contributing actively to the economic and social progress of Angola.

FOCUS ON THE PROFITABILITY AND SUSTAINABILITY OF THE PROJECT
To generate results that allow the satisfaction of the interests of our shareholders, developing activities oriented towards profitability, prudence in terms of risk and efficiency in the appropriation of earnings.

EXCLUSIVITY IS OUR PRIMARY ADVANTAGE
Personalisation, proximity and professionalism are the pillars in the provision of a quality service that allows the construction of relationships of trust with our customers, consolidating a partnership over time.

WE ARE PROUD TO WORK FOR BCS
Only with competent and dedicated professionals can we offer the best service to our customers and thus ensure the sustainability and development of the business.

2.4

STRATEGY

The Bank's strategic positioning in the Private & Corporate segments, exercising the activity of Universal Banking, which consists of the strategic lines of Commercial Banking, Transactional Banking and Investment Banking, has allowed growth and a modern commercial approach.

Both imply strict compliance with national and international standards and recommendations with respect to rules and principles of compliance relating to anti-money laundering and terrorist financing.

The risk assessment policy implemented by the Bank has been effectively enhancing improved financing conditions, thus providing risk assessments appropriate to customer operations and safer and more attractive conditions for transactions.

Banco BCS continues to focus on brand development, focusing on the quality of human capital and the quality of application systems and control tools. This focus is implemented through investments that allow it to maintain its position as the partner of choice for investors, savers, businesspeople and foreign financial partners, while at the same time playing the role of catalyst for economic growth.

During the 2018 financial year, the Bank approved a business plan for the 2018-2020 triennium, defining strategic objectives and financial indicators. Essentially, the Bank aims to consolidate its positioning in the segments and business areas that are basic to its growth strategy, seeking to reinforce the experience provided to its customers by providing alternative channels, additional features and services, and new business centres.

Segments and business areas

Banco BCS is committed to fostering the trust of its customers and other partners, taking as its main distinctive strategic feature the provision of services characterised by excellence and permanent orientation towards the needs of the ***Large Corporate*** and ***Private & Corporate segments***.

PRIVATE & CORPORATE SEGMENT
Among the main tasks attributed to the ***Private*** segment are collaboration with Management and other business units in the definition of the global commercial strategy, at all times basing its actions on identifying, acquiring and maintaining relationships dedicated to the customers that fall into that segment, and also those with high potential.

Knowledge of all ***shareholders*** and the context in which they operate allows Banco BCS to remain close to customers, meet their specific needs and provide the best advice for the management of their asSEPs through the creation of savings and investment products that preserve and create value.

The ongoing expansion of the commercial network has been designed so that, in this segment, the service is provided through centres (business units) and complementary channels (***internet banking and mobile banking***), offering investment solutions that meet customers' specific requirements. Banco BCS seeks to ensure all situations where security and operational secrecy are required, as well as access to dedicated employees with an appropriate background and knowledge to monitor and satisfy all the needs of customers in the segment.

LARGE CORPORATE SEGMENT
The ***Large Corporate*** segment of the business guarantees personalised and dedicated support for companies that, due to their size and organisation, fall within this segment, as defined in the price list, and which require support oriented towards their turnover, credit exposure, average volume of resources and other matters that the bank's range of products and services can offer. Additionally, one of the main functions of the department responsible for monitoring this segment is to collaborate with management and other business units in defining the overall business strategy.

Banco BCS pays special attention to financial advice, holding private meetings with companies and providing them with solutions appropriate to their specific needs through teams specialising in ***Trade Finance***, ***Corporate Finance*** and ***Project Finance***, and their respective managers.

The Bank follows monitoring and prospecting best practice to bring to fruition its commitment to those who invest, with the aim of successfully implementing each project, building strategic partnerships and value synergies.

2.5

EXPECTATIONS FOR 2020

The appearance of the COVID-19 pandemic has significantly changed the initial prospects for 2020 in relation to the growth of the Angolan economy.

According to International Monetary Fund ("IMF") forecasts, a further contraction in GDP is expected, mainly triggered by a drop in oil prices, which have been affected due to demand. Additionally, an inversion of the economic cycle is expected only in 2021. During the years 2020 and 2021, the measures taken by Governments and Central Banks to boost economic activity, both in Angola and internationally, will be decisive. Likewise, the measures to support the economies of developing countries to be taken by International bodies (the IMF and the World Bank, among others), will be of crucial importance.

More than ever, the constant effort to reduce the Angolan economy's dependence on the oil sector will be one of the cornerstones of the macroeconomic management measures taken. However, the national environment will remain challenging from both the perspective of the financial system and macroeconomic perspective.

The devaluation of the domestic currency, the shortage of foreign exchange and the reduction of margins in banking activity will continue to present challenges on the road to stabilising the national financial system, which is essential for economic recovery in the coming years. The challenge will be intensified by the reduced ability to generate sustained income growth for both people and businesses.

For 2020, the main objectives of growth in customer acquisition and maintaining the Bank's profitability and own funds will remain its main focus, as well as the criteria for prudent and careful management of the loan portfolio. Banco BCS' activities have been characterised by the high quality of service provided to our customers, and this will always be the focus of our day to day operations.

Investment in staff training will remain crucial, at the same time as relationships of partnership and close ties with customers are strengthened so as to offer solutions appropriate to their needs and adapted to the growing demands of the market.

Banco BCS reiterates its commitment to support the economy and its customers in 2020, fortified by the solidity of its balance sheet and the levels of solvency achieved in 2019.

Thus, our commitment and dedication to being 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

THE YEAR 2019

According to data from the International Monetary Fund ("IMF") in its ***World Economic Outlook*** (October 2019), after a major slowdown in the last three quarters of 2018, global growth stabilised in the first half of 2019.

Also in 2019, trade tensions once again increased significantly, which resulted in an increase in customs duties between the United States and China, affecting business confidence worldwide.

Growth in the most advanced economies stabilised in the first half of 2019, after a sharp decline in the second half of 2018.

More specifically, the pace of expansion of the US economy slowed in the last quarters (around 2% annualised) and the United Kingdom economy decelerated, with its investments on hold due to the uncertainty surrounding Brexit. The Eurozone recorded stronger growth in the first half of this year than in the second half of 2018, but the German economy shrank in the second quarter, with industrial activity falling.

In general, weak exports were an obstacle to activity in the Eurozone from early 2018, with Japan, on the other hand, recording strong growth in the first half of this year, boosted by high levels of public and private consumption.

Among the advanced economies, the growth witnessed in 2019 is considerably weaker than in 2017/2018 in the Eurozone, in North America and in the smaller Asian economies. This declining growth reflects a generalised slowdown in industry, resulting from weaker external demand (including from China), the broad global repercussions of trade tensions, an increase in uncertainty regarding investment and a notable deceleration in the production of cars at global level, particularly for Germany.

The emerging economies groups that impacted part of the fall forecast in growth in 2019 and that represent most of the value forecast for recovery in 2020 include those that are under severe strain or that are performing below expectations compared to their historical averages.

In particular, Argentina, Iran, Turkey, Venezuela and other countries affected by conflicts, such as Libya and Yemen, continue to see very severe macroeconomic distress.

Other major emerging economies, such as Brazil, Mexico, Russia and Saudi Arabia, are forecast to grow by around 1% or less in 2019, well below their historical averages. In India, growth slowed in 2019 as a result of a combination of uncertainty regarding corporate and environmental regulation and concerns with financial soundness.

EXPECTATIONS FOR 2020

In 2020, according to the World Economic Outlook (April 2020), the COVID-19 pandemic is causing a significant increase in costs at global level, and is having a predictably strong impact on economic activity. As a result, a contraction of the global economy of -3% is expected in 2020, markedly worse than during the financial crisis of 2008-2009.

At the present time, mitigation measure are being prepared, and in some cases have already been decided, by the main Central Banks and Governments, the impact of which is as yet difficult to quantify, considering that the duration of the current disruption is unknown.

Assuming a scenario in which the pandemic disappears in the second half of 2020, it is forecast that the global economy will grow 5.8% in 2021, with the normalisation of economic activity.

TOTAL EQUITY AND LIABILITIES		Forecasts		Difference over January 2020 WEO Update[1]		Difference over October 2019 WEO[1]	
	2019	2020	2021	2020	2021	2020	2021
GLOBAL PRODUCTION	2.9	-3.0	5.8	-6.3	2.4	-6.4	2.2
Developed Economies	1.7	-6.1	4.5	-7.7	2.9	-7.8	2.9
United States	2.3	-5.9	4.7	-7.9	3.0	-8.0	3.0
Eurozone	1.2	-7.5	4.7	-8.8	3.3	-8.9	3.3
Germany	0.6	-7.0	5.2	-8.1	3.8	-8.2	3.8
France	1.3	-7.2	4.5	-8.5	3.2	-8.5	3.2
Italy	0.3	-9.1	4.8	-9.6	4.1	-9.6	4.0
Spain	2.0	-8.0	4.3	-9.6	2.7	-9.8	2.6
Japan	0.7	-5.2	3.0	-5.9	2.5	-5.7	2.5
United Kingdom	1.4	-6.5	4.0	-7.9	2.5	-7.9	2.5
Canada	1.6	-6.2	4.2	-8.0	2.4	-8.0	2.4
Other Developed Economies[2]	1.7	-4.6	4.5	-6.5	2.1	-6.6	2.2
Emerging Markets and Developing Economies	3.7	-1.0	6.6	-5.4	2.0	-5.6	1.8
Emerging and Developing Economies Asia	5.5	1.0	8.5	-4.8	2.6	-5.0	2.3
China	6.1	1.2	9.2	-4.8	3.4	-4.6	3.3
India[3]	4.2	1.9	7.4	-3.9	0.9	-5.1	0.0
ASEAN-5[4]	4.8	-0.6	7.8	-5.4	2.7	-5.5	2.6
Emerging and Developing Economies Europe	2.1	-5.2	4.2	-7.8	1.7	-7.7	1.7
Russia	1.3	-5.5	3.5	-7.4	1.5	-7.4	1.5
Latin America and the Caribbean	0.1	-5.2	3.4	-6.8	1.1	-7.0	1.0
Brazil	1.1	-5.3	2.9	-7.5	0.6	-7.3	0.5
Mexico	-0.1	-6.6	3.0	-7.6	1.4	-7.9	1.1
Middle East and Central Asia	1.2	-2.8	4.0	-5.6	0.8	-5.7	0.8
Saudi Arabia	0.3	-2.3	2.9	-4.2	0.7	-4.5	0.7
Sub-Saharan Africa	3.1	-1.6	4.1	-5.1	0.6	-5.2	0.4
Nigeria	2.2	-3.4	2.4	-5.9	-0.1	-5.9	-0.1
South Africa	0.2	-5.8	4.0	-6.6	3.0	-6.9	2.6
Memorandum							
European Union[5]	1.7	-7.1	4.8	-8.7	3.1	-8.8	3.1
Low-income Developing Countries	5.1	0.4	5.6	-4.7	0.5	-4.7	0.4
Middle East and North Africa	0.3	-3.3	4.2	-5.9	1.2	-6.0	1.2
Global Growth Based on Market Exchange Rates	2.4	-4.2	5.4	-6.9	2.6	-6.9	2.6

Source: International Monetary Fund (World Economic Outlook, April 2020)

TRADE

After reaching its peak in 2017, growth in global trade decelerated considerably in 2018 and, in the first half of 2019, total growth of 1.25% is forecast.

According to data presented in the ***World Economic Outlook*** (October 2019), the slowdown in 2019 reflects a combination of variables, including a deceleration in investment, the impact of increased trade tensions on spending on goods and services and a considerable decline in the automotive trade.

For 2020, there is considerable difficulty in predicting trade growth trends, given that economic conditions depend on uncertain external factors. These include, for example, the cycle of the pandemic, progress in finding a vaccine, the intensity and effectiveness of containment efforts, repercussions on the global financial market, changes in spending/consumption patterns, behavioural changes and the volatility of ***commodity*** prices.

OIL MARKET AND COMMODITIES

According to IMF data presented in the ***World Economic Outlook*** (October 2019), oil prices were relatively stable and were negotiated within a narrow band, despite the increased geopolitical uncertainty. In April, prices exceeded 71 USD, the highest price in 2019, and reached their lowest level, 55 USD, in August, before recovering to above 60 USD in September.

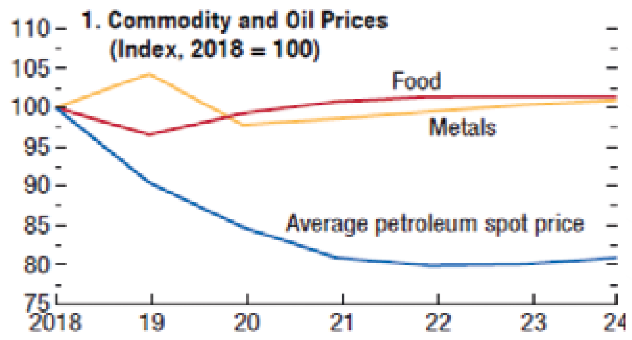
Initially, prices grew through the recovery of financial conditions and due to tensions in Venezuela and between the US and Iran being put on hold. However, at the end of the spring, weaker growth in the global economy raised concerns regarding a lack of global demand for oil, which was amplified by an accumulation of oil stocks in the US.

In 2020, according to data from the ***World Economic Outlook*** (April 2020), due to the global disruption caused by COVID-19, prices per barrel are estimated to be USD 35.60 in 2020, and USD 37.90 in 2021. In the following years, the curves show that prices are expected to increase towards USD 45.00, well below the average level of 2019 (USD 61.40).

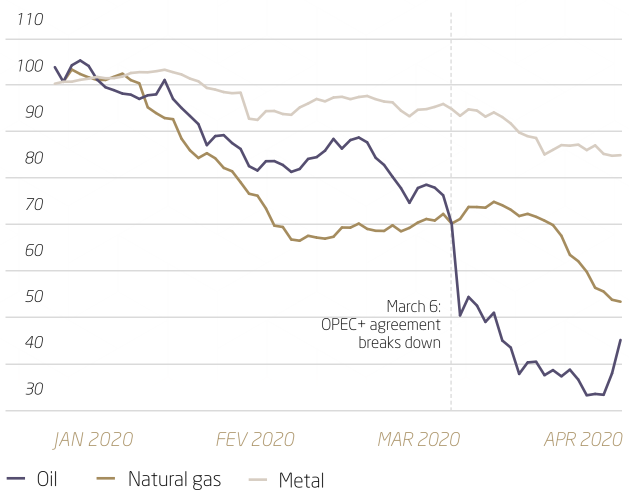
Additionally, metal prices are forecast to decrease by 15.0% in 2020 and 5.6% in 2021, and food prices to decrease 1.8% in 2020, and then increase by 0.4% in 2021.

In Angola, during 2019, oil production in December increased by around 1,369 mb/d, while in November a total of 1,273 mb/d had been recorded. Accumulated annual production stood at 16,599 mb/d, marking a lower level of production compared to the previous year, according to the National Bank of Angola Economic Bulletin for December 2019.

COMMODITY PRICE ASSUMPTIOS AND TERMS-OF-TRADE WINDFALL GAINS AND LOSSES



COMMODITY PRICES



Source: International Monetary Fund (World Economic Outlook, April 2020)

MONEY AND FOREIGN EXCHANGE MARKET

Political changes, together with growing concerns regarding slower market growth, contributed to considerable declines in sovereign bond ***yields*** - which in some cases became negative, according to data from the ***World Economic Outlook*** (October 2019).

The prices of higher risk securities have been volatile. The ***spreads*** associated with credit in the US and the ***yields*** of private bonds in the Eurozone have increased marginally since April, but remain below the levels reached at the end of 2018. Over the same time frame, the stock markets in the United States and Europe have lost some weight, but are still considerably above the lows reached at the end of 2018.

Exchange rate movements for certain advanced economies were notable in some cases. Particular examples are a 5% appreciation in the Japanese yen and a 3% appreciation in the Swiss franc between March and the end of September. By contrast, the pound depreciated 4% amid growing concerns regarding ***Brexit*** and the US dollar strengthened by around 2.5%, while the euro depreciated by approximately 1.25%.

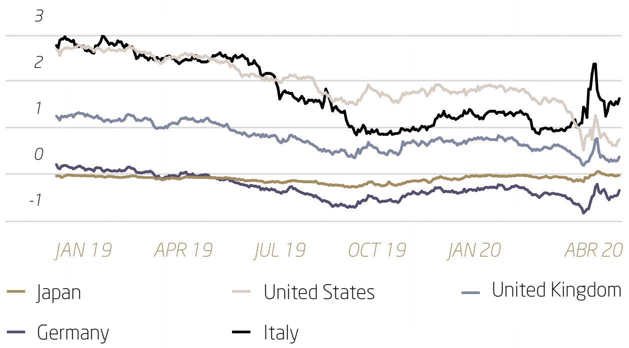
In 2020, according to the ***World Economic Outlook*** (April 2020), the market deteriorated with concerns about the global spread of COVID-19, and the drop in oil prices further exacerbated this decline.

Exchange rate movements generally reflect these drastic changes. In 2020, the currencies of exporting countries with flexible exchange rates depreciated sharply from the beginning of the year, while the US dollar appreciated by around 8.5%, the yen by around 5% and the euro by around 3%.

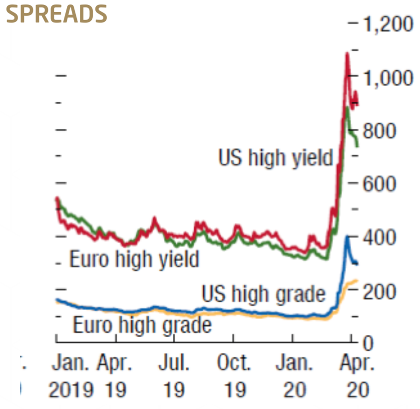
The worsening of perceptions of risk led to a series of cuts in Central Bank rates and support for the liquidity of various institutions.

Additionally, several central banks have activated bilateral ***swap*** lines to improve access to international liquidity between jurisdictions.

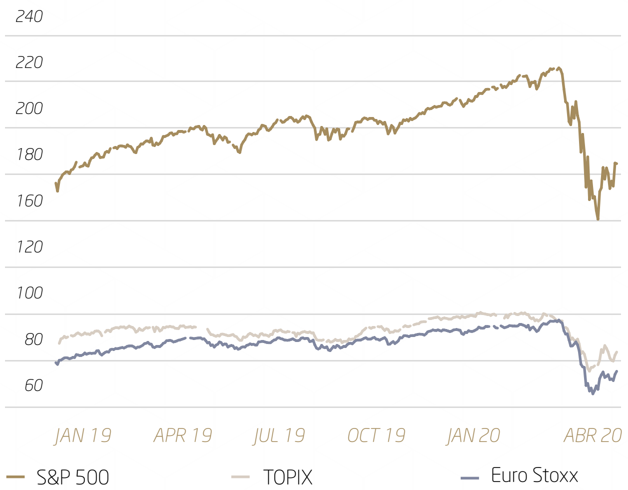
TEN-YEAR GOVERNMENT BOND YIELDS



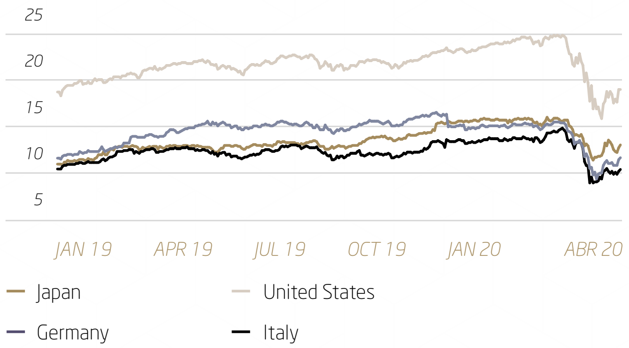
CREDIT SPREADS



EQUITY MARKETS



PRICE-TO-EARNINGS RATIO



Source: International Monetary Fund (World Economic Outlook, April 2020)

INFLATION

Average expected price inflation is around 1.5%, a figure consistent with the slowdown in energy prices and the moderation of economic growth (below 2% in 2018).

In the US, inflation is forecast to be around 2.6% in 2020-2021, above the medium-term figure of 2.2%.

On the other hand, in Japan, the basic inflation rate (excluding the fresh food and the energy sector) is expected to rise to around 1% in 2019-2020, due to an increase in the consumption tax rate in October, rising to 1.2% in the medium term.

In the Eurozone, inflation is expected to increase gradually, from 1.2% in 2019 to 1.4% in 2020.

Finally, inflation in emerging and developing markets (excluding Venezuela) is expected to reach 4.7% this year.

3.2

ANGOLAN ECONOMY

Dados do Indicador de Clima Económico (ICE) divulgados pelo Data from the Economic Climate Indicator (ICE) released by the National Statistics Institute (INE), for the third quarter of 2019, show that the Angolan economic environment remains unfavourable, with a slight deterioration compared to the previous quarter, explained by the weak performance of most of the sectors that comprise the indicator.

Despite the unfavourable general outlook, certain sectors registered a positive growth, such as Tourism and Manufacturing. Behind this strong performance was the favourable evaluation of entrepreneurs in relation to current activity, and a more encouraging outlook for production and employment. According to the INE, the Commerce and Construction sectors were the worst hit in this quarter.

The unfavourable ***performance*** of Commerce was primarily related to worsening difficulties associated with ***stockouts***, financial difficulties, excessive bureaucracy, insufficient demand and high selling prices.

Construction was affected by a lack of materials, deterioration in sales prospects, insufficient demand, difficulties in obtaining bank loans and high interest levels.

According to IMF data, published in December 2019 in Report 19/371 on the Angolan Economy, it is said that the country continues to face an unfavourable external environment, which weighs on its economic prospects. Persistent oil price volatility and continuing global trade tensions continue to present challenges in the last quarter of 2019 and in 2020.

Despite a gradual recovery in economic activity for Angola being forecast for 2020, COVID-19 has changed this outlook, with the IMF now forecasting a 1.4% retraction in GDP in 2020. This retraction in growth is essentially affected by the sharp drop in oil prices and an additional expected decrease in production.

Even so, the IMF expects an economy recovery of around 2.6% in 2021, with the expectation that the outbreak will be contained in the second half of 2020, and that oil prices will recover in 2021.

GROSS DOMESTIC PRODUCT

In 2019, despite efforts made in the non-oil sector, a global recession is again expected.

The 2020 State Budget ("OGE") estimated a real GDP growth rate of 0.3%, 2.5% lower than that forecast in the 2019 OGE. However, the most recent forecasts point to a 1.1% fall in GDP.

If the forecast for 2019 is confirmed, between 2016 and 2019, the national economy will have accumulated negative growth of 5%. For the period between 2015 and 2019, the decrease is 4.1%.

The low level of economic growth in 2019 resulted from the decrease in oil production observed throughout the year, which was below expectations.

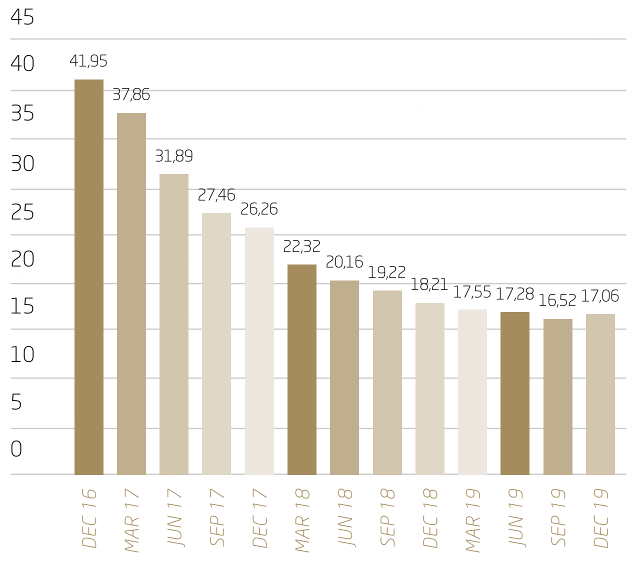
INFLATION

The general price level is expected to maintain a downward trend, since its peak in 2016, when the inflation rate reached around 42%.

The national inflation rate decreased in 2017 to 26%, in 2018 to around 18%, and in 2019 the rate is expected to be around 17%.

This deceleration of inflation in recent years results from the adoption of macroeconomic stabilisation measures, included in the Interim Plan in 2017 and in the Macroeconomic Stabilisation Plan for the year 2018.

YOY INFLATION



Source: December 2019 BNA Statistical Bulletin

COMMODITIES

The increase in the prices of energy ***commodities*** in 2019 was driven by positive developments in trade negotiations between China and the US, and by a reduction in supply by Organisation of Petroleum Exporting Countries ("OPEC").

Thus, according to the BNA Monthly Economic Bulletin of November 2019, the Brent price stood at USD 62.71/barrel and corresponds to a monthly increase of 5.16%, the highest price since July 2019, while Angolan Crudes registered a more modest increase (0.71%) to 62.36 USD/barrel.

	DEC 15	DEC 16	DEC 17	NOV 18	DEC 18	SEP 19	OCT 19	NOV 19
USD/EUR exchange rate	0,920	0,951	0,833	0,884	0,880	0,917	0,897	0,908
Oil Price (USD/barrel)								
Brent Price	37,33	54,89	64,08	67,83	57,67	62,29	59,63	62,71
Wri price	38,90	52,11	57,94	58,72	48,98	56,97	54,01	48,15
Price of Angolan Crudes	35,63	52,68	65,11	65,03	56,33	63,65	61,92	62,36
Gold Price (USD/ounce)	1 075,74	1 157,36	1 309,30	1 220,65	1 250,40	1 465,70	1 514,80	1 465,60

Source: BNA Monthly Economic Bulletin November 2019

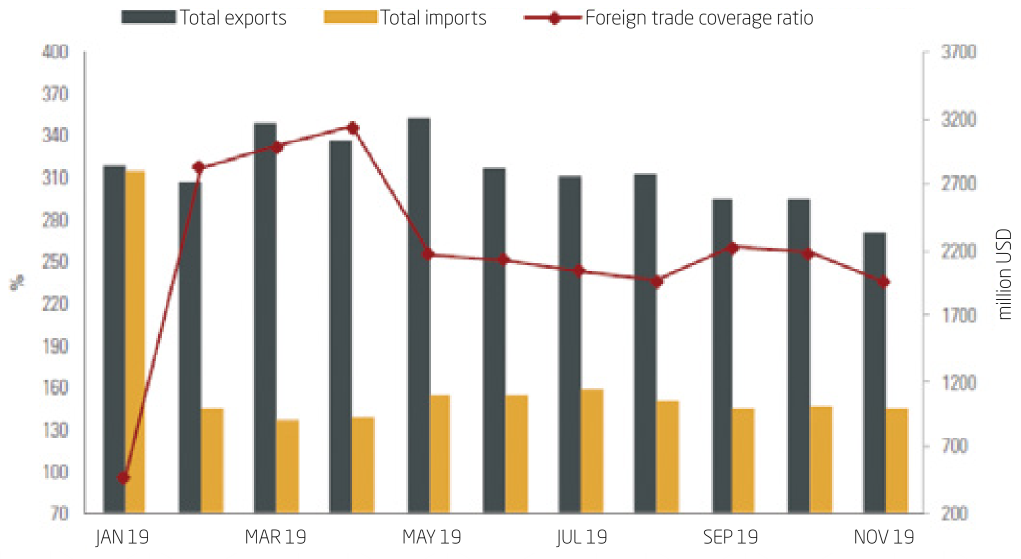
As previously mentioned, due to the impact of COVID-19, oil prices fell abruptly in 2020. Additionally, oil production in Angola has been decreasing over the past few years, and 2020 is not expected to be the year that will change this trend.

FOREIGN TRADE AND INTERNATIONAL RESERVES

According to the BNA's Monthly Economic Bulletin of November 2019, the balance of the goods account stood at USD 1 337.91 million in November, being 15.40% below the value observed in October, with exports decreasing by a greater magnitude (10.22%) than imports (2.13%).

With the drop in exports, the foreign trade coverage ratio decreased from 256% to 235%. A reduction of 14.95% in exports was observed in the oil sector due to a 15.56% decrease in quantities, since the average price registered an increase of 0.71%.

EXPORTS AS A CAPACITY TO IMPORT



Source: BNA Monthly Economic Bulletin November 2019

EXCHANGE POLICY

The year 2018 was marked by a change to a floating exchange rate system (exchange rates fixed according to the buying and selling prices in foreign exchange auctions), compared to the previous fixed exchange rate system (exchange rates SEP administratively), which caused a significant devaluation of the Kwanza.

In 2019, exchange rate depreciation was instrumental in reducing demand for foreign exchange and, in effect, the sale of foreign exchange accumulated from January to August decreased by 40%, when compared to the year 2017.

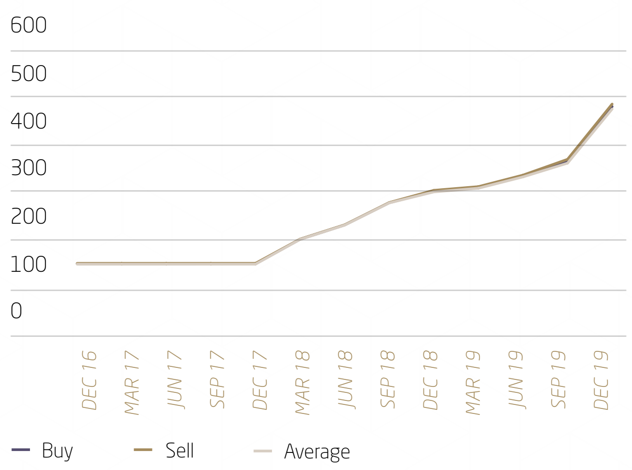
From June 2018 to June 2019, the effective real exchange rate depreciated by around 16%. Additionally, the shortage of foreign exchange fell significantly and the spread between the formal and informal exchange rates dropped to around 34.5%.

In 2020, in line with the target SEP for the inflation rate, it is expected that the new exchange rate policy will become more deeply embedded, and will tend to eliminate the imbalance that still prevails in the country's foreign exchange market. With this, efforts will be made to intensify the recomposition of international reserves and improve the efficiency of the foreign exchange allocation mechanism.

With regard to the secondary market, the domestic currency likewise depreciated, by more than the appreciation recorded in the primary market.

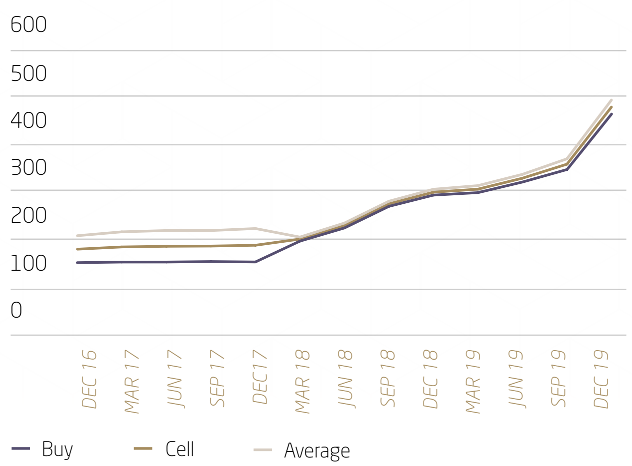
PRIMARY MARKET EXCHANGE RATE DEVELOPMENT

KZ/USD



SECONDARY MARKET EXCHANGE RATE DEVELOPMENT

KZ/USD



Source: December 2019 BNA Statistical Bulletin

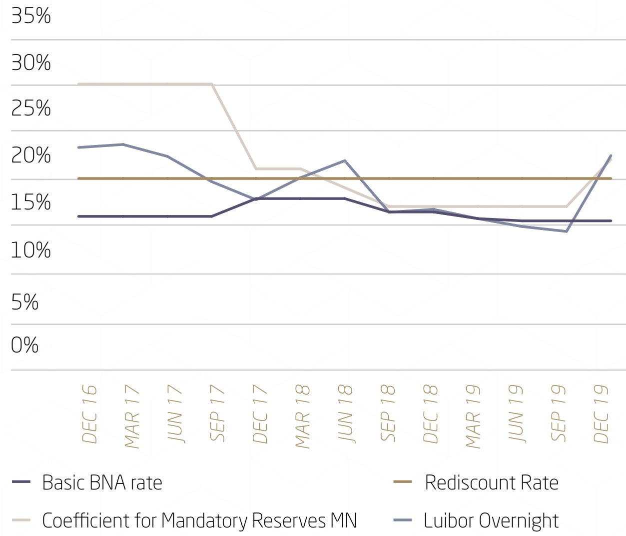
MONETARY POLICY

In 2017 and 2018, the National Bank of Angola made substantial changes to monetary policy, removing the possibility of SEPting up reserves by means of Treasury Bonds and thus eliminating collateral. By increasing the compulsory minimum reserves ratio, levels of liquidity in the economy immediately decreased.

Additionally, the BNA implemented concrete measures related to the organisation of the foreign exchange market, democratising access and eliminating invisible barriers. Only in this way was it possible, in 2018/2019, to reduce the exchange rate ***gap*** between the formal and informal markets, through the depreciation of the official exchange rate, without, however, generating negative effects on inflation.

Monetary policy remained restrictive in 2019, in order to control the general price level in the economy more effectively. However, the behaviour of the monetary base and the downward trend in the inflation rate allowed the BNA to take a less restrictive stance in monetary policy, having reduced the interest rate twice during the first half of 2019.

POLICY RATES



Source: December 2019 BNA Statistical Bulletin

YEAR UNDER REVIEW

Banco BCS publishes news on the national and international economy weekly on its website in a publication entitled "Weekly Research". The main news of the publications made during 2019 were as follows.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
JAN	The BNA carried out rediscount operations in an amount of AOA 230.6 billion in November. The amount represents an increase of 41% compared to the same period last year and may reflect liquidity needs in the interbank market, with effects on interest rates and the availability of credit to the economy. In 2018, BODIVA negotiated a total of 790.8 billion kwanzas through the offer of Bonds and Treasury Bills. The Investor Portal raised AOA 3.48 billion by November 2018. The consultancy IHS Markit believed that Angola could grow 1.9% this year, supported by the agreement with the International Monetary Fund (IMF). The Luibor ***Overnight*** interest rate ended 2018 at 16.75%, down from 17.77% in the previous year. Inflation ended 2018 at 18.6% according to the INE Financial Statistics Division.	Oil registers the biggest weekly rise since December 2016, appreciating over 9%. Gold is heading for its worst fall since November, after US labour market data gives US stocks a boost. The Euro starts the year with a negative week and the dollar fluctuates. The Dow Jones soared 3.29% and the Nasdaq added 4.26%. The S&P500 gained 3.43%. Equity markets have gained new momentum and in Europe the markets have registered gains of close to 2%.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
FEB	Decreasing annual inflation in 2018 leads the BNA to reduce its base rate. The Angolan Central Bank maintains its ratios of compulsory minimum reserves. Angola grows 2.2% and escapes from three consecutive years of recession. Net international reserves increased by 4.7%, representing a growth of 500 million dollars. Oil accounts for 84% of foreign direct investment, according to a report on payments and international investment position.	The Euro rises on the back of inflation, suggesting that the ECB should not relax its monetary policy. The price of gold recovered from the falls witnessed. The main European exchanges rise for five consecutive weeks. Oil prices continue to rise in major international markets, trading at 2019 highs. The dollar consolidates its appreciation with advances on the commercial fronT.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
MAR	The BNA carried out open market operations in the amount of 5.2 billion kwanzas in order to regulate liquidity in the market. Luanda refinery quadruples gasoline production. The non-oil sector raised foreign direct investment of USD 300.1 million. Liquidity exchange operations between commercial banks reached AOA 260.29 billion. According to the INE, the national consumer price index registered a monthly variation of 1.04%. Angola produced 1.457 million barrels of oil per day in February.	Oil falls more than 2% and investors are concerned about the prospect of reduced demand, following signs of an economic slowdown. The price of gold appreciated. Dow Jones reports the largest weekly earnings series in 24 years. Copper prices are losing ground, with the PMI indicator registering the lowest value in almost 6 years. The Euro continues to give ground against the dollar and against most major currencies, on the way to its biggest fall in two weeks, having been adversely affected by the economic slowdown in Germany and France.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
APR	The Angolan Monetary Policy Committee maintains a BNA rate of 15.75% and the interest rate of the Standing Deposit Facility at 0%. The amount traded on BODIVA reached 2.5 billion AOA. Angola will grow 0.4% this year and 3.2% in 2020 and 2021, according to the report on the Medium-Term Debt Strategy (2019-2021), as approved by the Council of Ministers. AIPEX approved projects valued at USD 650 million. Sale of treasury bills reached 24 billion AOA. Fitch expects the economy to grow 2.2% this year, driven by increases in oil exports.	Oil prices heading for the longest earnings series since 2017. The dollar is gaining some ground against the major currencies, driven by a higher-than-expected increase in US jobs. European stock markets again close to highs. Despite having touched the lowest value since 27 December last year, gold is appreciating 0.11%. The Euro depreciates 0.46% and is thus trading at 10 April lows against the dollar.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
MAY	The BNA absorbed 9.3 billion Kwanzas from the Open Market, with the aim of regulating liquidity in the market. The BNA, at a meeting of the Monetary Policy Committee, determined a 0.25% reduction in the indicative interest rate. The amount traded on BODIVA reached 4.4 billion AOA. The consultancy IHS Markit forecasts growth of 0.5%, above the forecasts adopted by the Government and the International Monetary Fund.	The barrel of oil in London continues to fall for the third consecutive session, after having dropped almost 6% in the last session. The British currency recovers from 14 sessions of decline. Copper is sliding, a trend that, if maintained, will give rise to a sixth consecutive week of losses.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
JUN	The BNA lowers the basic interest rate to 15.5%, as a result of the downward trend in annual inflation and the shift in the Monetary Base in domestic currency, which contracted 0.54% in the last twelve months. The supply of non-readjustable treasury bonds in the primary market reached 40 billion kwanzas, of which only 1 billion were absorbed by economic agents. The secondary market for treasury bonds registered transactions in an amount of around 10.6 billion AOA. Tax revenue from the sale of diamonds is equivalent to almost half of the total collected in 2018.	Oil prices remain low in the main international markets, pressured by commercial tensions, which intensifies fears of lower demand for this raw material. The price of corn continues to rise and is on track for the biggest monthly gain since June 2015 on the Chicago market, up 19%, as bad weather is drives farmers from their fields. The dollar reached a new high for the year against a basket of major partner currencies, with threats of additional US customs tariffs on Mexican products adding to the escalation in trade tensions.

JUL

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
JUL	The amount of treasury bonds redeemed in the 1st half stood at 377.44 billion kwanzas. The National Consumer Price Index stood at 247.5 points in June, with Accumulated Inflation reaching 6.67% The amount traded on the BODIVA was 849.6 billion kwanzas. GDP contracted 0.4% year on year in the 1st quarter of 2019.	The barrel of Brent appreciates 0.21%, thus interrupting a cycle of four sessions in the red. Gold peaks at USD 1 453.09 an ounce, a peak since 2013. The Euro loses strength against the dollar, mainly due to rising expectations of an interest rate cut by the Federal Reserve. New all-time highs on ***Wall Street***.

AUG

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
AUG	The BNA's Monetary Policy Committee decided to keep the reference interest rate at 15.5%. Interbank market trading was down 118 billion kwanzas. The amount traded on the BODIVA reached 949.6 million kwanzas. Oil exports registered an increase of 65.4 thousand barrels in relation to the first quarter.	Oil prices continue to rise on the major international markets, correcting previous sharp drops, when they fell around 8% after Donald Trump announced new tariffs on imports of Chinese products. Industrial metals continue to fall, adversely affected by the intensification of trade friction between Washington and Beijing. The Euro gains against the dollar for the second session. The American stock markets closed down, adversely affected by the escalation of commercial tensions between the USA and China.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
SEP	The monetary base showed 11% growth according to the BNA. Compulsory minimum reserves registered an increase of 176 billion kwanzas. Trading on the BODIVA reached USD 1.5 billion. The production of ornamental rocks in the province of Huíla increases to almost 94 thousand tons.	A barrel of Brent continues to lose 1.25%, even sliding to 2.54%. Silver recorded a rise of 1.64% per ounce, registering a fifth consecutive week of gains. The dollar follows a negative trend after it was reported that the number of jobs in the United States increased at a lower level than expected. The majority of the main European exchanges closed up.
OCT	The BNA maintains Policy Rate at 15.5%. Diamonds yield over seven billion in 3 months. Oil production grew in September, closing the third quarter with a daily average of 1.411 million barrels.	A barrel of Brent falls 0.54% to USD 61.34. The yellow metal (Gold) appreciated in the last week of the month in all sessions. The rise is 0.53% to USD 1 511.95 per ounce, having returned to levels seen at the beginning of October. The single European currency slips 0.15% to USD 1.1084. The last week of October was a "heavy" one for the Euro on the markets, depreciating in four of the five sessions.

	NATIONAL ECONOMY	INTERNATIONAL ECONOMY
NOV	The average interest rate of the MMI for the 6-month maturity was 15.96%. According to data released by the Public Debt Management Unit, approximately 6.51 billion Kwanzas in treasury bills were placed on the primary market. Angola issues USD 3 billion in Eurobonds. Trade between Angola and Spain reached around four billion dollars.	A barrel of Brent continues to trade in the red, falling 0.88%, after trading at a high for almost a month. Gold fell away for three consecutive sessions, in a week in which a certain degree of optimism regarding negotiations to sign a partial agreement between the United States and China alienated investors from this asset, giving them the confidence to invest in riskier assets, such as stocks. The pound experienced a week of drops, falling in four of the five sessions.
DEC	Tax revenues from oil exports totalled 417,263 million Kz in December 2019. The interest rate on liquidity-providing facilities was set at 27.51% in December 2019. Angolan GDP reported a year-on-year fall of 0.8% in the third quarter of 2019. The BNA's Monetary Policy Committee (MPC) decided to adjust the compulsory minimum reserves ratio in domestic currency to 22%. The increase was 5% on the previous 17%.	The growth rate of the world economy reached 2.9% in 2019. Data released by the IMF in updating its global economic outlook. The main stock exchanges performed positively in the last quarter of 2019. Oil prices had the biggest annual gain in three years, supported by a thaw in the prolonged US-China trade war and continued cuts in oil supply by producers.

3.3 REGULATORY CHANGES

JANUARY 2019

Directive 01/DSP/DRO/2019
Informs the Banks about the Guarantee in the CCAA Subsystems and defines the parameters for determining minimum guarantees and penalties for non-compliance.

Instruction 01/2019
Describes the guarantees for balance settlement.

Directive 07/DSB/DRO/DMA/2019
Provides information concerning the foreign exchange position limit and defines the daily information to be provided by Commercial Banks.

Instruction 02/2019
Provides information concerning the duty to provide information to customers regarding the Deposit Guarantee Fund.

Directive 01/DMA/2019
Adjusts the BNA reference interest rate regulated under Notice 10/2011.

FEBRUARY 2019

Regulation 01/2019
Regulates operating conditions for Management Companies in Regulated Markets, Clearinghouses, Centralised Systems and Securities Settlement.

Regulation 02/2019
Defines the Legal Status of Venture Capital Collective Investment Undertakings.

Regulation 03/2019
Defines the Legal Status of Asset Securitisation Collective Investment Undertakings.

Regulation 04/2019
Defines the rules subject to Asset Management Companies (AMC) for the purposes of authorisation, constitution, registration and start of activity with the CMC.

Directive 01/DCC/2019
Provides information concerning the provision of information related to Payment Commitment Declarations, issued by Commercial Banks, for the export of goods.

Directive 02/DSP/DRO/2019
Defines periods of validity for payment cards.

MARCH 2019

Notice 03/2019
Defines the price of foreign currency transactions - maximum limits for commissions and expenses.

APRIL 2019

Notice 04/2019
Defines the terms and conditions for granting credit to the real sector of the economy.

Instruction 03/2019
Under the ambit of the payment system, it defines the Automated Clearinghouse of Angola and guarantees for balance settlement.

Directive 03/DEE/DSB/DRO/2019
Defines the submission of additional information concerning new credits and deposits through the Financial Institutions Supervision System (FISS).

Instruction 04/2019
Determines the terms and conditions for the extension of credit.

MAY 2019

Directive 02/DCC/20192018
Defines the term "exchange rate lags".

Directive 05/DSB/DRO/2019
Provides information concerning the reporting of information on the granting of credit to the real sector of the economy through the Financial Institutions Supervision System (FISS).

JUNE 2019

Directive 02/DMA/2019
Adjusted the BNA reference interest rate regulated under Notice 12/2012.

Directive 04/DSP/DRO/2019
Establishes guarantees in the CCAA subsystems, namely the parameters for determining minimum guarantees and penalties for non-compliance.

JULY 2019

Directive 06/DCC/DMA/2019
Establishes the Exchange Policy for Import Documentary Credits, Allocation of ceilings by the National Bank of Angola and the applicable terms and conditions.

Instruction 05/2019
Defines in the Financial System the treatment of notes of questionable legitimacy.

Instruction 06/2019
Defines the kwanza banknote deposit and withdrawal operations within the Financial System.

Instruction 07/2019
Defines within the Angolan Payments System limits on transactions carried out in the payment systems.

SEPTEMBER 2019

Instruction 08/2019
Regulates impairment losses for the loan portfolio.

Instruction 09/2019
Regulates the disclosure of financial instruments.

Instruction 10/2019
Regulates leases, namely the amendment of points 7.3 and 8.2 of Instruction 08/2016.

Instruction 11/2019
Regulates the treatment of losses in the credit portfolio.

Instruction 12/2019
Establishes the basic principles concerning bonds and securities (revision of Instruction 09/2016).

Instruction 13/2019
Defines the effective interest rate method for the recognition of income and expenses from financial instruments.

Instruction 14/2019
Establishes the Chart of Accounts for Banking Financial Institutions.

Instruction 15/2019
Establishes the Chart of Accounts for Non-Banking Financial Institutions.

Notice 05/2019
Defines the process of standardisation and accounting harmonisation for the Angolan banking sector.

Notice 06/2019
Changes the wording of Articles 2 and 6 of Notice 08/2012.

OCTOBER 2019

Notice 07/2019
Determines the procedures for granting credit to the real sector of the economy.

Instruction 16/2019
Determines the reference exchange rates and exchange rates of banking financial institutions.

Instruction 17/2019
Determines compulsory minimum reserves.

Instruction 18/2019
Determines limits for foreign exchange operations for importing goods.

Directive 02/DMA/2019
Interest rates adjusted for standing overnight liquidity facilities and liquidity absorption facilities, as regulated under Notice 11/2011.

Directive 03/DCC/2019
Determines the settlement of letters of credit under quantity auctions.

Directive 08/DMA/DRO/2019
Defines requirements for the calculation of and compliance with compulsory minimum reserves.

NOVEMBER 2019

Notice 08/2019
Establishes the operational rules of the Currency Exchanges.

Notice 09/2019
Establishes the operating rules for the remittance service.

Notice 10/2019
Establishes the procedures for foreign exchange transactions carried out by natural persons.

Instruction 19/2019
Determines the procedures for organising and operating auctions for the purchase and sale of foreign currency.

Directive 09/DSP/DIF/2019
Discloses statistical information concerning mobile payment services.

Directive 04/DCC/2019
Defines the term "exchange rate lags".

DECEMBER 2019

Notice 11/2019
Establishes the price list for transactions in foreign currency, maximum limits for fees and expenses and currency for the collection of fees.

Notice 12/2019
Establishes rules and procedures for foreign exchange transactions carried out by natural persons.

Notice 13/2019
Provides information concerning foreign exchange operations in the oil and gas sector for the settlement of goods and services provided by foreign exchange residents.

Notice 14/2019
Establishes the foreign exchange position limit.

Directive 10/DSB/DRO/2019
Provides information concerning deadlines for reporting information via the financial institutions portal (FIP).

Directive 11/DSB/DRO/2019
Provides information concerning deadlines for reporting information via the financial institutions portal (FIP).

Directive 13/DSB/DRO/2019
Establishes a guide concerning recommendations for implementing the AQA methodologies for the 2019 financial year.

Directive 12/DCF/DRO/2019
Provides information concerning consumer protection of financial products and services.

YOUR
PRIVATE
BANK

04

BUSINESS DEVELOPMENT

4.1

KEY INDICATORS

AOA'000

BALANCE SHEET	2019	2018	%
Total Assets	106 797 820	59 203 113	80.4%
Loans to customers (net)	11 733 670	7 674 632	52.9%
Customer funds	64 500 708	29 652 077	117.5%
Equity	33 847 021	23 199 669	45.9%
EARNINGS			
Net interest income	4 464 694	4 249 237	5.1%
Non-interest revenue	22 423 208	19 606 345	14.4%
Proceeds from banking activity	26 887 902	23 855 582	12.7%
Structural costs	(6 931 113)	(7 027 868)	-1.4%
Operating Income	19 502 677	16 827 714	15.9%
Net Earnings for the Year	14 647 353	11 598 633	26.3%
PROFITABILITY			
Return on assets (ROA)	13.7%	19.6%	-30.0%
Return on equity (ROE)	43.3%	50.0%	-13.4%
Cost-to-Income ratio	25.8%	29.5%	-12.6%
Total assets/Employee	912 802	553 300	65.0%
Transformation ratio	18.2%	25.9%	-29.8%
Regulatory own funds	33 769 639	22 980 502	46.9%
Solvency ratio	37.7%	54.4%	-30.8%
QUALITY OF LOANS TO CUSTOMERS			
Non-performing loans/Total credit	4.2%	0.5%	748.6%
Coverage of non-performing loans by impairment	103.2%	1 209.3%	-91.5%
Coverage of loans by impairment	4.4%	5.8%	-24.5%
BRANCHES AND EMPLOYEES			
Number of branches	5	4	25.0%
Number of employees	117	107	9.3%

We highlight the development of the key business indicators:

Number of Customers
tAOA 2 807
+21.8%
over 2018

Customer Funds
tAOA 64 500 708
+117.5%
over 2018

Assets
tAOA 106 797 820
+80.4%
over 2018

Loans to Customers
tAOA 11 733 670
+52.9%
over 2018

Proceeds from Banking Activity
tAOA 26 887 902
+12.7%
over 2018

Net Earnings for the Year
tAOA 14 647 353
+26.3%
over 2018

Regulatory Own Funds
tAOA 33 769 639
+45.9%
over 2018

Regulatory Solvency Ratio
37.7%
-0.308%
over 2018

4.2

THE BANK CLOSER TO ITS CUSTOMERS

As of 31 December 2019, the Bank had a Large Corporate Business Centre in the Edifício Garden Tower building and four more centres based in Talatona, Alavalade, Largo do Ambiente and Lubango.

In 2020, Banco BCS intends to continue the expansion and consolidation of the brand in the national and international market, driven by the opening of yet another business centre.

OUR LOCATIONS

Large Corporate Centre - REGISTERED OFFICE

Edifício Garden Towers, Torre B, Piso 15
Complexo Comandante Gika
Luanda
(+244) 225 300 135

Private and Corporate Centre - INGOMBOTA

Edifício Torre Ambiente
Rua Major Kanhangulo N11, R/C
Ingombota-Luanda
(+244) 225 300 804

Private & Corporate Centre - ALVALADE

Edifício Torre Gika, Torre A, Loja B, Pisos 0-1
Av. Comandante Gika, Bairro Alvalade
Alvalade-Luanda
(+244) 225 300 804

Private and Corporate Centre - TALATONA

Condomínio Comercial, Brisas de Talatona
Via S8, Sector Talatona, Luanda Sul
Talatona-Luanda
(+244) 225 300 133

Private and Corporate Centre - LUBANGO

Edifício Arco-íris,
Av. Nossa Senhora do Monte, Bairro Comercial
Lubango-Huíla
(+244) 225 300 131/2

4.3

BALANCE SHEET GROWTH

AOA'000

	2019	2018	Variation	Variation %
NET ASSETS				
Cash balances	46 290 879	24 251 901	22 038 978	90.9%
Investments in credit institutions	13 637 176	-	13 637 176	100.0%
Loans to customers	11 733 670	7 674 631	4 059 039	52.9%
Investments in securities	23 946 616	20 320 751	3 625 865	17.8%
Other tangible and intangible assets	10 506 931	6 501 815	4 005 116	61.6%
Other assets	682 548	454 015	228 533	50.3%
TOTAL ASSETS	106 797 820	59 203 113	47 594 707	80.4%
LIABILITIES AND EQUITY				
Funds at credit institutions	76 702	24 960	51 742	207.3%
Customer funds	64 500 708	29 652 077	34 848 631	117.5%
Provisions	734 307	697 900	36 407	5.2%
Other liabilities	7 639 082	5 628 507	2 010 575	35.7%
Equity	33 847 021	23 199 669	10 647 352	45.9%
TOTAL EQUITY AND LIABILITIES	106 797 820	59 203 113	47 594 707	80.4%

Banco BCS' Balance Sheet continues to reflect an upward trend in activity, with an increase in assets of tAOA 47 594 707 in the year 2019.

The positive growth in the Bank's Balance Sheet structure demonstrates the Bank's ability to raise funds (an increase of tAOA 34 848 631, corresponding to around 117.5%), which results from its successful performance in terms of customer loyalty, in particular by fostering greater proximity to the Bank and continuous improvements in the quality of service.

The increase in funds has been accompanied by a capital increase resulting from the incorporation of revenue from the 2018 financial year.

The increase in the acquisition of funds from customers allowed the Bank to have sufficient cash balances to make new investments, thus maintaining a high return (ROE of 43.3%) and increasing the value of cash balances, with a consequent positive impact on liquidity ratios. In particular, the largest component of assets is the balances of "Available funds" and "Investments in securities", which increased during the course of 2019 by tAOA 22 038 978 and tAOA 3 625 865, respectively.

With reference to 31 December 2019 and 2018, the Bank does not report any debts to the State or Social Security.

INVESTMENTS IN SECURITIES

AOA'000

	2019	2018	Variation	Variation %
Treasury Bills	-	2 225 834	(2 225 834)	-100.0%
Domestic currency bonds	5 790 514	11 033 418	(5 242 904)	100.0%
Domestic currency bonds indexed to the USD	18 087 899	6 993 296	11 094 603	158.6%
Financial holdings	68 203	68 203	-	0.0%
TOTAL	23 946 616	20 320 751	3 625 865	17.8%

During the year 2019, the Bank invested, fundamentally, in Angolan State debt bonds indexed to the USD, which makes the Balance Sheet structure more profitable in a situation of devaluation of the Kwanza.

The decrease in investments in Treasury Bills results from a strategy of increasing the levels of cash liquidity with the Central Bank.

The Bank also holds a stake in EMIS - Empresa Interbancária de Serviços, SARL.

LOANS TO CUSTOMERS

AOA'000

	2019	2018	Variation	Variation %
Loans to customers	12 268 150	8 146 767	4 121 383	50.6%
Loans to companies	11 526 904	7 626 657	3 900 247	100.0%
Loans to private individuals	741 246	520 110	221 136	42.5%
Credit impairment	(534 480)	(472 136)	(62 344)	13.2%
TOTAL NET CREDIT	11 733 670	7 674 631	4 059 039	52.9%
Guarantees and import documentary credits (off-balance sheet)	66 334 815	46 096 440	20 238 375	43.9%
Provision for guarantees and import documentary credits	(734 307)	(697 900)	(36 407)	5.2%
TOTAL NET OFF-BALANCE SHEET EXPOSURE	65 600 508	45 398 540	20 201 968	44.5%

The Bank's operations and support for the Angolan economy continue to be based on documentary credits, the values of which as of 31 December 2019 had increased by 43.9% year-on-year.

Direct credit increased by 50.6% in the year 2019 and continues to consist mainly of loans to companies (corporate segment). Despite this increase, the Bank continues to have a low transformation ratio (19.02%) due to a strict risk management policy in the granting of loans, which is evident in the low levels of default in the portfolio, with only 4.2% non-performing loans.

Customer loan transactions are in domestic currency.

CUSTOMER FUNDS

AOA'000

	2019	2018	Variation	Variation %
DEMAND DEPOSITS OF RESIDENTS	58 652 944	26 386 978	32 265 966	122.3%
In domestic currency	56 492 645	25 747 907	30 744 738	119.4%
Companies	53 446 532	23 154 098	30 292 434	130.8%
Private individuals	3 046 114	2 593 809	452 305	17.4%
In foreign currency	2 160 299	639 071	1 521 228	238.0%
Companies	2 152 834	635 743	1 517 091	238.6%
Private individuals	7 464	3 328	4 136	124.3%
Demand deposits of non-residents	151 645	62 018	89 627	144.5%
In domestic currency	151 645	62 018	89 627	144.5%
Private individuals	151 645	62 018	89 627	144.5%
TOTAL DEMAND DEPOSITS	58 804 589	26 448 996	32 355 593	122.3%
TIME DEPOSITS OF RESIDENTS	5 635 660	3 175 357	2 460 303	77.5%
In domestic currency	3 471 937	2 850 756	621 181	21.8%
Companies	1 607 544	2 547 437	(939 893)	-36.9%
Private individuals	1 864 393	303 319	1 561 074	514.7%
Indexed to the USD	2 163 723	324 601	1 839 122	566.6%
Companies	1 187 904	73 545	1 114 359	1 515.2%
Private individuals	975 819	251 056	724 763	288.7%
Time deposits of non-residents	60 459	27 724	32 735	118.1%
In domestic currency	60 459	-	60 459	100.0%
Indexed to the USD	-	27 724	(27 724)	-100.0%
TOTAL TERM DEPOSITS	5 696 119	3 203 081	2 493 038	77.8%
TOTAL	64 500 708	29 652 077	34 848 631	117.5%

During the year 2019, a trend of raising customers funds continues, with an increase of tAOA 34 848 631 (an increase of tAOA 32 355 593 in demand deposits and an increase of tAOA 2 493 038 in time deposits).

This increase results from the success of the Bank's strategy both in terms of securing customer loyalty and attracting new customers. The Bank's customer funds are essentially bank deposits, and are denominated in domestic currency.

CAPITAL AND RESERVES

AOA'000

	2019	2018	Variation	Variation %
Share capital	17 000 000	10 000 000	7 000 000	70.0%
Other reserves and retained earnings	2 199 668	1 601 036	598 632	100.0%
Net earnings for the year	14 647 353	11 598 633	3 048 720	26.3%
TOTAL	33 847 021	23 199 669	10 647 352	45.9%

The Bank's capital and reserves continue to show a justified growth trend, essentially due to the improvement in net earnings for the year.

Additionally, during the year 2019, the Bank increased its capital by tAOA 7 000 000 by incorporating reserves, thus allowing it to present a more robust capital structure to meet increasing demands from the regulator and the Bank's international capitalisation and solvency partners.

4.4

ROBUST SOLVENCY

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

- Notice 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 09/2016: establishes the prudential limits for large exposures;
- Instruction 12/2016, dated 08 August: defines the method of calculation and the requirement for regulatory own funds for credit risk and counterparty credit risk;
- Instruction 14/2016, dated 08 August: defines the method of calculation and regulatory own funds requirements for market risk and counterparty credit risk in the trading book;
- Instruction 16/2016, dated 08 August: defines the calculation method and the requirement for regulatory own funds for operational risk.

AOA'000

	2019	2018
Regulatory own funds	33 769 639	22 980 502
Credit risk	3 369 238	2 072 155
Market risk	2 739 288	332 232
Operational risk	2 855 826	1 818 130
SOLVENCY RATIO	37.7%	54.4%

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 its significant capitalisation against risk.

Although there was a decrease in the ratio compared to 2018, this is mainly due to the increase in the Bank's investment in new assets and not in lower capitalisation. It should be noted that the value of regulatory own funds increased by tAOA 10 789 137, around 46.9%.

4.5

SUSTAINED RESULTS

AOA'000

	2019	2018	Variation	Variation %
Interest and similar income	5 930 245	4 758 671	1 171 574	24.6%
Interest and similar charges	(1 465 551)	(509 434)	(956 117)	187.7%
NET INTEREST INCOME	4 464 694	4 249 237	215 457	5.1%
Income from services and fees	8 083 051	6 195 764	1 887 287	30.5%
Expenses on services and fees	(5 620)	(1 314)	(4 306)	327.7%
Results from investments at amortised cost	539 666	-	539 666	100.0%
Foreign exchange gains and losses	14 356 483	13 762 754	593 729	4.3%
Gains and losses on sale of other assets	213	45	168	373.3%
Other operating profit or loss	(550 585)	(350 904)	(199 681)	56.9%
PROCEEDS FROM BANKING ACTIVITY	26 887 902	23 855 582	3 032 320	12.7%
Structural costs	(6 931 113)	(7 027 868)	96 755	-1.4%
OPERATING INCOME	19 956 789	16 827 714	3 129 075	18.6%
Impairment and net provisions	(454 112)	(701 641)	247 529	-35.3%
EARNINGS BEFORE TAXES	19 502 677	16 126 073	3 376 604	20.9%
Current Tax	(4 855 324)	(4 527 440)	(327 884)	7.2%
NET EARNINGS FOR THE YEAR	14 647 353	11 598 633	3 048 720	26.3%

Earnings before tax and net income for the year registered a significant increase (tAOA 3,376,604 and tAOA 3,048,720, respectively), and reflect the Bank's strategy for the year 2019.

Income from services and fees continues to have significant weight in total earnings and grew considerably compared to the year 2018, reflecting the success of one of the Bank's focal points: export documentary credit.

Foreign exchange gains and losses remain considerable and results from a strategic focus begun in 2018 and intensified in 2019, namely of having a long exchange rate exposure with investment in low-risk assets (Angolan government bonds indexed to the USD).

Despite inflation remaining above double digits in 2019, the Bank managed to reduce structural costs in the same year, reporting a ***cost-to-income*** ratio of 25.8%.

NET INTEREST INCOME

AOA'000

	2019	2018	Variation	Variation %
INTEREST AND SIMILAR INCOME	5 930 245	4 758 671	1 171 574	24.6%
From loans to customers	2 104 046	1 675 173	428 873	25.6%
From investments at credit institutions	1020129	1 362 756	(342 627)	-25.1%
From securities investments	2 806 070	1 720 742	1 085 328	63.1%
INTEREST AND SIMILAR CHARGES	(1 465 551)	(509 434)	(956 117)	187.7%
From customer funds	(1 290 929)	(508 448)	(782 481)	153.9%
From funds at credit institutions	-	(986)	986	-100.0%
From rights of use	(174 622)	-	(174 622)	100.0%
NET INTEREST INCOME	4 464 694	4 249 237	215 457	5.1%

Net interest income increased slightly, as a result of a strict credit granting policy in terms of risk management and a strategy of focusing on USD-indexed bonds, to the detriment of AOA bonds with higher rates of return.

Additionally, there has also been an increase in interest charges resulting from an increase in the absolute value of deposits taken.

PROFITABILITY RATIO

AOA'000

PROFITABILITY AND SOLVENCY	2019	2018	Variation %
Return on assets (ROA)	13.7%	19.6%	-30.0%
Return on equity (ROE)	43.3%	50.0%	-13.4%
Cost-to-Income ratio	25.8%	29.5%	-12.6%
Total assets/Employee	912 802	553 300	65.0%

In 2019, the Bank continues to report high profitability ratios for the sector, with a return on equity of 43.3% and a return on total assets of 13.7%.

The decrease compared to the 2018 financial year results from a significant increase in the denominators - the value of equity and total assets - in line with the Bank's solvency strategy and increased activity. It should be noted that the numerator component - net earnings for the year - increased significantly in 2019 (tAOA 3,048,720, around 26.3%).

The ***cost-to-income*** ratio improved compared to 2018, with a reduction of 1260 basis points, and is also below the sector average, demonstrating a strict cost management policy.

BCS

YOUR PRIVATE BANK

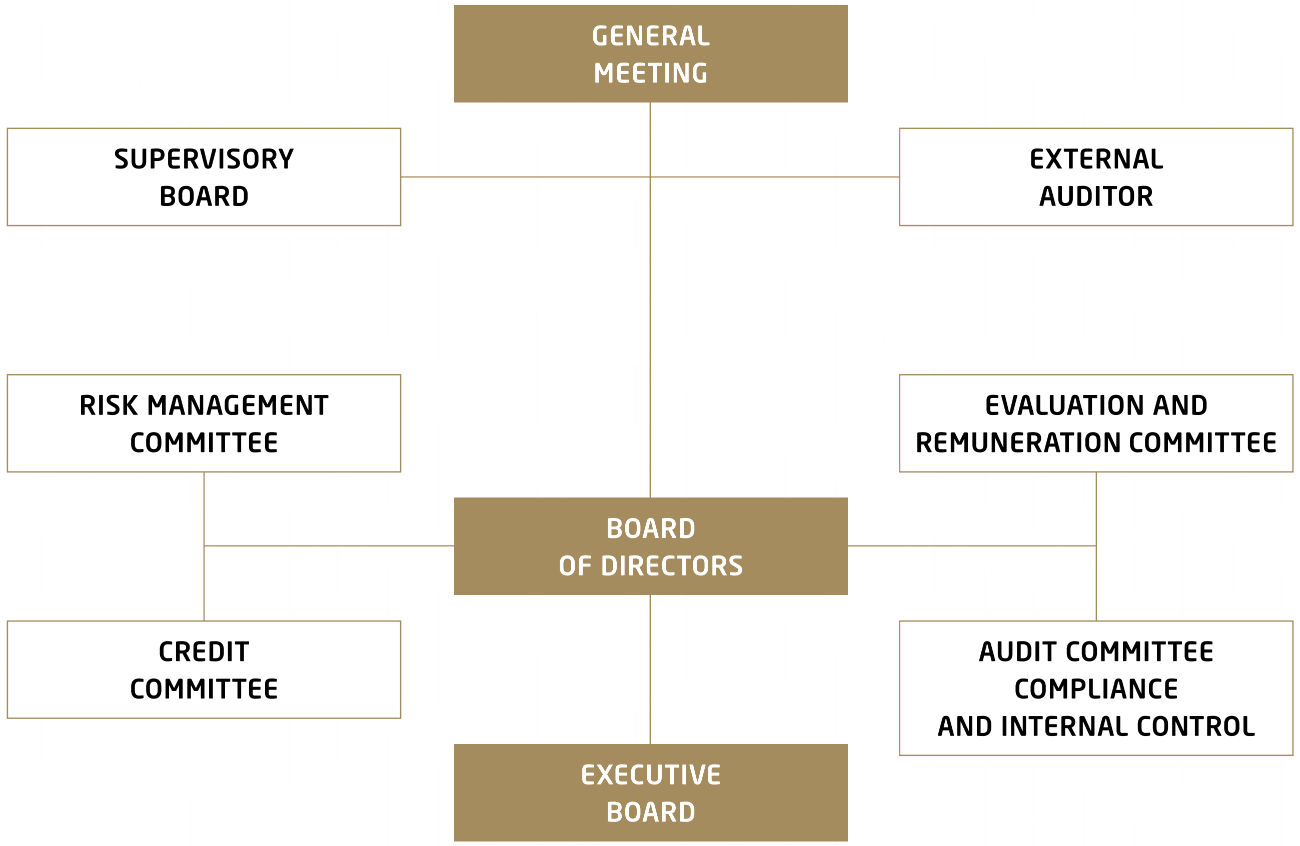
05

RISK GOVERNANCE

5.1

ECONOMIC

The Bank's governance model is established in its Charter and complies with the requirements of the Financial Institutions Act (Law 12/2015, dated 17 June) and National Bank of Angola ("BNA") regulations. Of course, it has been adapted to the nature and complexity of the Bank's activities.



The model responds to the main regulatory requirements, with emphasis on the definition of an appropriate internal control system, namely in its key functions, as defined under Notice 01/2013, Notice 02/2013 and, more recently, Instruction 07/2018 of the National Bank of Angola:

- Risk Management Function;
- Internal Audit Function;
- Compliance Function; and
- Exchange Control Function.

The Bank's corporate governance policies are designed to ensure the independence of the Board of Directors and its ability to effectively oversee the Bank's management.

The response to regulatory requirements and best market practices, ensuring the transparency and effectiveness of the controls introduced, has been put in place via the following initiatives:

Institution of Standing Committees of the Board of Directors;

- Definition of the Corporate Governance Code;
- Formal adoption of policies and control function manuals;
- Formal adoption of policies and processes related to Conflict of Interest Prevention and related parties;
- Review of the Employees' Code of Conduct; and
- Implementation of technological solutions that support risk management.

Annually, a corporate governance report is prepared in compliance with the provisions of Article 23 of the aforementioned Notice. That article establishes the obligation of each institution subject to BNA supervision, under the terms and conditions set forth in Law 12/2015, dated 17 June, (the Financial Institutions Act), to prepare an annual report on the corporate governance structure.

5.2

CORPORATE BODIES

All members of the Corporate Bodies have the technical competence, professional experience and moral standing to perform their respective duties. They are bound by strict confidentiality duties and are subject to rules to prevent situations of conflict of interests.

General Meeting

Chair of the Board of the General Meeting
Francisca Kamia Kapose

Secretary
Severiano Tyihongo Kaposer

This Body consists of Shareholders with voting rights and meets annually, in ordinary session, by 31 March. Notices for extraordinary meetings may be issued by resolution of the Management Board or Supervisory Board, or in writing, by one or more shareholders owning shares corresponding to the legally required minimum. The General Meeting is responsible for:

- Reviewing the management report and accounts for the year, including the Balance Sheet and the Statement of Income, as well as deciding on the allocation of surplus for the year;
- Electing the members of the Board of the General Meeting, the Board of Directors and the Supervisory Board;
- Electing the Evaluation and Remuneration Committee;
- Deliberating on any changes to the Bank's charter;
- Deliberating on any increase, reduction or reintegration of share capital;
- Deliberating on the creation of preference shares;
- Deliberating on the merger, demerger or transformation of the company;
- Deliberating on the winding-up and/or liquidation of the company;
- Deliberating on the acquisition of own shares and debentures;
- Deliberating on the acquisition and restitution of supplementary capital;
- Carrying out a general appraisal of the management and supervision of the company;
- Deliberating on matters that do not fall under the remit of the other corporate bodies.

The resolutions of the General Meeting shall be adopted by an absolute majority of the votes present, except where the resolutions require a qualified majority of the votes. It should be noted that, since the Bank only issues ordinary shares, all shareholders have voting rights.

Board of Directors

Chair of the Board of Directors:
Maria do Céu Figueira

Executive Directors:
Divaldo Pereira dos Santos
Rafael Arcanjo Kapose
Luís Fernandes Gonçalves
Pedro Miguel Botelho

Non-Executive Directors:
Cristina Van-Dúnem

The Board of Directors assumes the executive functions of the Institution, focusing its attention on issues related to corporate governance, management strategy and mitigation of the various risks to which the Bank is exposed. Accordingly, implementation and supervision of the day-to-day management of the Company at the level of its directly subordinated structures is becoming increasingly strong and robust, with all the management powers necessary or appropriate for the exercise of the banking activity being established in accordance with and to the extent determined by the law.

Meetings of the Board of Directors are held at least quarterly, and whenever convened by the Chairman.

The Board of Directors, within the scope of its powers and subject to the action plans and the annual budget, has ample management powers to conduct the day-to-day business of the Bank, under the permanent supervision of the Supervisory Board and the External Auditor.

The executive members of the Management Board play an active role in the day-to-day management of the Bank's business, having under their responsibility one or more specific business areas, according to their respective backgrounds and individual specialisations, without prejudice to certain members focusing to a greater or lesser extent on a given area.

MARIA DO CÉU FIGUEIRA
CHAIR OF THE BOARD OF DIRECTORS
AUDIT OFFICE
LEGAL AND LITIGATION OFFICE
HUMAN RESOURCES OFFICE

DIVALDO SANTOS
EXECUTIVE DIRECTOR
PRIVATE AND CORPORATE DIVISION
ORGANISATION, PROCESSES AND QUALITY OFFICE
INFORMATION TECHNOLOGY DIVISION
ELECTRONIC BANKING DIVISION
OPERATIONS DIVISION

PEDRO BOTELHO
EXECUTIVE DIRECTOR
LARGE CORPORATE DIVISION
TRADE FINANCE DIVISION
MARKETING OFFICE

LUÍS GONÇALVES
EXECUTIVE DIRECTOR
RISK OFFICE
COMPLIANCE AND INTERNAL CONTROL OFFICE
ACCOUNTING DIVISION
EXCHANGE CONTROL OFFICE

RAFAEL KAPOSE
EXECUTIVE DIRECTOR
FINANCIAL DIVISION
ASSETS, SECURITY AND LOGISTICS DIVISION

Maria do Céu Figueira
Chair of the Board of Directors

Maria do Céu Figueira has been Chair of the Board of Directors since Banco BCS started operations. She has had a career of more than 25 years in Banking, started at Banco Santander in Portugal, as a manager, and in 2000 became Corporate Commercial Director. From 2005 to 2007, she assumed the position of Central Director at Banco Santander in Angola and was responsible for the constitution, segmentation and coordination of the Commercial Division. From 2007 to 2012, she was Chair of the Executive Board of BANC – Banco Angolano de Negócios e Comércio. She has a law degree from the Catholic University of Portugal.

Divaldo Pereira dos Santos
Executive Director

Divaldo Pereira dos Santos has been an Executive Director of Banco BCS since March 2015. He has had a career in banking for over 14 years, starting in 2005 at BFA as an Internal Auditor, a position he held until 2007. In 2007, he joined Banco Angolano de Negócios e Comercio, performing duties in the Financial Division, and where, in 2010, he rose to the position of Deputy Director until 2014. He holds a bachelor's degree in economics from the Catholic University of Angola and has a qualification in Financial Markets from Porto Business School.

Rafael Arcanjo Kapose
Executive Director

Rafael Arcanjo Kapose has been an Executive Director of Banco BCS since June 2017. He has a degree in Business Management from the American University in Dubai (2007 to 2011) and a Master's in International Business from Hult International Business School (2014 to 2015). He started his professional career in 2011 at the STI Group, performing the role of Director

for the Financial and International Business area and was in charge of the group's branch in Dubai. In August 2015, he joined Banco BCS' staff, acting as Advisor to the Board of Directors until his appointment as Executive Director.

Luís Fernandes Gonçalves
Executive Director

Luís Fernandes Gonçalves has been an Executive Director of Banco BCS since June 2017. He has had a career in banking for over 22 years, starting in 1996 at BFA as a commercial assistant, becoming Manager of the Huambo Branch in 2000. From 2004 to 2009, he worked as Area Director of BFA's branch network, and from 2009 to 2014 he served as Central Director of the Private Individuals and Business Division. From February to August 2014, he worked as Commercial Director at Banco Keve. He also served as Director of BFA Gestão de Activos (2014 to 2016) and as Director of BFA Gestão de Activos, from June 2016 to July 2017. He holds a degree in Senior Management Accounting from the Lusíada University of Angola and a post-graduate qualification in Monetary and Financial Economics from the University of Évora.

Pedro Miguel Botelho
Executive Director

Pedro Miguel Botelho has been an Executive Director of Banco BCS since February 2019, although he has been on the Bank's staff as an Adviser to the Board since February 2017. He has had a career spanning more than 20 years in banking, starting in 1991 at BCP-Banco Comercial Português as Corporate Accounts Manager, moving in 1996 to BANIF- Banco Internacional do Funchal, as Senior Corporate Accounts Manager, and after as Business Centre Director at the same institution. In 2015, he was Commercial Director at Banco Valor.

He holds a degree in Business Management from the University of Minho, Braga, Portugal.

Cristina Van-Dúnem
Non-Executive Director

Cristina Van-Dúnem has been a Non-Executive Director of Banco BCS since March 2019. She has over 29 years of experience in the banking sector, having started her activities in 1990, at the National Bank of Angola, as a Foreign Exchange Control Analyst, later becoming Deputy Governor of that institution. Among the duties performed at National Bank of Angola, she participated in the formulation of policies related to the banking sector, in the definition of rules and regulations and monitored their respective implementation.

In 2016, she was Chair of the Board of Directors of Banco de Poupança e Crédito, and in 2017, Consultant to the Governor of the National Bank of Angola.

She holds a degree in Economics from Universidade Agostinho Neto, Luanda, Angola and a Master's Degree in Business Administration and Management from the Keller Graduate School of Management of the DeVry University, New York, United States of America.

Supervisory Board

Chair of the Supervisory Board
Miguel Cristóvão Tyimbonde

Members
Lúcio Alberto Pires
Fernando Pontes Pereira

The composition of the Supervisory Board is governed by the provisions of Article 433 of the Companies Act and by the Charter of the Bank, and it consists of a Chair and a voting member.

The Supervisory Board meets quarterly, and whenever required by its Chair, to oversee the Management of the Bank, verify the accuracy of the Financial Statements and certify the propriety of the accounting books and records.

Remuneration of the Corporate Bodies

The structure and policy of remuneration of the members of the Corporate Bodies falls under the remit of the Bank's shareholders, who are responsible for defining the fixed income, as well as the perks and bonuses that they will receive. The shareholders chosen to define the remuneration policy, forming the Evaluation and Remuneration Committee, shall not be members of any of the Corporate Bodies of Banco BCS.

The remuneration of the members of the Board of the General Meeting and the Supervisory Board may not include a variable component, as a result of which they may only receive fixed remuneration and perks.

Only members of the Board of Directors are allowed to receive variable remuneration, and in the case of non-executive members, it must not be directly related to the Institution's results.

In 2019, the overall value of the remuneration of Corporate Bodies amounted to tAOA 2,853,988, 29% down on the same period of 2018, which had been set at tAOA 3,997,730.

External Auditor

PricewaterhouseCoopers (Angola)
Sociedade de Revisores Oficiais de Contas, Lda

In accordance with regulatory requirements, the External Auditor is appointed by the Board of Directors for periods of 4 years. The Bank's External Auditor is PricewaterhouseCoopers (Angola) - Sociedade de Revisores Oficiais de Contas, Lda, which was appointed in 2019. The rules governing the provision of services by the External Auditor are laid down in National Bank of Angola Notice 04/2013.

The main function of the external auditors is to assess and issue an opinion on the financial statements of Banco BCS.

The Bank believes that its current External Auditors have the readiness, knowledge, experience and competence necessary and sufficient for the full performance of their duties.

5.3

ORGANISATION CHART AND STRUCTURAL UNITS

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 specialised committees:

CREDIT COMMITTEE
This is the body that makes decisions regarding the extension of credit, mandatorily analysing for purposes of approval all loan applications exceeding the limits imposed by the Executive Board. In addition to the members of the Board of Directors, the person responsible for the Credit area also participates in this Committee.

RISK COMMITTEE
This is responsible for monitoring and supervising global exposure to the risks inherent to Banco BCS' activities, in particular liquidity risks, market risk (interest rate, exchange rate, credit, and other materially relevant risks), as well as operational risk. In addition to the non-executive members, this committee comprises the executive directors responsible for the control and financial areas. The person in charge of the Risk Office is permanently invited to sit on said committee.

AUDIT, COMPLIANCE AND INTERNAL CONTROL COMMITTEE
This is responsible for monitoring the preparation and disclosure of financial information, internal audit and compliance activities, transactions with related parties and the effectiveness of the internal control system.

This committee exclusively comprises non-executive members of the Board of Directors, and may include from 3 to 5 members appointed by the Board of Directors, which also designates its chair.

The Audit, Compliance and Internal Control Committee is also responsible for supervising the activities of the external auditor and for ensuring the adequacy and compliance of the accounting policies, criteria and practices adopted by the Bank.

EVALUATION AND REMUNERATION COMMITTEE
This is responsible for establishing 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, considering the different business segments and the level of risk.

These committees have operating rules that are defined in their statutes.

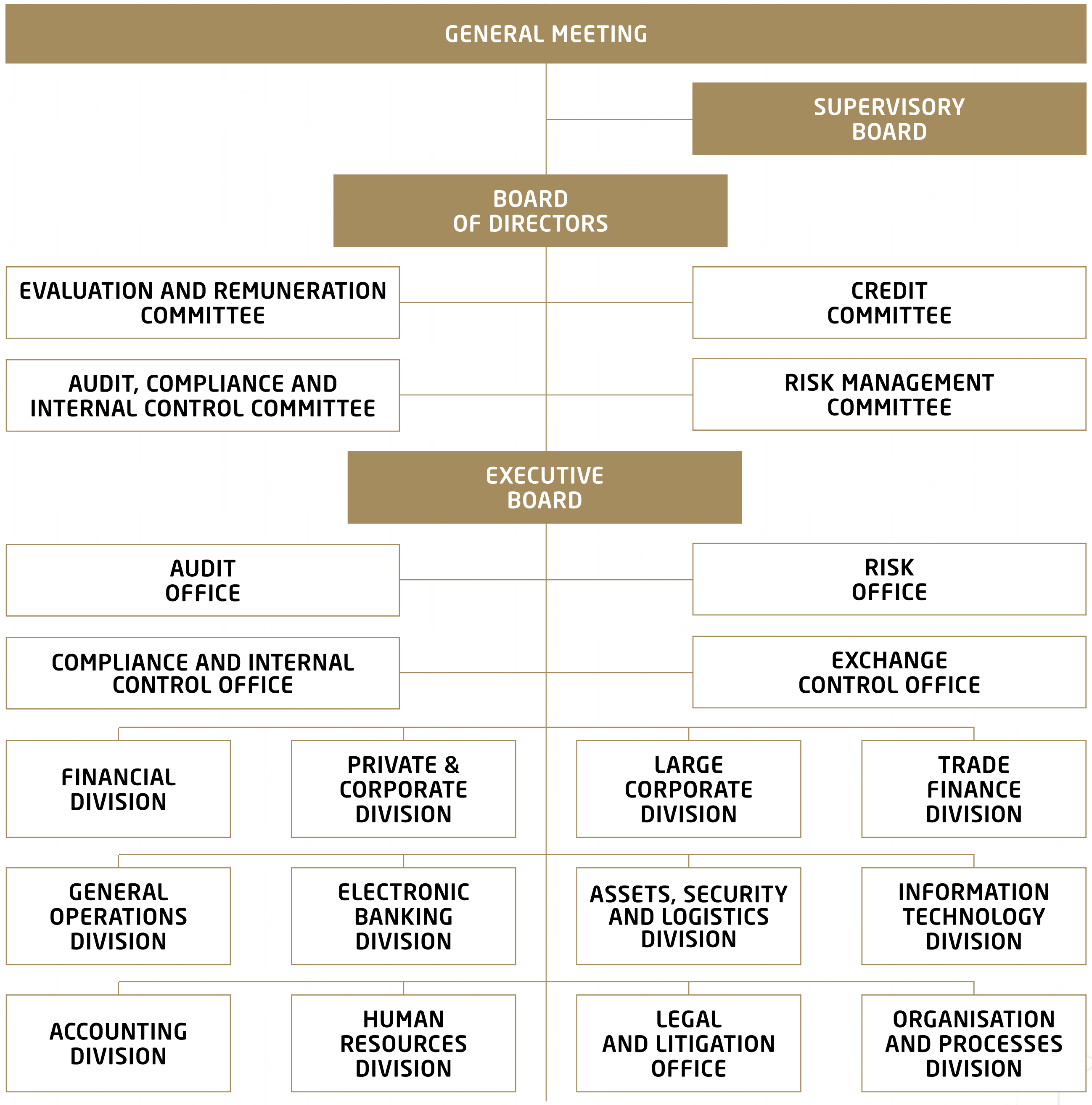
These committees of the Board of Directors are made up of members of the management and those in charge of the following areas:

	CREDIT COMMITTEE	RISK COMMITTEE	AUDIT, COMPLIANCE AND INTERNAL CONTROL COMMITTEE	EVALUATION AND REMUNERATION COMMITTEE
MARIA DO CÉU FIGUEIRA	CBD / CC	CBD	CBD	CBD / CC
CRISTINA VAN-DÚNEM	NEM	CC	CC	NEM
RAFAEL KAPOSE	EB	EB		EB
DIVALDO SANTOS	EB			EB
PEDRO BOTELHO	EB			
LUIS GONÇALVES	EB	EB		
MIGUEL CRISTOVÃO			SB	

CBD - Chair of the Board of Directors / CC - Chair of the Committee / EB - Executive Board / NEM - Non-Executive Member / SB - Supervisory Board

5.4

ORGANISATION CHART AND STRUCTURAL UNITS



Business Areas

PCD and LCD
Private & Corporate and Large Corporate Divisions
The mission of the Private & Corporate and Large Corporate Divisions is to coordinate and implement commercial policies for the Bank's customers, by creating new solutions and commercial opportunities. The operation of these divisions aims to ensure the maximisation of their profitability in an environment of risk appropriate to the established risk management policies and the quality of the services provided.

FID
Financial Division
The Financial Division's mission 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.

OPD
Operations Division
The mission of the Operations Division is to provide back-office services to the other Divisions through operational support for the Bank's activity. This Division ensures the treatment/processing of active and passive operations in the system when properly supported.

EBD
Electronic Banking Division
The Electronic Banking Division is responsible for ensuring the processing of transactions under the various payment methods, promoting a constant search for solutions that enable greater effectiveness and efficiency of services. This Division promotes the implementation of adequate operational risk information and control mechanisms.

TFD
Trade Finance Division
The Trade Finance Division is responsible for managing import/export documentary credits and import/export documentary collections. This Division is also responsible for managing the issuance and management of bank guarantees abroad, the issuance and management of standby letters of credit and the management of import/export factoring.

Support Areas

ACD
Accounting Division
The Accounting Division has the mission of producing, processing and developing the financial information stemming from the Bank's activity from an accounting, prudential, statistical and financial reporting perspective, thus ensuring compliance with the legal and fiscal requirements associated with the accounting of operations.

ITD
Information Technology Division
The Information Technology Division's mission is 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.

HRD
Human Resources Division
The mission of the Human Resources Division is to develop the various activities related to the management of human resources, namely training, performance appraisal, occupational health and safety, social security, labour relations, career management and compensation policy. This Division also has the mission of promoting and disseminating Banco BCS' culture and values.

ASLD
Assets, Security and Logistics Division
The Assets, Security and Logistics Division's mission is to develop the management of administrative support activities, namely with regard to purchasing, security, assets, logistics and fleet management, with a view to optimising resources.

OQO
Organisation, Processes and Quality Office
The mission of the Organisation, Processes and Quality Office is to prepare procedures manuals to guarantee process homogeneity and efficiency, in particular with regard to maximising customer satisfaction, mitigating operational risk and cost management efficiency, while identifying opportunities for improvement. This enables the optimisation of organisational solutions and information systems.

LLO
Legal and Litigation Office
The Legal and Litigation Office's mission is to coordinate and supervise the Bank's technical/legal activities arising from its business. It provides legal advice to the Bank and represents it in legal proceedings.

Control and Internal Audit Areas

RIO
Risk Office
The Risk Office's mission is the combined management of the risks inherent to the Bank's operations. It is responsible for defining the risk management policies, analysing, evaluating and monitoring the various risks to which the Bank is exposed, as well as analysing the credit risk of operations and coordinating credit recovery procedures.

CICO
Compliance and Internal Control Office
The Compliance and Internal Control Office is responsible for coordinating Compliance risk management, contributing to the implementation of a culture of excellence through compliance with laws, regulations, codes of conduct and best banking practice. The Office aims to foster compliance by the Bank and its Employees with applicable regulations through independent intervention with all organisational units. In this regard, coordination of the implementation of procedures for the prevention of money laundering and terrorist financing is particularly important. At the same time, the Office is responsible for the Bank's entire Internal Control System.

IAO
Internal Audit Office
The Internal Audit Office's mission is to provide, by taking a systematic and disciplined approach and through independent and objective intervention, an assessment of the operational risk involved in the Bank's activity. Additionally, an integral part of the Office's mission is to ensure the adequacy of control and governance procedures, ensuring risk management, promoting effective governance processes and the quality of processes associated with the Bank's products and services.

ECO
Exchange Control Office
The Exchange Control Office's mission is monitor all regulations concerning foreign exchange transactions via the BNA, ensuring that adequate control systems are in place to comply with prevailing laws, and updating them where necessary. It is responsible for verifying the framework of foreign exchange operations in accordance with the provisions of Law 34/11
(Anti-Money Laundering and Terrorist Financing) and for ensuring foreign exchange compliance in transactions not subject to licensing, as well as guaranteeing the legitimacy and correct constitution of all applications for licensing or registration of operations with the BNA, ensuring correct and timely execution. It reports all information of a foreign exchange nature to the BNA and represents the Bank with this institution in all foreign exchange matters.

5.5

POLICIES AND PROCESSES

SEGREGATION OF DUTIES

Banco BCS pursues the segregation of duties in order to avoid possible situations of conflict of interests. All business units and employees with a relevant position are scrutinised, identifying areas where conflicts of interest may occur. In this way, it is possible to define a set of procedures that allow the monitoring and minimisation of the impacts of these possible conflicts, the fundamental objective of which is to enhance the effectiveness of the internal control system.

Bearing in mind that there are still co-opted business units, the Bank continues to develop the best mechanisms to ensure the segregation of duties and the mitigation of risks, especially those with the greatest impact on the business.

CONFLICTS OF INTEREST

The Board of Directors of Banco BCS pays special attention to situations of possible conflicts of interest, insofar as they may render unfeasible the achievement of the objectives defined for each financial year. Accordingly, the Bank has defined a range of procedures to mitigate these situations, which are duly reflected in the Conflict of Interest Prevention Policy:

- Prohibition on employees intervening in the appraisal of and decision-making regarding operations or processes in which they themselves, their spouses or persons with whom they live in a civil partnership, relatives or the like in the first degree, have a direct or indirect interest, or likewise companies or others who have a direct or indirect interest;
- Obligation of all Employees to inform the Bank, in writing, of any conflicts of duties/interests that may compromise the scope and effects of the rules of conduct in force in the Institution;
- Prohibition on members of the Corporate Bodies/Employees holding positions with potential conflicts of interest in other companies;
- Obligation of all members of the Management Bodies to disclose any matter that causes or may give rise to conflicts of interest, refraining from participating in decision-making processes;
- Prohibition on granting loans to any Bank employee in contravention of normal market conditions, despite the special conditions that may be defined in internal rules for loans to employees;
- Conflict resolution must strictly respect the legal, regulatory and contractual rules governing conflicts within the Institution.

TRANSACTIONS WITH RELATED PARTIES

The Bank has a centralised computer application in order to maintain an up-to-date list of entities considered as related parties, with alerts being generated where transactions occur between them and/or with other entities. In conjunction with this process, in 2017, the Board of Directors, together with the Compliance and Internal Control Office, approved the Policy for Related Party Transactions, which was revised in 2019, in order to improve control and promote full compliance with the legal requirements of the regulator in this regard. Accordingly, as described in Chapter 1, Article 2, paragraph 19 of Law 12/2015 - Financial Institutions Act, dated 17 June, and in the International Accounting Standard 24 (IAS 24) related entities are those where the Bank exerts, directly or indirectly, a significant influence over their management and financial policy, and those entities that exert significant influence over management of the Bank.

In light of this legal consideration, the Bank adopts supervisory best practice, under which it triggers a process of analysis and classification of related parties through the analysis of documentation that may reveal relationships or transactions with entities that are classified as related parties.

After confirmation of the existence of related parties or transactions with related parties, in view of potential conflicts of interest in these situations, the Bank seeks to ensure that all decisions that may confer an undue benefit to any one of these entities or persons connected to them are taken absolutely fairly, respecting the interests of the Bank.

The Bank regularly updates the list of related parties and implements a procedure under which all transactions with entities identified as related parties must be approved by the Board of Directors and the Supervisory Board.

In view of the constant challenge that these entities represent with regard to the rules of transparency and the like, it is the intention of Banco BCS to continue to reinforce the control measures already implemented and to improve the mitigation of the risks involving these entities.

The total amounts of assets, liabilities, earnings and off-balance sheet liabilities related to transactions carried out with related parties are presented in the notes to the financial statements in the "Balances and transactions with related entities" section of the Annual Report.

REMUNERATION

It is the responsibility of the Human Resources Evaluation and Remuneration Committee to establish the remuneration policies and processes for the different types of Employee, taking into account the objectives and long-term vision of the Institution and the different business segments and level of risk. The remuneration policies:

- Take into account the different functions and their importance in relation to the Institution's long-term solvency commitments;
- Guarantee the principle of proportionality between the different remunerations;
- For cases where variable remunerations are assigned, take into account the balance between the agreed fixed component and the variable component;
- For cases where variable remunerations are assigned, ensure that the payment of the variable component or remuneration is sustainable and complies with the strategy and financial position of Banco BCS.

In addition to the processes described above, the Bank has formally adopted an Evaluation, Remuneration and Appointment Policy, which clearly describes policies, processes for evaluating, appointing and hiring new staff and provides a summary of working guidelines, procedures and processes.

The Evaluation, Remuneration and Appointment Policy defines the following as fundamental principles of the remuneration structure:

- The alignment of remuneration with the interests of the Shareholders and with the sustained profitability of the Bank, taking into account risks and the cost of capital;
- The incentive to maximise the existence of sustainable employment and the performance of the organisation;
- The creation of mechanisms to attract and retain the best employees;
- The creation of a fair "calibration" of remunerations, according to each Division/Office and levels of responsibility;
- The creation of a simple and transparent remuneration system;
- Compliance with regulations and requirements internal and external to the Bank.

The Board of Directors assumes primary responsibility for the appointment or removal of those responsible for Executive or Management positions.

The remuneration of the Corporate Bodies are the responsibility of the shareholders of the Bank.

5.6

INFORMATION AND COMMUNICATION TECHNOLOGY

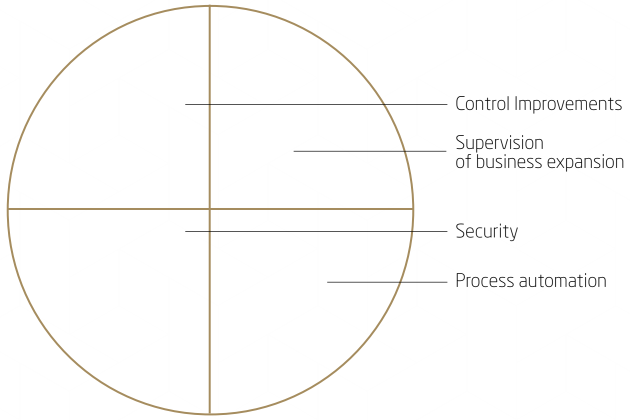
The mission of the Information Technology Division ("ITD") is to ensure that, in line with the Bank's strategy, information systems and technologies meet requirements and incorporate best market practice in order to maximise their effectiveness, efficiency and security through specialised teams and appropriate planning and control tools.

Through access control and the encryption of information, the Bank guarantees the security and privacy of the information contained in its databases, a fact reinforced by the security and risk mitigation policies in force since the Bank began operating.

In coordination with the Human Resources Division and the Internal Audit Office, the Information Technology Division periodically analyses access to the Bank's information systems in order to ensure alignment with the policy of controlling and restricting Employees' access to information.

Banco BCS has invested heavily in technological systems, since it considers that it is a strategic area for modernisation and risk control. Additionally, it is committed to launching new technological development projects and optimising processes and procedures in order to achieve the objective of optimising and continuously improving the quality of the service provided to customers.

BANCO BCS' AREA OF FOCUS IN 2019



During 2019, the activities pursued focused on improving controls and security and restructuring infrastructure, in particular:

- Implementation of the Banka AD module;
- Implementation of the Dixtior Compliance Solution (DCS 3.0) module for the Prevention of Money Laundering;
- Implementation of the new Tax Identification Number validation portal;
- Creation of new control mechanisms for ***Compliance*** in FPO;
- Updating of the EXXIS WEB portal in order to include new features and integration of invoices with the new VAT requirements;
- A version of the ***Net Banking*** digital channel for mobile devices has been made available, which simulates the features of ***Internet Banking*** recursively;
- Implementation of digital certificates for internal websites in order to ensure greater security in the navigation of Bank applications based on WEB platforms;
- Credit card certification with MasterCard and EMIS;
- The Bank was certified and successfully implemented the EMIS, Direct Debit Subsystem of the Automated Clearinghouse of Angola;
- Activation of Multicaixa cards with CHIP;
- Improvements in the ***Workflow*** application for foreign exchange operations;
- Implementation of the means of payment of the "Single State Payment Reference" (RUPE) under the Angolan transfer system (STC);
- Improvements implemented in the Datacentre "Disaster Recovery", with the integration of new equipment to support the application infrastructure, which aims to provide the Bank with mechanisms for quick, efficient and effective responses to failures or interruptions of the main BCS Information Systems.

In 2020, Banco BCS intends to acquire and modernise the Fund Management support application, improve processes and routines for monitoring and evaluating the technological risk management process and implement the controls identified for their mitigation, improve the image of and implement new services for the Net Banking platform that meet the needs and expectations of customers, implementing innovations in best security practices within the Bank's network.

The focus on Information and Communication Technologies will involve the creation and implementation of new applications that support the Bank's different divisions, making tasks more autonomous and faster, with modern and more efficient security mechanisms.

5.7 HUMAN RESOURCES

The Human Resources Department forms a strategic part of Banco BCS and since its inception, it has actively contributed to the Bank's development, focusing on identifying and retaining key employees and ensuring that the best professionals in the market are hired.

Employees are the reason for the existence and success of the Bank, which seeks to implement policies that help in the development of the best employees. This includes motivating them and stimulating their performance with regular training and participation in seminars that contribute significantly to their technical and behavioural competences in each area, in order to maintain the quality of service.

In 2019, Banco BCS organised various training sessions aimed at providing its human resources with greater knowledge in matters related to the business, as well as in the areas of internal control, compliance and risk management. Also noteworthy is the increase in the number of employees, ensuring the hiring of qualified staff to continue to improve the service provided by the Bank.

As of 31 December 2019, the Bank has 117 employees, of which 52 are allocated to business areas, 54 to operational and accounting support areas and 11 to control areas. This growth is in line with a comprehensive training plan.

As a Private and Corporate Bank, the organisation intends to continue investing in the advancement of its people, through the hiring of competent technical staff to strengthen the internal structure and the internal control system. The hiring of these staff 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;
- Development of new, customer-oriented services;
- Consolidation of Internal Audit interventions.

GROWTH IN THE NUMBER OF EMPLOYEES

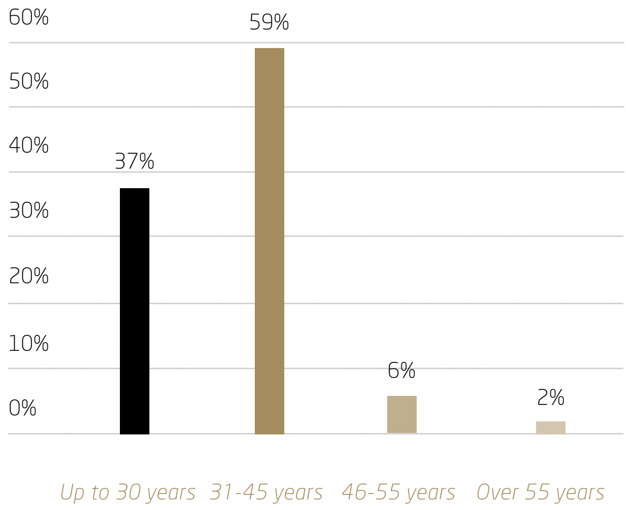
Compared to the previous year, in 2019, the number of full-time employees increased by 9.4%, in line with the growth of the business.

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, with around 46% and 45% of the Bank's total employees, respectively.

AGE STRUCTURE OF EMPLOYEES

Banco BCS' age structure consists mainly of Employees over the age of 30, who represent 67% of the total, with the average age being 33 years.

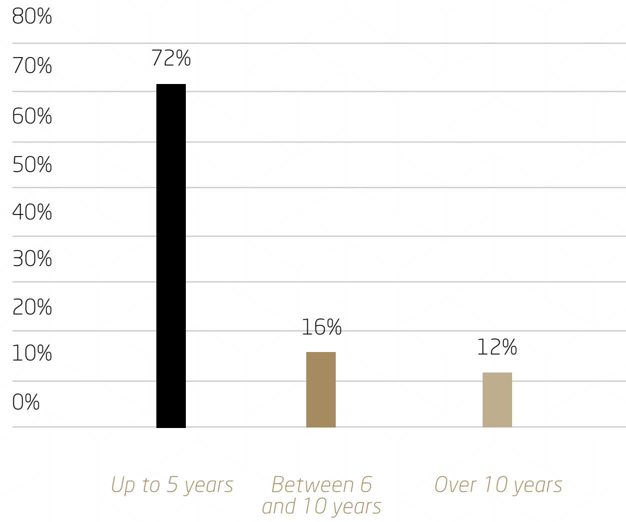


DISTRIBUTION OF EMPLOYEES BY GENDER

In terms of gender, the distribution is almost equal, with 51% male employees and 49%, female.

DISTRIBUTION OF EMPLOYEES BY EXPERIENCE IN THE SECTOR

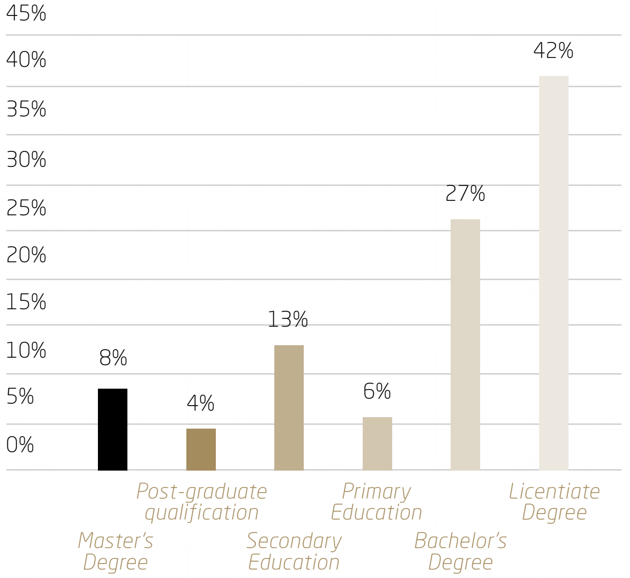
Banco BCS has a philosophy of on-the-job training based on the seniority of its managerial staff who have over 10 years' experience in the banking sector (12% of total employees), thus providing more junior employees with the opportunity to absorb their knowledge.



Career management at Banco BCS prioritises internal recruitment as a way of promoting vertical, horizontal and diagonal progression, which has been acknowledged as a strategic and decisive factor in the motivation and retention of human resources.

STRUCTURE BY ACADEMIC DEGREE

Regarding levels of education, as of 31 December 2019, 8% of the Bank's employees held a master's degree, 4% held a post-graduate qualification, 42% held a licentiate degree, 27% held a bachelor's degree or had attended university, 13% had completed secondary education and 6% had completed primary education.



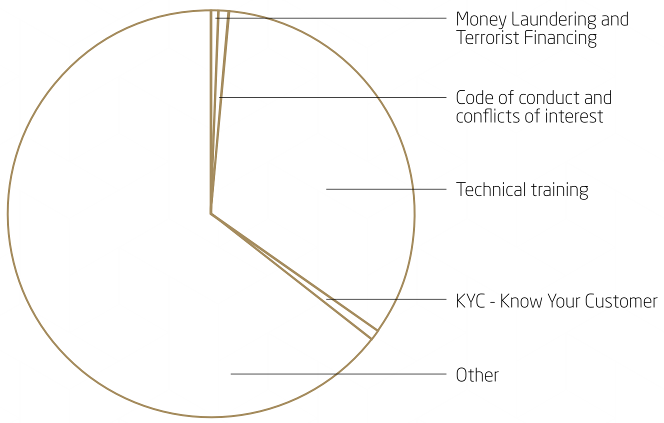
TRAINING POLICY

The Bank invests in the development of all its employees and, for this purpose, it develops an annual training plan according to the training needs of each Division/Office and the training indicated by the Board of Directors, in order to prevent potential risks that may arise and with a view to maintaining a distinctive and excellent level of service.

In the current year, the Compliance and Internal Control Office, in conjunction with the Human Resources Division, provided training actions for employees regarding the interpretation of the rules defined in the standards concerning:

- The code of conduct;
- Ethics and the duty of confidentiality;
- Conflict of Interests;
- Anti-Money Laundering and Terrorist Financing.

Technical training courses and inductions into Banco BCS Culture were conducted, with a total of 833 hours and 45 minutes of training provided. The following chart illustrates the distribution of training hours by topic:



Whenever an Employee joins the Bank, there is a set of mandatory training sessions, namely in relation to: Money Laundering and Terrorist Financing, Code of Conduct and Conflicts of Interest, and BCS Ethics and Culture.

In 2020, the Bank will continue to prioritise its training policy, developing training initiatives aimed at adding value and improving the quality of the services provided.

06

YOUR
PRIVATE
BANK

RISK MODEL

6.1

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, the BNA has published a very broad set of standards and regulations that focus on Risk Management (New Regulatory Risk Package), 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.

The Bank has invested significantly in risk management, establishing a set of principles, strategies, policies and procedures to ensure an efficient and profitable performance of the business, with a view to maintaining, on an ongoing basis, an adequate relationship between its equity and the activity developed. The main activities include the definition and periodic revision of a Risk Management Policy, a Risk Appetite Policy, an Investment Policy and Definition of Counterparty Limits, and investment in risk management support and process automation tools related to risk management and reporting, in accordance with the requirements of the BNA regulations.

The Risk Office acts as the area responsible for the risk management function, and is responsible for the development of practices that allow the identification, quantification, control, monitoring and reporting of the different relevant risk typologies inherent to the Bank's activity, namely financial and non-financial risks, with the aim of protecting capital and maintaining the Bank's solvency.

6.2

RISK MANAGEMENT MODEL

The Bank prepared its risk strategy, which defined the qualitative principles and quantitative limits for the management of the different risks arising from its activity, presenting the 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.

6.3

RISK GOVERNANCE MODEL

Governance of 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 appetite defined by the Board of Directors and those in charge of the units.

Thus, the Risk Office is in charge of the design, development, monitoring and updating of risk management models that allow the proper identification, assessment and control of the risks associated with the Bank's activity, in order to ensure that they remain at levels consistent with the approved risk profile and degree of risk tolerance (risk appetite). Additionally, it must report directly to the Risk Management Committee and the Board of Directors, maintaining interactions with the Audit, Compliance and Internal Control Committee, in order to define 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 approval by the Board of Directors;
- Monitoring existing risks and controls, limits, policies or established practices; and
- Reporting the results of the risk monitoring to the Risk Management Committee, with the knowledge of the Board of Directors and the Audit, Compliance and 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 that Office. The business areas, namely the Divisions and other Offices, 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. Better than anyone else, these operatives perceive and assess the risks that are associated with their activities and know that any failure on their part will certainly influence the efficiency of risk management.

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

6.4

DEFINITION OF THE RISK PROFILE AND DEGREE OF TOLERANCE IN RELATION TO RISK

In accordance with National Bank of Angola Notice 07/2016 on Risk Governance, "Institutions should properly consider risk appetite in their risk management strategies, policies and processes, which must be in line with the risk-taking capacity and the overall strategy of the Institution".

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 Banco BCS' approach to risk management, the Risk Appetite Policy was developed, which incorporates 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 DEFINITION OF THE RISK APPETITE	2 INTEGRATION OF THE RISK APPETITE	3 MONITORING AND REPORTING OF THE RISK APPETITE	4 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 Management Board 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 Office in conjunction with the Risk Management 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.

The line of governance and reporting defined by the Bank under the definition of risk appetite and the degree of tolerance is as follows:

RISK OFFICE	Develop and propose the Risk Appetite Policy; Proposing risk appetite metrics and limits; Monitoring results and reporting to the Risk Committee; Defining corrective measures in the event of a Risk Appetite breakdown and reporting to the Risk Committee.
RISK COMMITTEE	Validating risk appetite - metrics and limits; Validating the Risk Appetite Policy; Solving any points of conflict between risk and business.
BOARD OF DIRECTORS	Risk link and business strategy; Approval of the Risk Appetite Policy; Approval of Risk Appetite metrics and limits; Analysis of the main cases of breakdown of limits and respective follow up actions.

6.5 KEY RISKS

Risk corresponds to anything that may have an impact on the capital structure of the Institution, and may give rise to foreseeable or unforeseeable events. 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 Offices, 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 BNA, the monitoring of which is carried out by the Risk Office and the Risk Management Committee. The main limits (internal and external) are related to financial risks.

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), an issuer of a security or the counterparty of a contract.

The Bank's credit decision is centralised on the Credit 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 issuing the opinion of the Commercial and Corporate Division and the Risk Office, the file is submitted to the Credit Committee, where a decision is taken.

The Credit Committee is formed by the members of the Board of Directors, as well as the Director of the Risk Office.

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 that are currently defined in the risk appetite statement related to credit risk, which are monitored monthly by the Risk Management Office and reported to the Board of Directors and the Risk Management Committee.

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

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Credit at risk [% credit overdue for more than 30 days]	Regulatory	<20.0%	<30.0%
Coverage of credit at risk [Impairment of credit at risk/credit at risk]	Regulatory	>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 Credit]	Internal	>2.0%	>1.5%
Coverage of OFF-Balance credit [Impairment of guarantees/guarantees provided]	Internal	>0.5%	>0.3%

ANALYSIS OF IMPAIRMENT AND CREDIT RISK ASSESSMENT

Through the Risk Office, Banco BCS individually analyses significant loans in the portfolio of credit granted to customers, guarantees, import documentary credits and irrevocable undertakings, 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 define the collective impairment rate, considering that no statistically representative historical data on the behaviour of the transactions allowing the reliable calculation of the risk factors (Probability of Default (PD) and Loss Given Default (LGD)) is available, the Bank performed comparative market analysis through the analysis of the average impairments constituted by the Banks whose impairment model is implemented and it was considered that the operations may be comparable with those of Banco BCS. 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.

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 that the Bank estimates it may not receive.

When determining impairment losses on an individual basis, consideration is given to factors such as the existence of delays in the payment of instalments (non-performing loans), the customer's economic and financial situation and ability to generate income to cover the service of 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 customer's default risk and the recoverable amount considering its 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.

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 Office prepares periodic reports for the Board of Directors and the Risk Management 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;
- Shifts in 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, and which are monitored monthly by the Risk Management Office and communicated to the Board of Directors and the Risk Management Committee:

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Transformation Ratio in DC (Net credit) [Net credit in DC / Deposits in DC]	Internal	<50.0%	<70.0%
Transformation Ratio in FC (Net Credit) [Net credit in FC / Deposits in FC]	Internal	>50.0%	>70.0%
Transformation Ratio in All Currencies (CL) [Net credit / Deposits]	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%

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, under the supervision of the Risk Office.

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 RATE 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.

On a daily basis, the Financial Division produces a report for the Board of Directors containing information on the Bank's financial position, and analyses are performed by currency and interest rate benchmarks. Likewise, regular analyses are prepared by the Financial Division concerning the impact on the variation in the fair value of balance sheet financial instruments.

Additionally, the Risk Office prepares periodic reports for the Board of Directors and the Risk Management Committee concerning the Bank's positions concerning foreign currency and benchmarks. In particular, these reports present the monitoring of the metrics defined in the Bank's risk appetite, which are presented below:

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*	Regulatory	<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	>8.0%	>10.0%

NON-FINANCIAL RISKS

Non-financial risks do not have an impact directly related to 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

COUNTRY RISK

LEGAL/COMPLIANCE RISK

REPUTATION RISK

BUSINESS/STRATEGY RISK

BUSINESS/STRATEGY RISK

Business risk is the risk arising from inappropriate strategic decisions, poor implementation of decisions or the Institution's inability to respond to changes in the environment or changes in the business landscape.

REPUTATION RISK

Reputation risk refers to the risk stemming from the perception of the Bank's image by customers, counterparties, shareholders, supervisors and public opinion in general. Usually, the potential impact of reputation risk stems from the occurrence of other risks.

Banco BCS has a policy of constantly conveying its vision, mission and valueswith 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.

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.

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.

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.

Operational risk is managed by the three lines of defence.

Day-to-day responsibility for the management of operational risk lies with the first line of defence and, since all the Bank's processes have a person in charge, he or she must continuously assess and report any operational risk events.

The risk management function is the second line of defence. Carried out by the Risk Office, it 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 no. 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 Bank is also investing in the implementation of technological solutions that enable not only the mitigation of operational risk, but also its continuous assessment.

BUSINESS CONTINUITY MANAGEMENT

Business continuity management includes the business continuity plan and the technological recovery plan. During the year 2019, the Bank reviewed the policies and procedures in order to align them with the new requirements of the regulator and best international practices.

With the most recent relational developments with COVID-19, business continuity management will continue to deserve special attention during the year 2020, with the Bank aiming to stay abreast of the best practices in the sector.

LEGAL/COMPLIANCE RISK

Legal risk corresponds to the risk arising from violations or breaches of laws, rules, contracts, prescribed practices or ethical standards.

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.

In particular, the Bank has been regularly improving 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 the risk of customers, correspondent Banks and transactions to be evaluated and monitored.

OTHER RISKS

Specific risk, the negative impact of which results in major instability for the entire financial system, nationally or worldwide.

SOLVENCY RISK

RISK OF CONTAGION

SYSTEMIC RISK

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.

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.

RISK OF CONTAGION

Risk of contagion is a verifiable effect that occurs when one Bank's problems contaminate another or other Banks, and is caused by the high correlation between them.

MONITORING SOLVENCY RISK

The Bank has established metrics in its risk appetite policy, which accompany solvency risk, namely:

KEY INDICATORS	TYPE OF INDICATOR	TOLERANCE	LIMIT
Solvency Ratio [ROF / ROF Requirements*10]	Regulatory	>23.0%	>10.0%
Base Solvency Ratio [ROF Base / 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%

6.6

ENTITIES RESPONSIBLE FOR RISK MONITORING

The risk management process is the responsibility of most of the structural units established by the Bank, and risk monitoring is carried out by the main Committees and by key internal control functions.

RISK OFFICE

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, own funds and own funds requirements, as well as 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 2018, the BNA published a regulation granting an extension of the deadline for the transition from IAS 39 to IFRS 9, this extension being until 31 December 2018, as well as an extension of the deadline for submitting stress tests until 31 January 2019. Also in November 2018, the BNA sent a communication to all financial institutions in order to update the calculation formulas for Regulatory Own Funds.

Particularly through the regulations mentioned in the two preceding paragraphs, the BNA promoted a systematisation of the basic principles that should guide the implementation of a risk management system, including the component of calculating the regulatory solvency ratio and carrying out stress tests, following the concepts recognised and accepted internationally and, in particular, some of the recommendations issued by the Basel Committee on Banking Supervision (BCBS).

In this context, the implementation of these requirements must be carried out in a manner consistent with the expectations of the supervisory authorities, bearing in mind the specificities of each institution, in order to ensure an appropriate internalisation of changes in the organisation's structure and culture. This constitutes a critical factor in deriving value from the new management rules and minimising the associated regulatory cost.

In light of the above, in 2019, the Risk Office awarded a contract for the purchase of a technological solution that allows the Bank to comply with the mandatory requirements defined by the regulator and carry out risk monitoring with lower operational risk.

In view of the current status of the risk management system, the following recommendations have been made for improving the Bank's risk management system:

- Effective implementation of the SIRIS application during 2019;
- Beginning of the Operational Risk project, in order to cultivate risk management at the Bank:
    - Risk mapping;
    - Registration of operational events;
    - Training for all Bank employees.
    - Award of a contract for a technological solution for the calculation of impairment in the integrated risk application - SIRIS;
- Increase in the number of members of the Risk Office team, namely by 2 employees;
- Updating of credit processes;
- System implementation of an application that allows the identification of economic groups.

COMPLIANCE AND INTERNAL CONTROL OFFICE

During 2019, the Compliance and Internal Control Office kept its focus on compliance risk management activities, in order to comply with prevailing laws and regulations applicable to the sector.

In terms of National Bank of Angola regulation, as a result of the current macroeconomic environment, during the course of 2019 we saw the issuance of various regulations for immediate implementation, which required an effort to ensure their dissemination and the monitoring of their effective implementation.

BCS' ethical values continued to be advocated and contributed to a strong culture of Compliance, mitigating the risk of penalties or damage to the bank's assets or reputation. To meet this challenge, the Compliance Office held various training sessions throughout the year, such as Anti-Money Laundering and Terrorist Financing, training on the Code of Conduct and Know Your Customer training, the training provided benefitting 77 Bank employees, representing a coverage of more than 60% of the workforce.

BCS is one of the three Angolan banks participating in the Real Time Gross Settlement (RTGS) system in the SADC area, which implied the need to perform Due Diligence on other banks in order to establish Correspondent Banking and key exchange relationships with them. To ensure the success of this process, the Compliance and Internal Control Office participated in this challenge and successfully exchanged keys and relationships of correspondence with other Banking Financial Institutions in the region.

BCS continued its investment in strengthening its anti-money laundering and terrorist financing tools, having migrated during the course of 2019 to the latest version of the AML solution used at the Bank, with the aim of reducing the likelihood of the Bank being used as a vehicle for the circulation of illicit funds.

With regard to the FATCA, it should be noted that the Angolan State has entered into an agreement with the authorities of the United States of America. By means of Presidential Decree 62/16, of 29 August 2016, Angolan banks and other subject entities were "officially" obliged to identify the American persons/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) - the IRS being an agency of the Department of the Treasury of the United States of America).

In 2019, 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 and Internal Control Office fulfilled its other reporting obligations, both 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 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 OFFICE

The Internal Audit Office ("IAO") 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 IAO 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 the Board of Directors.

The Internal Audit Office 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.

07

YOUR PRIVATE BANK

PROPOSED ALLOCATION OF SURPLUS

7.1

PROPOSED APPROPRIATION OF PROFIT

At the General Meeting, the Board of Directors presented its proposal for the appropriation of net profit for the year 2019, in a total amount of tAOA 14,647,353 (fourteen billion, six hundred and forty-seven million, three hundred and fifty-three thousand Kwanzas).

Dividends in an amount of tAOA 5,000,000 (five billion Kwanzas) will be distributed, tAOA 8,182,618 (eight billion, one hundred and eighty-two million, six hundred and eighteen thousand Kwanzas) will be transferred to unappropriated retained earnings and tAOA 1,464,735 (one billion, four hundred and sixty-four million, seven hundred and thirty-five thousand Kwanzas) to legal and statutory reserves.

08

BCS

YOUR
PRIVATE
BANK

FINANCIAL STATEMENTS

8.1

BALANCE SHEET AT 31 DECEMBER 2019 AND 2018

AKZ'000

	NOTES	31-12-2019	31-12-2018
Cash and cash balances at central banks	4	26 578 448	19 443 324
Cash balances at other credit institutions	5	19 712 431	4 808 577
Investments at central banks and other credit institutions	6	13 637 176	-
Financial assets at fair value through other comprehensive income	7	68 203	68 203
Investments at amortised cost	8	23 878 413	20 252 548
Loans to customers	9	11 733 670	7 674 631
Other tangible assets	10	10 429 550	6 413 304
Intangible assets	10	77 381	88 511
Current tax assets	11	211 788	53 961
Other assets	12	470 760	400 054
TOTAL ASSETS		106 797 820	59 203 113
Funds from central banks and other credit institutions	13	76 702	24 960
Customer funds and other loans	14	64 500 708	29 652 077
Provisions	15	734 307	697 900
Current tax liabilities	11	5 007 063	4 527 440
Other liabilities	16	2 632 019	1 101 067
TOTAL LIABILITIES		72 950 799	36 003 444
Share Capital	17	17 000 000	10 000 000
Revaluation reserves	17	-	-
Other reserves and retained earnings	17	2 199 668	1 601 036
Net earnings for the year	17	14 647 353	11 598 633
TOTAL EQUITY		33 847 021	23 199 669
TOTAL LIABILITIES AND EQUITY		106 797 820	59 203 113

8.2

STATEMENT OF INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

AKZ'000

	NOTES	31-12-2019	31-12-2018
Interest and similar income	18	5 930 245	4 758 671
Interest and similar charges	18	(1 465 551)	(509 434)
NET INTEREST INCOME		4 464 694	4 249 237
Income from services and fees	19	8 083 051	6 195 764
Expenses on services and fees	19	(5 620)	(1 314)
Income from investments at amortised cost	20	539 666	-
Foreign exchange gains and losses	21	14 356 483	13 762 754
Gains and losses on sale of other assets	-	213	45
Other operating profit or loss	22	(550 585)	(350 904)
PROCEEDS FROM BANKING ACTIVITY		26 887 902	23 855 582
Payroll expenses	23	(4 431 319)	(5 110 415)
Third-party supplies and services	24	(1 655 535)	(1 461 791)
Depreciation and amortisation for the year	10	(844 259)	(455 662)
Impairment on loans to customers net of reversals and recoveries	15	96 732	(667 847)
Impairment on other financial assets net of reversals and recoveries	15	(550 844)	(33 794)
EARNINGS BEFORE TAX FROM CONTINUING OPERATIONS		19 502 677	16 126 073
Income taxes			
Current	11	(4 855 324)	(4 527 440)
NET INCOME		14 647 353	11 598 633
Items that will not be reclassified as income		-	-
Items that may be reclassified as income		-	-
COMPREHENSIVE NET INCOME		14 647 353	11 598 633

8.3

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31DECEMBER 2019 AND 2018

AKZ'000

	NOTA	CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL	NET EARNINGS FOR THE YEAR	TOTAL EQUITY CAPITAL
BALANCE AT 01 JANUARY 2018		6 000 000	-	-	(1 238 464)	(1 238 464)	2 839 500	7 601 036
Appropriation of net income for the year 2017								
Transfer to legal reserves	17	-	283 950	-	-	283 950	(283 950)	-
Transfer to other reserves	17	-	-	-	-	-	-	-
Transfer to retained earnings	17	-	-	-	2 555 550	2 555 550	(2 555 550)	-
Increase in share capital	17	4 000 000	-	-	-	-	-	4 000 000
Comprehensive income for the year	17	-	-	-	-	-	11 598 633	11 598 633
BALANCE AT 31 DECEMBER 2018		10 000 000	283 950	-	1 317 086	1 601 036	11 598 633	23 199 669
Appropriation of net income for the year 2018								
Transfer to legal reserves	17	-	1 366 050	-	-	1 366 050	(1 366 050)	-
Transfer to other reserves	17	-	-	-	-	-	-	-
Transfer to retained earnings	17	-	-	-	6 232 582	6 232 582	(6 232 582)	-
Distribution of dividends	17	-	-	-	-	-	(4 000 000)	(4 000 000)
Increase in share capital	17	7 000 000	(7 000 000)	-	-	(7 000 000)	-	-
Comprehensive income for the year	17	-	-	-	-	-	14 647 353	14 647 353
BALANCE AT 31 DECEMBER 2019		17 000 000	(5 350 000)	-	7 549 668	2 199 668	14 647 353	33 847 021

8.4

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 2019 AND 2018

AKZ'000

	31-12-2019	31-12-2018
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Interest, commissions and other similar income received	14 357 998	24 717 189
Interest, commissions and other similar expenses paid	(1 668 608)	(510 748)
Payments to employees and suppliers	(5 752 372)	(6 572 207)
Other income	(10 706)	(110 390)
CASH FLOWS BEFORE CHANGES TO OPERATING ASSETS AND LIABILITIES	6 926 312	17 523 844
(INCREASES) / DECREASES IN OPERATING ASSETS:		
Investments at central banks and other credit institutions	(13 558 899)	837 958
Investments at amortised cost	2 511 675	(13 383 409)
Loans to customers	(4 107 229)	(5 040 343)
Other assets	(5 287)	(169 509)
NET FLOW FROM OPERATING ASSETS	(15 159 740)	(17 755 303)
(INCREASES) / DECREASES IN OPERATING LIABILITIES		
Funds from central banks and other credit institutions	41 066	5 897
Customer funds and other loans	33 967 463	3 466 093
Other liabilities	(34 219)	(961 209)
NET FLOW FROM OPERATING LIABILITIES	33 974 310	2 510 781
Net cash generated by operating activities before income taxes	25 740 883	2 279 322
Income taxes paid	(4 533 528)	(270 619)
NET CASH GENERATED BY OPERATING ACTIVITIES	21 207 355	2 008 703
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Acquisitions and other tangible assets, net of divestitures	(3 497 643)	(3 310 291)
Acquisitions of intangible assets, net of divestitures	(73 767)	(31 239)
NET CASH FROM INVESTMENT ACTIVITIES	(3 571 410)	(3 341 530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increases / (Decreases) in equity	-	4 000 000
Distribution of dividends	(3 232 583)	-
NET CASH FROM FINANCING ACTIVITIES	(3 232 583)	4 000 000
Changes in cash and cash equivalents	14 403 362	2 667 173
Cash and cash equivalents at the beginning of the year	24 256 825	21 589 652
Effects of exchange variation on cash and cash equivalents	7 661 752	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	46 321 939	24 256 825

09

YOUR
PRIVATE
BANK

NOTES TO FINANCIAL STATEMENTS

1

INTRODUCTORY NOTE

BCS - Banco de Crédito do Sul, SA (hereinafter also referred to as "BCS" or the "Bank") was constituted by a Public Deed on 20 May 2015, following notification by the National Bank of Angola on 23 March 2015 that authorised its incorporation. The Bank started operations on 21 October 2015.

The Bank engages in obtaining third-party funds in the form of deposits or other means, which, together with its own resources, it uses in lending activity, deposits with the National Bank of Angola, investments in credit institutions, the acquisition of securities and other assets, for which it is duly authorised. The Bank also provides other banking services and carries out various kinds of foreign currency transaction.

At 31 December 2019, the Bank has a service desk at its Headquarters Building (Edifício Garden Towers, Torre B, Piso 15, Complexo Comandante Gika, Luanda) and four branches based in the districts of Talatona, Alvalade and in the city of Lubango and Torre Ambiente. Works are underway to open further branches in the Cidade Financeira.

2

BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS 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 6/2016 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 period, with the exception of the first-time adoption of IFRS 16 "Leases" on 1 January 2019, as mentioned in Note 2.4, which established new requirements regarding the scope, classification/recognition and measurement of leases.

In accordance with IFRS 16, the Bank applied this standard retrospectively with the transition impacts recognised as of 1 January 2019. Accordingly, comparative information has not been restated.

IFRS 16 replaces IAS 17, having an impact on accounting by tenants who are now required to recognise a lease liability reflecting future lease payments and a "right to use" asset for all lease agreements, except certain short-term leases and low-value assets. The definition of a lease agreement was also amended, based on the "right to control the use of an identified asset". With respect to the transition regime, the new standard may be applied retrospectively or a modified retrospective approach may be followed.

At 31 December 2019 and 2018, 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 2.5).

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.

2.2. STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT ENTERED INTO FORCE DURING THE YEAR

The following Standards, Interpretations, Amendments and Revisions were mandatory for the first time in the year beginning 1 January 2019:

IFRS 16 (NEW) - "LEASES"

This standard replaces IAS 17, having a significant impact on accounting by tenants who are now required to recognise a lease liability reflecting future lease payments and a "right to use" asset for all lease agreements, except certain short-term leases and low-value assets. The definition of a lease has also been changed and is now based on the "right to control the use of an identified asset". With respect to the transition regime, the new standard may be applied retrospectively or a modified retrospective approach may be followed. The impact may be found in Note 2.4.

IFRS 9 (AMENDMENT) - "PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION"

This amendment enables entities to classify at amortised cost prepayable financial assets with negative compensation, provided that specific conditions are met, rather than classifying them at fair value through profit or loss. Materially significant impacts are not expected as a result of the future adoption of this standard.

IAS 19 (AMENDMENT) - "AMENDMENT, CURTAILMENT OR SETTLEMENT OF DEFINED BENEFIT PLANS"
This amendment to IAS 19 requires an entity to: (i) use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after the amendment, curtailment or settlement of the plan; and (ii) recognise, in profit or loss as part of the cost of past services, or as a gain or loss on settlement, any reduction in the coverage surplus, even if the coverage surplus has not been previously recognised due to the impact of the asset ceiling. The impact on the asset ceiling is always recorded in Other Comprehensive Income, and cannot be recycled as profit or loss.

IAS 28 (AMENDMENT) - "LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES"
This amendment clarifies that long-term interests in associates and joint ventures that are not being measured using the equity method should be accounted for in accordance with IFRS 9. Long-term interests in associates and joint ventures are subject to the estimated losses impairment model, before being added for the purpose of impairment testing to the overall interest in an associate or joint ventures, where there are indicators of impairment.

IMPROVEMENTS TO STANDARDS 2015 - 2017
This cycle of improvements affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11.

IFRIC 23 (NEW) - "UNCERTAINTY OVER INCOME TAX TREATMENTS"
This is an interpretation of IAS 12 - "Income taxes", referring to the measurement and recognition requirements to be applied when there are uncertainties regarding the acceptance of a certain tax treatment by the tax administration in relation to income tax. In the event of uncertainty regarding the Tax Administration's position on a specific transaction, the entity should make its best estimate and record the income tax assets or liabilities in accordance with IAS 12, and not IAS 37 - "Provisions, contingent liabilities and contingent assets", based on the expected value or the most likely value. The application of IFRIC 23 may be retrospective or modified retrospective. Materially relevant impacts are not expected as a result of the future adoption of this standard.

There were no significant effects on the Bank's financial statements resulting from the adoption of the new standards, interpretations, amendments and revisions mentioned above, except regarding IFRS 16, as disclosed in Note 2.4.

2.3. STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT WILL COME INTO EFFECT IN FUTURE PERIODS

The following accounting standards and interpretations will be mandatory in future financial years (from 1 January 2020):

IAS 1 AND IAS 8 (AMENDMENT) - "DEFINITION OF MATERIAL"
This amendment introduces a modification to the concept of material and clarifies that the mention of unclear information refers to situations, the effect of which is similar to omitting or distorting such information, and the entity should assess materiality considering the financial statements as a whole. Clarifications are also made as to the meaning of "primary users of the financial statements", who are defined as "current and future investors, financiers and creditors" who depend on the financial statements to obtain a significant part of the information they need.

CONCEPTUAL FRAMEWORK - "AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS"
As a result of the publication of the new Conceptual Framework, the IASB introduced amendments to the text of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of assets/liabilities and expense/income, in addition to some of the characteristics of financial information. These changes are to be applied retrospectively, unless impracticable.

IFRS 3 (AMENDMENT) - "DEFINITION OF A BUSINESS"
This amendment is still subject to endorsement by the European Union. This amendment constitutes a revision to the definition of a business for the purpose of recording business combinations. The new definition requires that an acquisition include an input and a substantial process that together generate outputs. Outputs are now defined as goods and services that are provided to customers, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits for shareholders. "Concentration tests" are now allowed to determine whether a transaction relates to the acquisition of an asset or a business.

IFRS 9, IAS 39 AND IFRS 7 (AMENDMENT) - "INTEREST RATE BENCHMARK REFORM"
These amendments are still subject to European Union approval. These changes form part of the first phase of the IASB's "IBOR reform" project and allow exemptions related to interest rate benchmark reform. The exemptions refer to hedge accounting, in terms of: i) risk components; ii) "highly probable" requirement; iii) prospective assessment; iv) retrospective effectiveness test (for IAS 39 adopters); and v) recycling of a cash flow hedge reserve, and aims to prevent the reform of benchmark interest rates resulting in the termination of hedge accounting. However, any hedge ineffectiveness determined should continue to be recognised in the statement of income.

IFRS 17 (NEW) - "INSURANCE CONTRACTS"
This standard is still subject to endorsement by the European Union. 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, at each reporting date. Current measurement can be based on a complete model ("building block approach") or a simplified model ("premium allocation approach"). The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is for retrospective application.

Although endorsed, these standards were not adopted by the Bank in 2019, as their application is not yet mandatory. As a result of applying the other standards mentioned above, no significant impacts are estimated for the Bank's financial statements.

2.4. IMPACTS OF THE ADOPTION ON 1 JANUARY 2019 OF INTERNATIONAL FINANCIAL REPORTING STANDARD 16 ("IFRS 16")

The IFRS 16 standard, mandatory for periods beginning after 1 January 2019, eliminates the distinction between operating and financial leases for lessee entities, as previously provided for in IAS 17. Alternatively, it introduces a new uniform accounting model for all leases that is similar to the accounting that was being applied for financial leases under IAS 17.

The Bank adopted this new standard from 1 January 2019, having opted for the modified retrospective method with assets equal to liabilities (adjusted for any prepayments in the assets), for which reason it did not restate comparisons for the year 2018 nor was there any impact on results carried over from previous years.

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.

In applying IFRS 16 for the first time, the Bank used the following practical procedures, as permitted by the standard:

- It applied a single discount rate for a lease portfolio with reasonably similar characteristics;
- It excluded any initial direct costs in measuring the assets related to the right of use on the date of initial application;
- It recognised as short-term leases all assets with a contractual term ending 12 months after the application of the standard.

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.

Below, we indicate the impact of the adoption of the new IFRS 16 standard on the opening balances as of 1 January 2019:

AKZ'000

	IAS 17	IFRS 16 impact	IFRS 16
Right of use (Note 10)	-	1 287 528	1 287 528
Other assets (Note 12)	202 491	(85 150)	117 341
TOTAL ASSETS	202 491	1 202 378	1 404 869
Leasing liabilities (Note 16)	-	1 287 528	1 287 528
TOTAL LIABILITIES	-	1 287 528	1 287 528

2.5. 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.

At 31 December 2019 and 2018, average Kwanza (AOA) exchange rates against the United States Dollar (USD) and the Euro (EUR) were as follows:

	31-12-2019	31-12-2018
1 USD	AOA 482 227	AOA 308 607
1 EUR	AOA 540 817	AOA 353 015

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, the content and revaluation criteria of which 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".

2.6. FINANCIAL INSTRUMENTS

2.6.1. 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 "Loans to customers".

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 comprehensive income" where, due to the Bank's business model or due to the characteristics of its contractual cash flows, it is not appropriate to classify the financial assets under any of the above 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:

- They are originated or acquired to be traded in the short term.
- They form part of a group of financial instruments identified and jointly managed for which there is evidence of recent actions designed to obtain short-term gains.
- They are derivative instruments that do not meet the definition of a financial guarantee contract or have not been designated as hedging instruments.

BUSINESS MODEL EVALUATION

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, upon initial recognition, the Bank exercises the option to irrevocably designate 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, in the event of that option not being exercised, would be classified as financial assets 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.

2.6.2. 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 derecognised 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

– The financial liabilities contain embedded derivatives.

2.6.3. 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 commits to purchase the assets, unless there is a contractual stipulation or applicable legal figure 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 an active 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 time 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.

2.6.4. 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.

2.6.5. 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 revenue or an expense when the financial instrument is derecognised from the balance sheet under "Income from investments at amortised cost", when reclassified, and in the case of financial assets, when impairment losses or recovery gains occur, which are recorded under the heading "Impairment for loans to customers net of reversals and recovery", in the case of loans to customers, or under the heading "Impairment for other financial assets net of reversals and recovery" 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.

2.6.6. 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.

2.6.7. 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.

2.6.8. MODIFICATION OF CREDITS
The Bank occasionally renegotiates or modifies contractual cash flows from loans to customers. 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 the credit risk;
- Significant extension of the maturity of the contract, where 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 the loan, which significantly affects the credit risk associated with the loan.

If the terms of the contract are significantly different, the Bank derecognises 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 accounting amount based on

the revised cash flows of the financial asset and recognises a gain or loss from this change in profit or loss. The new gross book 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).

2.6.9. DERECOGNITION THAT DOES NOT RESULT FROM A MODIFICATION
The transferred financial assets are derecognised 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 (2) 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 Loans to customers 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:

- The Bank is under no obligation to make payments, unless it receives equivalent amounts of assets;
- The Bank is prohibited from selling or pledging the assets; and
- The Bank has an obligation to remit any cash flow it receives from assets without material delay.

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 derecognition criteria are not observed.

Financial liabilities are derecognised where the underlying obligation is settled, expires or is cancelled.

2.6.10. 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:

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

2.6.11. 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 8/2018.

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, derecognition 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, 1983-2017", the Probability of Default (PD) is considered for companies rated by the entity and the Loss Given Default (LGD) associated with the sovereign default events that occurred, as indicated in the same study (59%).

Regarding the balances of "Investments at amortised cost", Angolan public debt securities in domestic currency, the Probability of Default (PD) is considered for sovereign debt of Ba rating (a reliable and acceptable rating level for each segment and which has a collective nature).

The expected credit losses are discounted to 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 a comparison of the credit risk of the instrument 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.

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 for private customers, and at the debtor level for corporate customers. Default will occur when there are more than 90 days of delay and/or where it is considered less likely that the debtor will comply with its obligations in full, for example due to the existence of written-off capital or multiple restructurings 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 8/2018.

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 its ability to generate sufficient means to address 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 the 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.

2.7. 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
- In relation to the hedging of an anticipated transaction, this is highly probable and presents an exposure to changes in cash flows that could ultimately affect the 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

Variations in the fair value of derivatives that are designated and that qualify as fair value hedging are recorded against profit and loss, together with the variations

in the fair value of the asset, liability or group of assets and liabilities to be hedged with respect to the hedged risk. 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 from changes in the interest rate risk associated with the hedging item up to the date of the discontinuation of the hedge are amortised by profit and loss for 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 derecognised, 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.

As of 31 December 2019 and 2018, the Bank did not have any hedge derivatives.

2.8. 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.

2.9. 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 on average corresponds 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.

2.10. FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Pursuant to IAS 29 - Financial reporting in hyperinflationary economies ("IAS 29"), in the event of hyperinflation, financial institutions must 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. The 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;
- The cumulative inflation rate over 3 years approaches, or exceeds, 100%.

The amount resulting from the monetary restatement must be reflected monthly, debited to the "Profit or loss in net monetary position" account of the statement of income, as a contra entry to the increase in equity balances, with the exception of the "Share Capital" item, which must be classified under a specific item ("Revaluation reserves") and may only be used for a subsequent capital increase.

The Angolan Banking Association ("ABANC") and the National Bank of Angola ("BNA") issued an interpretation that not all the requirements set out in IAS 29 - Financial reporting in hyperinflationary economies

("IAS 29") have been met for the Angolan economy to be considered hyperinflationary for the year ended 31 December 2018. Based on this interpretation, the Board of Directors decided to continue not to apply the presentation contemplated under that Standard to the financial statements for the year then ended, in line with its position at 31 December 2017.

2.11. INCOME TAX

CURRENT TAX

Current tax is calculated based on taxable profit for the year, which may differ from the accounting result due to adjustments to the basic taxable amount resulting from costs or income not relevant for tax purposes, or that will only be considered in other accounting periods.

DEFERRED TAX

Deferred tax assets and liabilities correspond to the amount of tax recoverable or payable in future periods resulting from deductible or taxable temporary differences between the value of the assets and liabilities on the balance sheet and their tax base used in determining taxable profit. Deferred tax liabilities are recorded for all taxable temporary differences, while deferred tax assets are only recognised up to the amount in which it is probable that future taxable income will be available to allow the use of the corresponding tax deductible differences or tax loss carry back.

Additionally, deferred tax assets are not recorded in cases where their recoverability may be questionable due to other situations, including issues concerning interpretation of prevailing tax law.

At 31 December 2019 and 2018, the Bank has no tax loss carryforward, as a result of which there is no record of deferred tax assets of this nature.

CORPORATION TAX

Corporation Tax is levied on the Bank, which is considered a Group A taxpayer subject to a tax rate of 30%.

At 1 January 2015, a new Corporation Tax Code came into force, as approved by Law 19/14, of 22 October, which determines that income subject to Tax on Capital Expenditure ("IAC ") is deductible for the purposes of determining taxable profit, with the IAC not constituting a cost accepted for tax purposes.

Additionally, under the terms of the new Corporation Tax Code, taxpayers whose activities fall within the scope of the supervisory powers of the National Bank of Angola must, by the end of August each year, make a provisional assessment of Corporation Tax relating to that year, with the tax to be delivered calculated based on 2% of the income derived from financial intermediation operations, calculated in the first six months of the previous fiscal year, excluding income subject to IAC.

TAX ON CAPITAL EXPENDITURE ("IAC")

Presidential Legislative Decree 5/11, of 30 December, introduced several legislative amendments to the Tax on Capital Expenditure Code, which had in the meantime been amended by Presidential Legislative Decree 2/14, of 20 October. IAC is generally levied on income from the Bank's financial investments, namely income from investments and income from securities.

The rate ranges from 5% (in the case of yields on debt securities admitted to trading on a regulated market and having a maturity of three years or more) to 15%.

According to the latest formal understanding transmitted by the General Tax Administration to the Angolan Banking Association ("ABANC"), although income from foreign currency revaluation of government debt securities issued in foreign currency is subject to IAC, it should be subject to Corporation Tax until the National Bank of Angola withholds at source this tax on the income concerned.

In a letter from the National Bank of Angola to the ABANC dated 26 September 2013, it was reiterated that interest from Treasury Bonds, Treasury Bills and Central Bank Securities are only subject to IAC where the securities were issued after 1 January 2013.

URBAN PROPERTY TAX ("IPU")

IPU is levied at the rate of 0.5% on the net asset value of the properties intended for the pursuance of the normal activities of the Bank, where their asset value is greater than tAOA 5 000.

VALUE ADDED TAX ("VAT")

Law 7/19 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.

THE VAT RATE IS 14%.

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.

OTHER TAXES

The Bank is also subject to indirect taxes, namely, customs duties, Stamp Duty, as well as other fees.

2.12. 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 may 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 period and adjusted to reflect best estimates, and are reversed through profit and loss in proportion to the payments that are unlikely. Provisions are derecognised through their use for the obligations for which they were initially constituted, or in cases where they are no longer observed.

2.13. 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 that are considered to form 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 in Stages 1 or 2 are 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).

2.14. RECOGNITION OF DIVIDENDS

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

2.15. RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

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

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

2.16. 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.

2.17. 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.

2.18. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net earnings 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 where 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.

2.19. 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".

2.20. 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.

2.21. 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 unknown in the balance sheet, being classified and valued in accordance with the accounting policy referred to in Note 2.2. Securities received through loan agreements are not recognised in the balance sheet.

2.22. 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.

3

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

The International Financial Reporting Standards define a set of accounting treatments, and the Board of Directors makes the judgments and estimates necessary 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 believes 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.

3.1. 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.

3.2. FAIR VALUE OF FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE

Fair value is based on quoted market prices, where available, and in the absence of market prices, it is determined based on the use of the prices of recent, similar transactions carried out under market conditions, or based on assessment methodologies built on future discounted cash flows, taking into account market conditions, time value, the profitability curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or different assumptions or judgments in the application of a given model could result in financial results different from those reported.

3.3. IMPAIRMENT LOSSES OF FINANCIAL INSTRUMENTS AT AMORTISED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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 market comparative analysis to determine impairment rates.

3.4. INCOME TAXES

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.

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

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

4

CASH AND CASH BALANCES AT CENTRAL BANKS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
CASH	2 238 163	923 884
Notes and coins in domestic currency	848 360	718 774
Notes and coins in foreign currency		
In Euros (EUR)	1 379 275	198 321
In US Dollars (USD)	10 498	6 789
South African Rand (ZAR)	30	-
DEMAND DEPOSITS AT THE NATIONAL BANK OF ANGOLA	24 340 285	18 519 440
In domestic currency	23 921 475	17 990 346
In Euros (EUR)	418 810	255 667
In US Dollars (USD)	-	273 427
TOTAL	26 578 448	19 443 324

Demand deposits held at the National Bank of Angola in domestic and foreign currency aim to comply with the current provisions for maintaining mandatory reserves and are not remunerated.

As of 31 December 2019, mandatory reserves are calculated in accordance with Directive 08/DMA/DRO/2019 of 24 October, which revoked Instruction 10/2019 of 19 July, which provides for an reserve base in domestic currency ("DC") and foreign currency ("FC"), the coefficient of which to be applied to the daily balances of the headings that comprise it is 22% for DC, and 15% for FC. The Compulsory Minimum Reserves factor to be applied to the daily balances of Central Government accounts is 100% for FC, and of Local Governments and Municipal Administrations, 100% for FC.

As of 31 December 2019, the liability for the DC and FC reserve base is calculated weekly on the arithmetic average of the balances calculated in the respective accounts, according to the formula indicated in the Instruction. An amount of 20% of the Compulsory Minimum Reserves in foreign currency may be amounts deposited with the BNA, and the remaining 80%, treasury bonds in foreign currency.

5

CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
Cash balances at Other Credit Institutions Abroad	19 682 309	4 813 501
In Euros (EUR)	13 229 635	2 703 952
In US Dollars (USD)	6 211 112	1 941 499
In United Arab Emirates Dollars (AED)	241 562	168 050
Impairment for Cash and Cash Equivalents in CIU	(31 060)	(4 924)
Cheques receivable	59 630	-
Other	1 552	-
TOTAL	19 712 431	4 808 577

At 31 December 2019 and 2018, demand deposits held with other credit institutions were not remunerated. As of 31 December 2019, tAOA 1 420 031 of demand deposits were collateralising import documentary credit operations (2018: tAOA 6 379 689).

6

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

	31-12-2019	31-12-2018
INVESTMENTS AT DOMESTIC CREDIT INSTITUTIONS	13 776 600	-
Interest accrued	78 277	-
Impairment for Investments in CIU	(217 701)	-
TOTAL	13 637 176	-

7

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance at 31 December 2019 and 2018 refers entirely to the 0.9% interest in EMIS - Empresa Interbancária de Serviços, SARL (EMIS), in the amount of 68 203 tAOA, based on the amendments resulting from the 2018 shareholders' agreement. EMIS was established in Angola to manage electronic means of payment and complementary services.

Following the 270 General Meeting of EMIS, held on 20 May 2016, at which the Bank's inclusion in EMIS' charter was approved, a 1.97% stake in EMIS was acquired from the shareholder National Bank of Angola.

The Bank's stake in EMIS is valued at acquisition cost, as the Bank believes that it is not possible to determine its fair value reliably. Accordingly, it is subject to annual impairment tests.

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.

8

INVESTMENTS AT AMORTISED COST

This heading may be broken down as follows:

AKZ'000

2019	AVERAGE INTEREST RATE	ACQUISITION COST	EXCHANGE RATE ADJUSTMENT	SUBTOTAL	INCOME RECEIVABLE	GROSS VALUE	IMPAIRMENT	BALANCE SHEET VALUE
Treasury Bonds in Domestic Currency	12%	5 820 662	-	5 820 662	62 302	5 882 964	(92 450)	5 790 514
Treasury Bonds in Domestic Currency indexed to the USD	7%	9 988 338	8 174 554	18 162 892	213 747	18 376 639	(288 740)	18 087 899
TOTAL		15 809 000	8 174 554	23 983 554	276 049	24 259 603	(381 190)	23 878 413

AKZ'000

2019	AVERAGE INTEREST RATE	ACQUISITION COST	EXCHANGE RATE ADJUSTMENT	SUBTOTAL	INCOME RECEIVABLE	GROSS VALUE	IMPAIRMENT	BALANCE SHEET VALUE
Treasury Bills	20%	2 049 750	-	2 049 750	183 077	2 232 827	(6 993)	2 225 834
Treasury Bonds in Domestic Currency	12%	10 673 823	-	10 673 823	394 260	11 068 083	(34 665)	11 033 418
Treasury Bonds in Domestic Currency indexed to the USD	7%	3 732 433	3 209 334	6 941 767	73 501	7 015 268	(21 972)	6 993 296
TOTAL		16 456 006	3 209 334	19 665 340	650 838	20 316 178	(63 630)	20 252 548

In the years 2019 and 2018, there was an increase in the balance of "Treasury bonds in domestic currency indexed to the USD", which results from the devaluation of the Kwanza against the United States Dollar, observed during the year and investments in new bonds made by the Bank during the year.

At 31 December 2019 and 2018, securities in the portfolio, excluding income receivable, had the following structure, in accordance with the residual maturity dates:

AKZ'000

	31-12-2019	31-12-2018
From 1 to 3 years	1 662 283	16 981 819
From 3 to 5 years	14 845 061	1 717 453
Over 5 years	7 371 069	966 068
TOTAL	23 878 413	19 665 340

9

CUSTOMER LOANS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
MATURING CREDIT	11 685 124	7 905 407
Medium and long-term loans	7 859 821	5 367 751
Pledged current accounts	3 825 174	2 537 629
Overdrafts on demand deposits	129	27
NON-PERFORMING LOANS	517 784	39 043
Medium and long-term loans	52 301	6 451
Pledged current accounts	14 905	-
Overdrafts on demand deposits	450 578	32 592
TOTAL CREDIT GRANTED	12 202 908	7 944 450
INTEREST RECEIVABLE	93 286	202 317
COMMISSIONS ASSOCIATED WITH AMORTISED COST	(28 044)	-
IMPAIRMENT LOSSES (NOTE 15)	(534 480)	(472 136)
	11 733 670	7 674 631

All credit operations granted are stated in domestic currency. At 31 December 2019 and 2018, loans granted to customers bore interest at the average annual rate of 20% and 23%, respectively.

As disclosed in Note 26, at 31 December 2019 and 2018, the Bank had credit operations with related entities in the amounts of tAOA 6 206 179 and tAOA 2 045 149, respectively.

Loans to customers, excluding income receivable, presents the following structure, with respect to their residual maturity:

AKZ'000

	31-12-2019	31-12-2018
Up to 1 year	4 631 147	2 570 248
From 1 to 3 years	1 307 371	3 561 724
From 3 to 5 years	34 579	1 319 307
Over 5 years	6 229 811	493 171
TOTAL CREDIT GRANTED	12 202 908	7 944 450

At 31 December 2019 and 2018, loans to customers, excluding income receivable, have the following structure with respect to the type of interest rate:

AKZ'000

	31-12-2019	31-12-2018
Fixed Rate	8 030 732	167 424
Variable Rate	4 172 176	7 777 026
TOTAL CREDIT GRANTED	12 202 908	7 944 450

The determination of impairment for loans to customers was carried out in accordance with the methodology described in Note 2.6.

At 31 December 2019 and 2018, the loan portfolio shows the following concentration by sector of activity:

AKZ'000

2019	MATURING	OVERDUE	GUARANTEES PROVIDED AND IDC	TOTAL EXPOSURE	RELATIVE WEIGHT	TOTAL IMPAIRMENT	TOTAL IMPAIRMENT/ TOTAL EXPOSURE
COMPANIES							
Agriculture, livestock, hunting and forestry	-	-	2 983 017	2 983 017	4%	(27 858)	0%
Manufacturing industries	2 000 000	-	10 265 915	12 265 915	16%	(202 522)	1%
Construction	5 950 000	-	1 879 098	7 829 098	10%	(351 447)	4%
Wholesale and retail trade	2 906 060	421 475	45 892 506	49 220 041	63%	(611 575)	0%
Lodging and catering (restaurants and similar establishments)	22 917	-	-	22 917	0%	(2 123)	9%
Transport, storage and communications	-	41 210	290 333	331 543	0%	(2 483)	0%
Other collective, social and personal service activities	120 000	-	5 023 946	5 143 946	7%	(42 224)	0%
PRIVATE INDIVIDUALS							
Housing	485 222	44 589	-	529 811	71%	(21 251)	4%
Consumption	189 835	1 656	-	191 491	26%	(6 474)	3%
Other purposes	11 090	8 854	-	19 944	3%	(829)	4%
TOTAL	11 685 124	517 784	66 334 815	78 537 723		(1 268 786)	

AKZ'000

2018	MATURING	OVERDUE	GUARANTEES PROVIDED AND IDC	TOTAL EXPOSURE	RELATIVE WEIGHT	TOTAL IMPAIRMENT	TOTAL IMPAIRMENT/ TOTAL EXPOSURE
COMPANIES							
Agriculture, livestock, hunting and forestry	4 175 904	-	17 533 873	21 709 777	40%	(534 752)	2%
Manufacturing industries	2 039 124	32 530	15 822 077	17 893 731	33%	(341 154)	2%
Construction	30	6 451	7 909 298	7 915 779	15%	(120 186)	2%
Wholesale and retail trade	-	-	3 614 589	3 614 589	7%	(54 725)	2%
Lodging and catering (restaurants and similar establishments)	1 322 379	-	1 122 244	2 444 623	5%	(106 213)	4%
Transport, storage and communications	-	-	94 359	94 359	0%	(1 429)	2%
Other collective, social and personal service activities	50 239	-	-	50 239	0%	(3 399)	7%
PRIVATE INDIVIDUALS							
Housing	495 514	-	-	495 514	1%	(7 672)	2%
Consumption	24 532	-	-	24 532	0%	(503)	2%
Other purposes	2	62	-	64	0%	(3)	5%
TOTAL	8 107 724	39 043	46 096 440	54 243 207		(1 170 036)	

At 31 December 2019 and 2018, the detail of exposures and impairment established by segment and by days of delay is as follows:

AKZ'000

EXPOSURE 31-12-2019	TOTAL EXPOSURE	PERFORMING LOANS	OF WHICH CURED	OF WHICH RE-STRUCTURED	NON-PERFORM-ING LOANS	OF WHICH RE-STRUCTURED
COMPANIES	11 461 661	10 998 977	-	-	462 684	-
Loans to companies	7 203 977	7 203 977	-	-	-	-
Pledged current accounts	3 809 905	3 795 000	-	-	14 905	-
Overdrafts on demand deposits	447 779	-	-	-	447 779	-
PRIVATE INDIVIDUALS	741 247	686 147	-	-	55 100	-
Loans to employees	529 811	485 222	-	-	44 589	-
Consumer credit	208 508	200 796	-	-	7 712	-
Overdrafts on demand deposits	2 928	129	-	-	2 799	-
EQUITY EXPOSURE	12 202 908	11 685 124	-	-	517 784	-
Import Documentary Credits	1 764 407	1 764 407	-	-	-	-
Guarantees Provided	64 570 408	64 570 408	-	-	-	-
OFF-BALANCE SHEET EXPOSURE	66 334 815	66 334 815	-	-	-	-
TOTAL	78 537 723	78 019 939	-	-	517 784	-

AKZ'000

IMPAIRMENT 31-12-2019	TOTAL IMPAIRMENT	PERFORMING LOANS	NON-PERFORMING LOANS
COMPANIES	(505 927)	(492 494)	(13 433)
Loans to companies	(364 444)	(364 444)	-
Pledged current accounts	(128 050)	(128 050)	-
Overdrafts on demand deposits	(13 433)	-	(13 433)
PRIVATE INDIVIDUALS	(28 553)	(26 318)	(2 235)
Loans to employees	(21 251)	(19 465)	(1 786)
Consumer credit	(7 156)	(6 847)	(309)
Overdrafts on demand deposits	(146)	(6)	(140)
EQUITY EXPOSURE	(534 480)	(518 812)	(15 668)
Import Documentary Credits	(52 932)	(52 932)	-
Guarantees Provided	(681 375)	(681 375)	-
OFF-BALANCE SHEET EXPOSURE	(734 307)	(734 307)	-
TOTAL	(1 268 787)	(1 253 119)	(15 668)

AKZ'000

EXPOSURE 31-12-2018	TOTAL EXPOSURE	PERFORMING LOANS	OF WHICH CURED	OF WHICH RE-STRUCTURED	NON-PERFORM-ING LOANS	OF WHICH RE-STRUCTURED
COMPANIES	7 626 657	7 587 646	-	-	39 011	-
Loans to companies	5 047 015	5 040 534	-	-	6 481	-
Pledged current accounts	2 547 087	2 547 087	-	-	-	-
Overdrafts on demand deposits	32 555	25	-	-	32 530	-
PRIVATE INDIVIDUALS	520 110	520 048	-	-	62	-
Loans to employees	505 198	505 198	-	-	-	-
Consumer credit	14 848	14 848	-	-	-	-
Overdrafts on demand deposits	64	2	-	-	62	-
EQUITY EXPOSURE	8 146 767	8 107 694	-	-	39 073	-
Import Documentary Credits	44 332 033	44 332 033	-	-	-	-
Guarantees Provided	1 764 407	1 764 407	-	-	-	-
OFF-BALANCE SHEET EXPOSURE	46 096 440	46 096 440	-	-	-	-
TOTAL	54 243 207	54 204 134	-	-	39 073	-

AKZ'000

IMPAIRMENT 31-12-2018	TOTAL IMPAIRMENT	PERFORMING LOANS	NON-PERFORMING LOANS
COMPANIES	(463 956)	(461 572)	(2 384)
Loans to companies	(337 600)	(337 161)	(439)
Pledged current accounts	(124 410)	(124 410)	-
Overdrafts on demand deposits	(1 946)	(1)	(1 945)
PRIVATE INDIVIDUALS	(8 180)	(8 175)	(5)
Loans to employees	(7 822)	(7 822)	-
Consumer credit	(353)	(353)	-
Overdrafts on demand deposits	(5)	-	(5)
EQUITY EXPOSURE	(472 136)	(469 747)	(2 389)
Import Documentary Credits	(671 187)	(671 187)	-
Guarantees Provided	(26 713)	(26 713)	-
OFF-BALANCE SHEET EXPOSURE	(697 900)	(697 900)	-
TOTAL	(1 170 036)	(1 167 647)	(2 389)

As of 31 December 2019 and 2018, 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:

TOTAL EXPOSURE 2019	TOTAL EXPOSUR	PERFORMING LOANS		
SEGMENT		Days overdue < 30 No evidence	Days overdue < 30 With evidence	Days overdue < 30 SUBTOTAL
COMPANIES	11 461 661	10 998 977	-	10 998 977
Loans to companies	7 203 977	7 203 977	-	7 203 977
Pledged current accounts	3 809 905	3 795 000	-	3 795 000
Overdrafts on demand deposits	447 779	-	-	-
PRIVATE INDIVIDUALS	741 247	686 147	-	686 147
Loans to employees	529 811	485 222	-	485 222
Consumer credit	208 508	200 796	-	200 796
Overdrafts on demand deposits	2 928	129	-	129
EQUITY EXPOSURE	12 202 908	11 685 124	-	11 685 124
Import Documentary Credits	1 764 407	1 764 407	-	1 764 407
Guarantees Provided	64 570 408	64 570 408	-	64 570 408
OFF-BALANCE SHEET EXPOSURE	66 334 815	66 334 815	-	66 334 815
TOTAL	78 537 723	78 019 939	-	78 019 939

IMPAIRMENT 2019	TOTAL EXPOSUR	PERFORMING LOANS	
SEGMENT		Days overdue < 30	Days overdue between 30 and 90
COMPANIES	(505 927)	(492 494)	-
Loans to companies	(364 444)	(364 444)	-
Pledged current accounts	(128 050)	(128 050)	-
Overdrafts on demand deposits	(13 433)	-	-
PRIVATE INDIVIDUALS	(28 553)	(26 318)	-
Loans to employees	(21 251)	(19 465)	-
Consumer credit	(7 156)	(6 847)	-
Overdrafts on demand deposits	(146)	(6)	-
EQUITY EXPOSURE	(534 480)	(518 812)	-
Import Documentary Credits	(52 932)	(52 932)	-
Guarantees Provided	(681 375)	(681 375)	-
OFF-BALANCE SHEET EXPOSURE	(734 307)	(734 307)	-
TOTAL	(1 268 787)	(1 253 119)	-

TOTAL EXPOSURE 2019	NON-PERFORMING LOANS		
SEGMENT	Between 30 and 90 days overdue	Days overdue <= 90	Days overdue > 90
COMPANIES	-	462 684	-
Loans to companies	-	-	-
Pledged current accounts	-	14 905	-
Overdrafts on demand deposits	-	447 779	-
PRIVATE INDIVIDUALS	-	55 100	-
Loans to employees	-	44 589	-
Consumer credit	-	7 712	-
Overdrafts on demand deposits	-	2 799	-
EQUITY EXPOSURE	-	517 784	-
Import Documentary Credits	-	-	-
Guarantees Provided	-	-	-
OFF-BALANCE SHEET EXPOSURE	-	-	-
TOTAL	-	517 784	-

IMPAIRMENT 2019	NON-PERFORMING LOANS	
SEGMENT	Days overdue <= 90 days	Days overdue > 90 days
COMPANIES	(13 433)	-
Loans to companies	-	-
Pledged current accounts	-	-
Overdrafts on demand deposits	(13 433)	-
PRIVATE INDIVIDUALS	(2 235)	-
Loans to employees	(1 786)	-
Consumer credit	(309)	-
Overdrafts on demand deposits	(140)	-
EQUITY EXPOSURE	(15 668)	-
Import Documentary Credits	-	-
Guarantees Provided	-	-
OFF-BALANCE SHEET EXPOSURE	-	-
TOTAL	(15 668)	.

TOTAL EXPOSURE 2018	TOTAL EXPOSUR	PERFORMING LOANS		
SEGMENT		Days overdue < 30 No evidence	Days overdue < 30 With evidence	Days overdue < 30 SUBTOTAL
COMPANIES	7 626 657	7 587 646	-	7 587 646
Loans to companies	5 047 015	5 040 534	-	5 040 534
Pledged current accounts	2 547 087	2 547 087	-	2 547 087
Overdrafts on demand deposits	32 555	25	-	25
PRIVATE INDIVIDUALS	520 110	520 048	-	520 048
Loans to employees	505 198	505 198	-	505 198
Consumer credit	14 848	14 848	-	14 848
Overdrafts on demand deposits	64	2	-	2
EQUITY EXPOSURE	8 146 767	8 107 694	-	8 107 694
Import Documentary Credits	44 332 033	44 332 033	-	44 332 033
Guarantees Provided	1 764 407	1 764 407	-	1 764 407
OFF-BALANCE SHEET EXPOSURE	46 096 440	46 096 440	-	46 096 440
TOTAL	54 243 207	54 204 134	-	54 204 134

IMPAIRMENT 2018	TOTAL EXPOSUR	PERFORMING LOANS	
SEGMENT		Days overdue < 30	Days overdue between 30 and 90
COMPANIES	(463 956)	(461 572)	-
Loans to companies	(337 600)	(337 161)	-
Pledged current accounts	(124 410)	(124 410)	-
Overdrafts on demand deposits	(1 946)	(1)	-
PRIVATE INDIVIDUALS	(8 180)	(8 175)	-
Loans to employees	(7 822)	(7 822)	-
Consumer credit	(353)	(353)	-
Overdrafts on demand deposits	(5)	-	-
EQUITY EXPOSURE	(472 136)	(469 747)	-
Import Documentary Credits	(671 187)	(671 187)	-
Guarantees Provided	(26 713)	(26 713)	-
OFF-BALANCE SHEET EXPOSURE	(697 900)	(697 900)	-
TOTAL	(1 170 036)	(1 167 647)	-

TOTAL EXPOSURE 2018	NON-PERFORMING LOANS		
SEGMENT	Between 30 and 90 days overdue	Days overdue <= 90	Days overdue > 90
COMPANIES	-	39 011	-
Loans to companies	-	6 481	-
Pledged current accounts	-	-	-
Overdrafts on demand deposits	-	32 530	-
PRIVATE INDIVIDUALS	-	62	-
Loans to employees	-	-	-
Consumer credit	-	-	-
Overdrafts on demand deposits	-	62	-
EQUITY EXPOSURE	-	39 073	-
Import Documentary Credits	-	-	-
Guarantees Provided	-	-	-
OFF-BALANCE SHEET EXPOSURE	-	-	-
TOTAL	-	39 073	-

IMPAIRMENT 2018	NON-PERFORMING LOANS	
SEGMENT	Days overdue <= 90 days	Days overdue > 90 days
COMPANIES	(2 384)	-
Loans to companies	(439)	-
Pledged current accounts	-	-
Overdrafts on demand deposits	(1 945)	-
PRIVATE INDIVIDUALS	(5)	-
Loans to employees	-	-
Consumer credit	-	-
Overdrafts on demand deposits	(5)	-
EQUITY EXPOSURE	(2 389)	-
Import Documentary Credits	-	-
Guarantees Provided	-	-
OFF-BALANCE SHEET EXPOSURE	-	-
TOTAL	(2 389)	-

Loans to customers, segmented by type of customer and operation, by year of the lending operations, may be broken down as follows:

	2017, 2016 AND 2015			2018			2019		
	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT CONSTITUTED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT CONSTITUTED	NUMBER OF OPERATIONS	AMOUNT	IMPAIRMENT CONSTITUTED
COMPANIES	2	42 508	(1 275)	3	426 929	(14 243)	17	10 992 224	(490 408)
Loans to companies	-	-	-	2	22 917	(2 123)	8	7 181 059	(362 320)
Pledged current accounts	-	-	-	-	-	-	8	3 809 905	(128 050)
Overdrafts on demand deposits	2	42 508	(1 275)	1	404 012	(12 120)	1	1 260	(38)
PRIVATE INDIVIDUALS	9	1 146	(57)	18	480 652	(19 286)	55	259 449	(9 211)
Loans to employees	-	-	-	10	461 429	(18 512)	5	68 382	(2 739)
Consumer credit	-	-	-	4	19 111	(768)	44	189 396	(6 388)
Overdrafts on demand deposits	9	1 146	(57)	4	112	(6)	6	1 671	(84)
EQUITY EXPOSURE	11	43 654	(1 332)	21	907 581	(33 529)	72	11 251 673	(499 619)
Import Documentary Credits	2	1 764 408	(52 932)	-	-	-	-	-	-
Guarantees Provided	-	-	-	23	2 959 603	(15 388)	251	61 610 804	(665 987)
OFF-BALANCE SHEET EXPOSURE	2	1 764 408	(52 932)	23	2 959 603	(15 388)	251	61 610 804	(665 987)
TOTAL	13	1 808 062	(54 264)	44	3 867 184	(48 917)	323	72 862 477	(1 165 606)

AKZ'000

2019	MEDIUM AND LONG-TERM LOANS		PLEDGED CURRENT ACCOUNTS		OVERDRAFTS ON DEMAND DEPOSITS		OFF-BALANCE SHEET	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	7 912 122	(392 850)	3 840 079	(128 050)	450 707	(13 580)	66 334 815	(734 307)
TOTAL	7 912 122	(392 850)	3 840 079	(128 050)	450 707	(13 580)	66 334 815	(734 307)

AKZ'000

2018	MEDIUM AND LONG-TERM LOANS		PLEDGED CURRENT ACCOUNTS		OVERDRAFTS ON DEMAND DEPOSITS		OFF-BALANCE SHEET	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	5.374.783	(345.775)	2.530.490	(124.410)	32.619	(1.951)	46.096.440	(697.900)
TOTAL	5.374.783	(345.775)	2.530.490	(124.410)	32.619	(1.951)	46.096.440	(697.900)

All loans are subject to individual analysis. However, as none of them shows evidence of non-performance, the applied impairment rate is the collective impairment rate, which results from an analysis of the market rate.

AKZ'000

2019	AGRICULTURE, LIVESTOCK, HUNTING AND FORESTRY		MANUFACTURING INDUSTRIES		CONSTRUCTION		WHOLESALE AND RETAIL TRADE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	2 000 000	(120 185)	5 950 000	(298 515)	3 327 534	(77 512)
TOTAL	-	-	2 000 000	(120 185)	5 950 000	(298 515)	3 327 534	(77 512)

AKZ'000

2019	LODGING AND CATERING (RESTAURANTS AND SIMILAR ESTABLISHMENTS		TRANSPORT, STORAGE AND COMMUNICATIONS		OTHER ACTIVITIES OF COLLECTIVE SERVICES		HOUSING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	22 917	(2 123)	41 210	(1 236)	120 000	(6 355)	529 811	(21 251)
TOTAL	22 917	(2 123)	41 210	(1 236)	120 000	(6 355)	529 811	(21 251)

AKZ'000

2019	CONSUMPTION		OTHER PURPOSES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual impairment	-	-	-	-
Collective impairment	191 491	(6 474)	19 945	(829)
TOTAL	191 491	(6 474)	19 945	(829)

At 31 December 2019 and 2018, the exposure of loans to customers held by the Bank is totally based in Angola.

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

AKZ'000

EXPOSURE 31-12-2019	A	B	TOTAL
COMPANIES	120 000	11 341 661	11 461 661
Loans to companies	120 000	7 083 977	7 203 977
Pledged current accounts	-	3 809 905	3 809 905
Overdrafts on demand deposits	-	447 779	447 779
PRIVATE INDIVIDUALS	-	741 247	741 247
Loans to employees	-	529 811	529 811
Consumer credit	-	208 508	208 508
Overdrafts on demand deposits	-	2 928	2 928
EQUITY EXPOSURE	120 000	12 082 908	12 202 908
Import Documentary Credits	-	1 764 407	1 764 407
Guarantees Provided	15 002 728	49 567 680	64 570 408
OFF-BALANCE SHEET EXPOSURE	15 002 728	51 332 087	66 334 815
TOTAL	15 122 728	63 414 995	78 537 723

AKZ'000

EXPOSURE 31-12-2018	A	B	C	TOTAL
COMPANIES	-	7 587 646	39 011	7 626 657
Loans to companies	-	5 040 534	6 481	5 047 015
Pledged current accounts	-	2 547 087	-	2 547 087
Overdrafts on demand deposits	-	25	32 530	32 555
PRIVATE INDIVIDUALS	-	520 048	62	520 110
Loans to employees	-	505 198	-	505 198
Consumer credit	-	14 848	-	14 848
Overdrafts on demand deposits	-	2	62	64
EQUITY EXPOSURE	-	8 107 694	39 073	8 146 767
Import Documentary Credits	20 261 961	24 070 072	-	44 332 033
Guarantees Provided	-	1 764 407	-	1 764 407
OFF-BALANCE SHEET EXPOSURE	20 261 961	25 834 479	-	46 096 440
TOTAL	20 261 961	33 942 173	39 073	54 243 207

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 28).

At 31 December 2019 and 2018, the details of the fair value of the guarantees underlying the loan portfolio, including off-balance sheet liabilities, of the corporate, construction and property development and housing segments, are as follows:

AKZ'000

31-12-2019 FAIR VALUE	COMPANIES			
	PROPERTIES		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
< 50 tAOA	0	-	0	-
>= 50 tAOA and < 100 tAOA	0	-	2	105 000
>= 100 tAOA and < 500 tAOA	0	-	2	240 000
>= 500 tAOA and < 1 000 tAOA	0	-	0	-
>= 1 000 tAOA and < 2 000 tAOA	0	-	3	4 611 060
>= 2 000 tAOA and < 5 000 tAOA	1	2 000 000	1	2 000 000
>= 5 000 tAOA	0	-	0	-
TOTAL	1	2 000 000	8	6 956 060

AKZ'000

31-12-2019 FAIR VALUE	CONSTRUCTION AND PROPERTY DEVELOPMENT			
	PROPERTIES		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
< 50 tAOA	0	-	0	-
>= 50 tAOA and < 100 tAOA	0	-	0	-
>= 100 tAOA and < 500 tAOA	0	-	0	-
>= 500 tAOA and < 1 000 tAOA	0	-	0	-
>= 1 000 tAOA and < 2 000 tAOA	0	-	1	1 000 000
>= 2 000 tAOA and < 5 000 tAOA	0	-	0	-
>= 5 000 tAOA	1	5 700 000	0	-
TOTAL	1	5 700 000	1	1 000 000

AKZ'000

31-12-2019 FAIR VALUE	HOUSING			
	PROPERTIES		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
< 50 tAOA	3	88 039	2	42 039
>= 50 tAOA and < 100 tAOA	2	110 726	2	110 726
>= 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	6	548 765	4	152 765

AKZ'000

31-12-2018 FAIR VALUE	COMPANIES			
	PROPERTIES		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
< 50 tAOA	0	-	60	849 558
>= 50 tAOA and < 100 tAOA	0	-	22	1 583 750
>= 100 tAOA and < 500 tAOA	0	-	50	9 935 320
>= 500 tAOA and < 1 000 tAOA	0	-	8	5 684 092
>= 1 000 tAOA and < 2 000 tAOA	0	-	2	2 310 563
>= 2 000 tAOA and < 5 000 tAOA	2	8 491 801	0	-
>= 5 000 tAOA	0	-	0	-
TOTAL	2	8 491 801	142	20 363 283

AKZ'000

31-12-2018 FAIR VALUE	CONSTRUCTION AND PROPERTY DEVELOPMENT			
	PROPERTIES		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
< 50 tAOA	0	-	2	953
>= 50 tAOA and < 100 tAOA	0	-	2	164 892
>= 100 tAOA and < 500 tAOA	0	-	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	0	-	4	165 845

AKZ'000

31-12-2018 FAIR VALUE	HOUSING			
	PROPERTIES		OTHER PHYSICAL COLLATERAL	
	Number of properties	Amount	Number of properties	Amount
< 50 tAOA	2	45 000	0	-
>= 50 tAOA and < 100 tAOA	2	111 000	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	506 000	0	-

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

As at 31 December 2019 and 2018, the details of the financing-guarantee ratio of the loan portfolio, including off-balance sheet liabilities, of the corporate, construction and property development and housing segments, are as follows:

AKZ'000

31-12-2019 SEGMENT/RATIO	NUMBER OF PROPERTIES	NUMBER OF OTHER PHYSICAL COLLATERAL	PERFORMING LOANS	NON-PERFORMING LOANS	IMPAIRMENT
COMPANIES					
No guarantee associated	-	-	200 926	473 500	(20 736)
< 50%	-	3	-	-	-
>= 50% and < 75%	-	-	-	-	-
>= 75% and <100%	-	-	-	-	-
>= 100%	1	5	5 048 976	-	(193 978)
CONSTRUCTION AND PROPERTY DEVELOPMENT					
No guarantee associated	-	-	-	-	-
< 50%	-	-	-	-	-
>= 50% and < 75%	-	-	-	-	-
>= 75% and <100%	-	-	-	-	-
>= 100%	1	1	5 950 000	-	(298 515)
HOUSING					
No guarantee associated	-	-	-	-	-
< 50%	-	3	-	-	-
>= 50% and < 75%	-	-	-	-	-
>= 75% and <100%	-	-	-	-	-
>= 100%	6	1	485 222	44 284	(21 251)
TOTAL	8	13	11 685 124	517 784	(534 480)

AKZ'000

31-12-2018 SEGMENT/RATIO	NUMBER OF PROPERTIES	NUMBER OF OTHER PHYSICAL COLLATERAL	PERFORMING LOANS	NON-PERFORMING LOANS	IMPAIRMENT
COMPANIES					
No guarantee associated	n.a.	n.a.	7 373 198	39 011	(202 913)
< 50%	-	35	15 363 964	-	(232 610)
>= 50% and < 75%	-	46	13 070 375	-	(197 885)
>= 75% and <100%	-	4	410 140	-	(6 210)
>= 100%	2	57	13 851 820	-	(467 513)
CONSTRUCTION AND PROPERTY DEVELOPMENT					
No guarantee associated	n.a.	n.a.	3 230 321	-	(48 907)
< 50%	-	1	298 946	-	(4 526)
>= 50% and < 75%	-	-	-	-	-
>= 75% and <100%	-	-	-	-	-
>= 100%	-	3	85 322	-	(1 292)
HOUSING					
No guarantee associated	n.a.	n.a.	-	-	-
< 50%	-	-	-	-	-
>= 50% and < 75%	-	-	-	-	-
>= 75% and <100%	-	-	-	-	-
>= 100%	5	-	495 514	-	(7 672)
TOTAL	7	146	54 179 600	39 011	(1 169 528)

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OTHER TANGIBLE ASSETS AND INTANGIBLE ASSETS

The following movements occurred under these headings during the year ended 31 December 2019:

AKZ'000

	31-12-2018			IFRS ADOPTION 16	ACQUISITIONS	WRITE-OFFS AND DISPOSAL			31-12-2019		
	GROSS VALUE	ACCUMULATED DEPRECIATION	NET VALUE			GROSS VALUE	ACCUMULATED DEPRECIATION	DEPRECIATION FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	NET VALUE
OTHER TANGIBLE ASSETS											
Owner-occupied property	2 741 713	(133 750)	2 607 963		3 145 866	-	-	(140 475)	5 887 579	(274 225)	5 613 354
Works on leased properties (improvements)	774 328	(65 064)	709 264		-	-	-	-	774 328	(65 064)	709 264
Equipment	1 472 986	(327 098)	1 145 888		344 297	5 100	(4 463)	(311 704)	1 812 183	(643 265)	1 168 918
Tangible assets in progress	1 953 943	(3 754)	1 950 189		7 480	-	-	(52 258)	1 961 423	(56 012)	1 905 411
Rights of Use	-	-	-	1 287 528		-	-	(254 925)	1 287 528	(254 925)	1 032 603
TOTAL	6 942 970	(529 666)	6 413 304		3 497 643	5 100	(4 463)	(759 362)	11 723 041	(1 293 491)	10 429 550
INTANGIBLE ASSETS											
Automatic data-processing systems (Software)	523 225	(434 714)	88 511		73 767	-	-	(84 897)	596 992	(519 611)	77 381
TOTAL	523 225	(434 714)	88 511		73 767	-	-	(84 897)	596 992	(519 611)	77 381
OTHER TANGIBLE AND INTANGIBLE ASSETS	7 466 195	(964 380)	6 501 815		3 571 410	5 100	(4 463)	(844 259)	12 320 033	(1 813 102)	10 506 931

The following movements occurred under these headings during the year ended 31 December 2018:

AKZ'000

	31-12-2017			ADJUSTMENTS	ACQUISITIONS	WRITE-OFFS AND DISPOSAL			31-12-2018		
	GROSS VALUE	ACCUMULATED DEPRECIATION	NET VALUE			GROSS VALUE	ACCUMULATED DEPRECIATION	DEPRECIATION FOR THE YEAR	GROSS VALUE	ACCUMULATED DEPRECIATION	NET VALUE
OTHER TANGIBLE ASSETS											
Owner-occupied property	1 153 581	(74 319)	1 079 262	-	1 588 132	-	-	(59 431)	2 741 713	(133 750)	2 607 963
Works on leased properties (improvements)	546 844	(26 729)	520 115	(8 153)	227 484	-	-	(46 488)	774 328	(65 064)	709 264
Equipment	733 001	(136 361)	596 640	-	740 440	455	(370)	(191 107)	1 472 986	(327 098)	1 145 888
Tangible assets in progress	1 199 207	-	1 199 207	-	754 736	-	-	(3 754)	1 953 943	(3 754)	1 950 189
Rights of Use	-	-	-	-		-	-	-	-	-	-
TOTAL	3 632 633	(237 409)	3 395 224		3 310 792	455	(370)	(300 780)	6 942 970	(529 666)	6 413 304
INTANGIBLE ASSETS											
Automatic data-processing systems (Software)	491 987	(279 832)	212 155	-	31 238	-	-	(154 882)	523 225	(434 714)	88 511
TOTAL	491 987	(279 832)	212 155	-	31 238	-	-	(154 882)	523 225	(434 714)	88 511
OTHER TANGIBLE AND INTANGIBLE ASSETS	4 124 620	(517 241)	3 607 379		3 342 030	455	(370)	(455 662)	7 466 195	(964 380)	6 501 815

As mentioned in Note 2.4, the Bank adopted IFRS 16 from 1 January 2019, having opted for the modified retrospective method with assets equal to liabilities (adjusted for any prepayments in assets), as a result of which it did not restate comparisons for the year 2018, nor were there any impacts on retained earnings from previous years.

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.

In applying IFRS 16 for the first time, the Bank used the following practical procedures, as permitted by the standard:

- It applied a single discount rate for a lease portfolio with reasonably similar characteristics;
- It excluded any initial direct costs in measuring the assets related to the right of use on the date of initial application;
- It recognised as short-term leases all assets with a contractual term ending 12 months after the application of the standard.

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.

Throughout 2019, the Bank continued to invest in fixed assets to support the Bank's growth.

11

CURRENT TAX ASSETS AND LIABILITIES

The Bank is subject to taxation in the form of Corporation Tax in accordance with the tax laws prevailing in Angola, and is considered a Group A taxpayer. Taxes on its income are levied pursuant to Law 19/14, of 22 October, the applicable tax rate being 30%.

The balance sheet items concerning current taxes are related to Corporation Tax and are composed as follows:

AKZ'000

	31-12-2019	31-12-2018
CURRENT TAX ASSETS	211 788	53 961
Corporation Tax	201 468	53 961
Other	10 320	-
CURRENT TAX LIABILITIES	4 855 324	4 527 440
Corporation Tax	4 855 324	4 527 440

At 31 December 2019 and 2018, the amount of current tax liabilities is related to the Corporation Tax estimate for the year. As for the value of the asset, this relates to provisional settlements to be recovered upon settlement of the Corporation Tax.

The reconciliation of the tax rate, in the part relating to the amount recognised in profit and loss for the year 2019, may be analysed as follows:

AKZ'000

	31-12-2019	31-12-2018
EARNINGS BEFORE TAXES	19 502 677	16 126 073
Nominal Tax Rate	30%	30%
Tax calculated based on nominal tax rate	5 850 803	4 837 822
ADDITIONS	395 035	252 635
Tax on capital expenditure	253 342	112 203
Undocumented expenses	282	46 705
Prior years and extraordinary adjustments	29 304	37 854
Excess depreciation	68 020	31 888
Fines and charges for infringements	40 546	14 072
Costs considered as maintenance and repair of properties	3 539	5 641
Other	2	4 272
DEDUCTIONS	(3 713 298)	(1 287 242)
Tax exemptions or reductions on income from public debt securities	(3 713 298)	(1 287 242)
Taxable profit	16 184 414	15 091 466
Tax loss carryforwards	-	-
Nominal Tax Rate	30%	30%
CORPORATION TAX FOR THE YEAR	4 855 324	4 527 440

The Tax Authorities may review the Bank's tax situation within a period of five years, which may result in corrections to taxable profit for the years 2016 (start of activity) to 2019, due to different interpretations of tax law. 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.

12

OTHER ASSETS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
OTHER ASSETS	308 773	325 598
Leases and Rents	109 032	202 491
Insurance	91 845	87 196
Other	107 896	35 911
PAYMENTS ON ACCOUNT TO SUPPLIERS	99 625	34 206
OTHER	62 362	40 250
TOTAL	470 760	400 054

At 31 December 2019, the balance of the heading "Rents and leases" corresponds to the rent expenses of the various branches opened, settled in advance during the year and which are not included in the first-time adoption of IFRS 16. The reduction recorded in the year 2019 in this heading essentially refers to the first-time adoption of IFRS 16 (see Note 2.4), in an amount of tAOA 85 150 on 1 January 2019.

13

FUNDS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
FUNDS FROM OTHER ENTITIES		
Clearing of cheques	21 700	21 700
Payment system obligations	55 002	3 260
TOTAL	76 702	24 960

At 31 December 2019 and 2018, the amounts presented under "Payment system obligations" refer to Multicaixa Network Clearings, which were settled in the first days of 2020 and 2019, respectively.

14

CUSTOMER FUNDS AND OTHER LOANS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
DEMAND DEPOSITS OF RESIDENTS	**58 652 944**	**26 386 978**
In domestic currency	56 492 645	25 747 907
Companies	53 446 532	23 154 098
Private individuals	3 046 114	2 593 809
In foreign currency	2 160 299	639 071
Companies	2 152 834	635 743
Private individuals	7 464	3 328
DEMAND DEPOSITS OF NON-RESIDENTS	**151 645**	**62 018**
In domestic currency	151 645	62 018
Private individuals	151 645	62 018
TIME DEPOSITS OF RESIDENTS	**5 635 660**	**2 977 920**
In domestic currency	3 471 937	2 653 319
Companies	1 607 544	2 350 000
Private individuals	1 864 393	303 319
Indexed to the USD	2 163 723	324 601
Companies	1 187 904	73 545
Private individuals	975 819	251 056
TIME DEPOSITS OF NON-RESIDENTS	**60 459**	**27 724**
In domestic currency	60 459	-
Indexed to the USD	-	27 724
INTEREST PAYABLE		**197 437**
TOTAL	64 500 708	29 652 077

At 31 December 2019 and 2018, customers' time deposits, excluding interest payable, have the following structure, according to the residual maturity of the operations:

AKZ'000

	31-12-2019	31-12-2018
Up to 1 month	-	450 000
From 1 to 6 months	499 877	1 352 649
From 6 months to 1 year	267 859	1 109 427
Over 1 year	4 928 383	93 568
TOTAL	5 696 119	3 005 644

At 31 December 2019 and 2018, time deposits in domestic currency and time deposits indexed to the USD earn interest at the annual average rates of 15% and 2% (2018: 17% and 2%), respectively.

15

IMPAIRMENT AND PROVISIONS

The movement in impairment and provisions during the years ended 31 December 2019 and 2018 is as follows:

AKZ'000

	BALANCE AT 31.12.2018	APPROPRIATIONS	REVERSALS AND CANCELLATIONS	FOREIGN EXCHANGE REVALUATION	BALANCE AT 31.12.2019
IMPAIRMENT AND PROVISIONS FOR LOANS TO CUSTOMERS	1 170 036	316 623	(413 355)	(195 483)	1 268 787
Impairment of loans to customers (Note 9)	472 136	96 732	(34 388)	-	534 480
Provision for guarantees and import documentary credits	697 900	219 891	(378 967)	(195 483)	734 307
IMPAIRMENT OF OTHER FINANCIAL ASSETS	68 554	550 844	-	(10 553)	629 951
Cash balances at other credit institutions (Note 5)	4 924	15 583	-	(10 553)	31 060
Investments at central banks and other credit institutions (Note 6)	-	217 701	-	-	217 701
Investments at amortised cost (Note 8)	63 630	317 560	-	-	381 190
TOTAL IMPAIRMENT AND PROVISIONS	1 238 590	867 467	(413 355)	(206 036)	1 898 738

AKZ'000

	BALANCE AT 31.12.2017	IFRS 9 TRANSITION ADJUSTMENTS	APPROPRIATIONS	REVERSALS AND CANCELLATIONS	FOREIGN EXCHANGE REVALUATION	BALANCE AT 31.12.2018
IMPAIRMENT AND PROVISIONS FOR LOANS TO CUSTOMERS	253 414	175 614	1 015 361	(347 514)	73 161	1 170 036
Impairment of loans to customers (Note 9)	87 237	40 427	462 965	(118 493)	-	472 136
Provision for guarantees and import documentary credits	166 177	135 187	552 396	(229 021)	73 161	697 900
IMPAIRMENT OF OTHER FINANCIAL ASSETS	-	34 760	41 917	(8 123)	-	68 554
Cash balances at other credit institutions (Note 5)	-	12 142	-	(7 218)	-	4 924
Investments at central banks and other credit institutions (Note 6)	-	905	-	(905)	-	-
Investments at amortised cost (Note 8)	-	21 713	41 917	-	-	63 630
TOTAL IMPAIRMENT AND PROVISIONS	253 414	210 374	1 057 278	(355 637)	73 161	1 238 590

16

OTHER LIABILITIES AND PROVISIONS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
DEFERRED FEES	188 598	544 240
ACCRUED EXPENSES	375 956	99 672
OTHER TAX LIABILITIES	434 024	99 824
Tax on capital expenditure	71 991	36 740
Stamp duty	5 344	18 632
Tax on employment income	241 277	18 546
Urban property tax	34 303	6 811
Value Added Tax	81 109	-
Other	-	19 095
OTHER ADMINISTRATIVE AND MARKETING COSTS PAYABLE	2 429	97 632
SALARIES AND OTHER REMUNERATION PAYABLE	271 362	199 002
Holiday month remuneration	135 681	100 455
Holiday allowance	135 681	98 547
STC MOVEMENTS PENDING CLEARING	6 892	36 695
SOCIAL SECURITY CONTRIBUTION	157 517	11 057
LEASE LIABILITIES	1 165 270	-
OTHER	29 971	12 945
TOTAL	2 632 019	1 101 067

As of 31 December 2019 and 2018, the heading "Deferred fees" refers to fees for deferral relating to import documentary credits and guarantees provided. Deferred commissions on loan operations are deducting from the respective heading loans to customers (Note 9).

17

EQUITY

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.

At the General Meeting of Shareholders held on 30 July 2019, an increase was made in the Bank's share capital through the incorporation of reserves in an amount of tAOA 7,000,000, the Bank's share capital thus rising to tAOA 17,000,000.

In 2017 and 2018, the Bank did not reflect the impact of IAS 29 in its financial statements for the years ended on that date, bearing in mind in particular the indications and interpretations of BNA and ABANC in this regard. If IAS 29 had been applied, the impact in accumulated terms as of 1 January 2019 would have been null under the heading Revaluation reserves, which incorporates the effect of the monetary restatement of the share capital on that date in the amount of tAOA 7 403 642.

At 31 December 2019 and 2018, the Bank's shareholder structure was as follows:

AKZ'000

	31-12-2019			31-12-2018		
	TOTAL SHARES	%	EQUITY CAPITAL	TOTAL SHARES	%	EQUITY CAPITAL
RAFAEL ARCANJO KAPOSE	7 990 000	47,00%	7 990 000	4 700 000	47,00%	4 700 000
FRANCISCA KAMIA KAPOSE	7 650 000	45,00%	7 650 000	4 500 000	45,00%	4 500 000
SEVERIANO TYIHONGO KAPOSE	850 000	5,00%	850 000	500 000	5,00%	500 000
MARIA DO CÉU FIGUEIRA	425 000	2,50%	425 000	250 000	2,50%	250 000
SÉRGIO DA CUNHA VELHO	85 000	0,50%	85 000	50 000	0,50%	50 000
TOTAL	17 000 000	100%	17 000 000	10 000 000	100%	10 000 000

At 31 December 2019 and 2018, the Bank does not hold any own shares nor were there differential voting right shares.

LEGAL RESERVE

Under Article 89 of the Financial Institutions Act, it is laid down that banks must set aside not less than 10% of the net profits determined in each year to establish 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 all other established reserves have been used up.

APPROPRIATION OF EARNINGS

By decision of the General Meeting held on 29 March 2018, it was decided to transfer 10% of the amount of tAOA 2 839 500 relating to statutory net earnings determined in 2017 to legal reserves (tAOA 283 950), with the remainder being transferred to Retained Earnings.

By decision of the General Meeting held on 28 March 2019, it was decided to transfer 10% of the amount of tAOA 11 598 633 relating to statutory net earnings determined in 2018 to legal reserves (tAOA 1 366 050), with the remainder being transferred to Retained Earnings.

By determination of the General Meeting of Shareholders held on 24 October 2019, it was decided to distribute dividends in an amount of tAOA 4,000,000 related to statutory net earnings for the year 2018, via Retained Earnings.

Balances and transactions with related entities at 31 December 2019 and 2018 are presented in Note 26.

18

NET INTEREST INCOME

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
INTEREST AND SIMILAR INCOME	5 930 245	4 758 671
From loans to customers	2 104 046	1 675 173
From investments at central banks and other credit institutions	1 020 129	1 362 756
From Treasury Bonds in domestic currency	1 748 080	638 644
From treasury bonds in currency indexed to the USD	821 763	520 629
From Treasury Bills	236 227	349 674
From transactions for the purchase of third party securities with reverse repos	-	211 795
INTEREST AND SIMILAR CHARGES	(1 465 551)	(509 434)
From customer funds and other loans	(1 290 929)	(508 448)
From funds from central banks and other credit institutions	-	(986)
From rights of use	(174 622)	-
NET INTEREST INCOME	4 464 694	4 249 237

On 20 October 2016, Presidential Legislative Decree 2/14 was published in the Diário da República, 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".

19

NET EARNINGS FROM SERVICES AND FEES

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
FEES RECEIVED	**8 028 298**	**5 856 141**
For foreign currency transfers	3 199 368	3 146 164
For opening of documentary credits	2 177 648	1 873 830
For collection of documentary credits	1 602 732	586 953
For purchase and sale of foreign currency	73 899	70 236
For guarantees provided	35 934	51 336
For opening/renewal of loan financing	23 770	37 520
For opening/renewal of pledged current account	42 674	29 556
Other	872 273	60 546
OTHER INCOME FROM SERVICES AND FEES	**54 753**	**339 623**
Office allowance	709	284 896
Other	54 044	54 727
EXPENSES FROM SERVICES AND FEES	**(5 620)**	**(1 314)**
Commissions paid	(5 620)	(1 314)
INCOME WITH FEES	8 077 431	6 194 450

The item "Fees received - for transfers of foreign currency" comprises foreign exchange transactions, insofar as they correspond to transfers abroad.

In 2019, the Bank increased the volume of import documentary credit operations, which translated into an increase in income under "Fees received - Opening of documentary credits" and "Fees received - Collection of documentary credits" compared to the year 2018.

20

PROFIT OR LOSS FROM INVESTMENTS AT AMORTISED COST

AKZ'000

	31-12-2019			31-12-2018		
	REVENUE	COSTS	TOTAL	REVENUE	COSTS	TOTAL
PROFIT OR LOSS FROM INVESTMENTS AT AMORTISED COST	539 666	-	539 666	-	-	-

21

FOREIGN EXCHANGE GAINS AND LOSSES

For the years ended 31 December 2019 and 2018, 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

2019	PROFITS	LOSSES	NET
GAINS AND LOSSES FROM FOREIGN EXCHANGE TRANSACTIONS	5 366 185	(181 180)	5 185 005
GAINS AND LOSSES FROM FOREIGN CURRENCY REVALUATION	6 168 865	(1 477 103)	4 691 762
FOREIGN EXCHANGE GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS INDEXED TO THE USD			-
Foreign exchange revaluation of Treasury Bonds	4 929 807	-	4 929 807
Currency revaluation of time deposits	0	(450 090)	(450 090)
TOTAL	16 464 857	(2 108 374)	14 356 483

AKZ'000

2018	PROFITS	LOSSES	NET
GAINS AND LOSSES FROM FOREIGN EXCHANGE TRANSACTIONS	1 860 469	(1 039 956)	820 513
GAINS AND LOSSES FROM FOREIGN CURRENCY REVALUATION	9 987 776	(62 158)	9 925 618
FOREIGN EXCHANGE GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS INDEXED TO THE USD			-
Foreign exchange revaluation of Treasury Bonds	3 837 290	-	3 837 290
Currency revaluation of time deposits	0	(820 667)	(820 667)
TOTAL	15 685 535	(1 922 781)	13 762 754

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.

22

OTHER OPERATING PROFIT OR LOSS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
TAXES	(385 173)	(234 965)
Stamp duty	(72 397)	(111 797)
Tax on capital expenditure	(253 342)	(69 937)
Urban property tax	(19 024)	
Special contribution on current invisible exchange transactions	(29 862)	(32 595)
Consumption Tax	(10 248)	(15 100)
Other	(300)	(5 536)
LITIGATION/NOTARY SERVICES	(57 003)	(19 761)
PENALTIES APPLIED BY REGULATORY AUTHORITIES	(40 547)	(14 072)
OTHER SERVICES NOT ELSEWHERE CLASSIFIED	-	(12 603)
SUNDRY	(32 343)	(45 664)
OTHER	(35 519)	(23 839)
TOTAL	(550 585)	(350 904)

At 31 December 2019 and 2018, the heading "Tax on capital expenditure" stands at tAOA 72 397 and tAOA 111 797, respectively. The tax on capital expenditure (IAC) is levied on income from capital investment.

At 31 December 2019 and 2018, the balance of the caption "Special contribution on current invisible exchange transactions" corresponds to the amounts of tax levied on current invisible foreign exchange transactions, which affects transfers made under contracts for the provision of foreign technical assistance services or management, in accordance with the provisions of Presidential Legislative Decree 2/15 of 29 June.

23

PERSONNEL COSTS

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
WAGES AND SALARIES	(3 153 179)	(4 859 243)
Remuneration of the Management and Supervisory Bodies	(646 600)	(542 942)
Remuneration of Employees	(839 268)	(924 735)
Variable performance remuneration	(1 667 311)	(3 391 566)
OTHER COSTS	(1 059 003)	(152 617)
Remuneration of the Management and Supervisory Bodies	(435 732)	(124 329)
Employees	(623 271)	(28 288)
SOCIAL SECURITY	(173 079)	(82 176)
TRAINING COSTS	(44 118)	(14 578)
WORK ACCIDENT INSURANCE	(1 940)	(1 801)
PERSONNEL COSTS	(4 431 319)	(5 110 415)

At 31 December 2019 and 2018, the Bank had 111 and 107 employees respectively, of which, as of 31 December 2019, 6 were members of the corporate bodies.

At 31 December 2019, the balance of the item "Variable performance remuneration" corresponds to an estimate of the premium to be paid based on an agreement between the shareholders and the Board of Directors for the distribution of the earnings for the year among the Board of Directors and employees.

24

THIRD-PARTY SUPPLIES AND SERVICES

This heading may be broken down as follows:

AKZ'000

	31-12-2019	31-12-2018
RENTAL CHARGES	(1 809)	(353 661)
SPECIALISED SERVICES	(875 644)	(594 249)
Audits and consultancy	(434 907)	(343 258)
Computing	(152 530)	(171 875)
Specialised Staff Fees	(150 425)	(53 775)
Image and Multimedia	(69 570)	(15 377)
Customs	(22 675)	(884)
Other	(45 537)	(9 080)
COMMUNICATIONS	(212 481)	(168 536)
SECURITY, MAINTENANCE AND REPAIR	(124 659)	(85 134)
PUBLICATIONS, ADVERTISING AND PROMOTION	(86 123)	(59 650)
OTHER THIRD-PARTY SUPPLIES	(80 726)	(58 041)
TRANSPORT, TRAVEL AND ACCOMMODATION	(118 746)	(56 450)
MISCELLANEOUS MATERIALS	(90 957)	(46 064)
INSURANCE	(52 622)	(30 255)
WATER, ENERGY AND FUELS	(11 768)	(9 751)
TOTAL	(1 655 535)	(1 461 791)

The reduction recorded in the year 2019 under the heading "Rental charges" results from the first-time adoption of IFRS 16 on 1 January 2019 (see Note 2.4).

25

OFF-BALANCE SHEET ITEMS

At 31 December 2019 and 2018, these headings have the following composition:

AKZ'000

	31-12-2019	31-12-2018
Import Documentary Credits	64 570 408	44 332 033
Guarantees provided	1 764 407	1 764 407
Deposit and custody of securities		18 708 020
Foreign Exchange Operations		350 385
Irrevocable Lines of Credit		-
TOTAL	66 334 815	65 154 845

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.

At 31 December 2019 and 2018, the provisions set up to cover the credit risk assumed in granting import documentary credit and liabilities from guarantees provided amount to tAOA 734 307 and tAOA 697 000, respectively.

26

BALANCES AND TRANSACTIONS WITH RELATED ENTITIES

At 31 December 2019 and 2018, the balances held with related entities were as follows:

AKZ'000

31-12-2019	SHAREHOLDERS AND ENTITIES RELATED TO SHAREHOLDERS	MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD	TOTAL
ASSETS			
Credits (Note 6)	6 206 179	113 663	6 319 842
Other amounts (Note 7)	-	-	-
	6 206 179	113 663	6 319 842
LIABILITIES:			
Deposits (Note 9)	6 209 617	399 655	(22 675)
Other liabilities (Note 10)	-	-	(45 537)
	6 209 617	399 655	17 000 000
OFF-BALANCE SHEET			
Guarantees Provided	(23 794 607)	-	(22 675)
Guarantees Received	(15 070 453)	160 000	(45 537)
	(38 865 060)	160 000	17 000 000
STATEMENT OF INCOME			
Credit income (note 13)	1 342 822	9 775	(22 675)
Cost of deposits (Note 13)	3 532	10 931	(45 537)
Provision of financial services (Note 15)	2 437 282	(14 580)	(22 675)
Third-party supplies (Note 17)	-	151 767	85 000
	3 783 636	157 893	17 000 000

AKZ'000

31-12-2018	SHAREHOLDERS AND ENTITIES RELATED TO SHAREHOLDERS	MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD	TOTAL
ASSETS			
Credits (Note 6)	5 916 194	-	(5 916 193)
Other amounts (Note 7)	-	-	-
	5 916 194	-	(5 916 193)
LIABILITIES:			
Deposits (Note 9)	3 080 641	480 233	3 560 874
Other liabilities (Note 10)	-	-	-
	3 080 641	480 233	3 560 874
OFF-BALANCE SHEET			
Guarantees Provided	(882 203)	-	(882 203)
Guarantees Received	(7 435 204)	-	(7 435 204)
	(8 317 407)	-	(8 317 407)
STATEMENT OF INCOME			
Credit income (Note 13)	1 349 962	-	1 349 961
Cost of deposits (Note 13)	12 493	8 542	21 035
Provision of financial services (Note 15)	648 244	32 312	680 556
Third-party supplies (Note 17)	34	8 361	8 395
	2 010 733	49 215	2 059 947

At 31 December 2019, the main related entities were as follows:

- **HAREHOLDERS AND THEIR RELATIVES**
- **COREAUTO LDA**
- **IMOSUL LDA**
- **TRANSPORTE SRR LIMITADA**
- **SRR, LIMITADA - HOTEL SERRA DA CHELA**
- **S. TULUMBA GREEN LDA, SA**
- **S. TULUMBA INVESTIMENTOS E PARTICIPAÇÕES**
- **S TULUMBA - INDUSTRIA ALIMENTAR, SA**
- **IMOSUL TRADING, LIMITADA**
- **IMOSUL HIDRAULICA - LOGISTICA E TRANS. LDA**
- **EHD EXPLORAÇÃO EXP. MINERAIS, SA**
- **IHE LDA**
- **POIBA - POLO INDUSTRIAL DE BEBIDAS E ALIMENTOS**
- **SUL TRADING LDA**
- **CORPORACAO KIANDA - PRE. SER. E COMERCIO, LDA**
- **GLOBALINE-INVESTIMENTOS LDA**
- **DALP AUTOMOVEL DISTRI. DE AUT. LIGEIROS**
- **SOLO OCEAN - INDUSTRIA DE PESCA, LDA**
- **GLOBALMOTION, SA**

Despite the continued importance of transactions with related entities in the Bank's activity, in 2019, there was a decrease in the weight of transactions with related entities in the Bank's balance sheet total and regulatory own funds.

Specifically, at 31 December 2019, there was a decrease of 700bp in the weight of active operations in regulatory own funds (31 December 2019 and 2018, 19% and 26%, respectively) and a decrease of 400bp in the weight of active operations in total assets (31 December 2019 and 2018, 6% and 10%, respectively).

Whenever exposures to related entities exceed the limits of large exposures, as established in National Bank of Angola Notice 9/2016, the amount that exceeds the limit is deducted from the Regulatory Own Funds for the purpose of calculating the Regulatory Solvency Ratio, as provided for in National Bank of Angola Notice 2/2016. During the year, the Bank presented a Regulatory Solvency Ratio never less than 10%, even when these rules were applied.

In 2019, the Bank intensified the procedures implemented to approve transactions with related entities, it being mandatory for them to be approved by the Board of Directors and by the Supervisory Board. The Bank is bolstering the procedures so that the list of related entities up to date at all times.

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BALANCE SHEET BY CURRENCY

At 31 December 2019 and 2018, the Bank's Balance Sheet by currency has the following structure:

AKZ'000

31-12-2019	DOMESTIC CURRENCY	DOMESTIC CURRENCY INDEXED TO THE USD	FOREIGN CURRENCY	TOTAL
Cash and cash balances at central banks	25 188 644	-	1 389 804	26 578 448
Cash balances at other credit institutions	61 181	-	19 651 250	19 712 431
Investments at central banks and other credit institutions	13 637 176	-	-	13 637 176
Financial assets at fair value through other comprehensive income	68 203	-	-	68 203
Investments at amortised cost	5 539 253	18 339 160	-	23 878 413
Loans to customers	11 733 670	-	-	11 733 670
Other tangible assets	10 429 550	-	-	10 429 550
Intangible assets	77 381	-	-	77 381
Current tax assets	211 788	-	-	211 788
Other assets	470 760	-	-	470 760
TOTAL ASSETS	67 417 606	18 339 160	21 041 054	106 797 820
Funds from central banks and other credit institutions	45 959	-	30 743	76 702
Customer funds and other loans	59 864 312	2 163 723	2 472 673	64 500 708
Provisions	52 932	-	681 375	734 307
Current tax liabilities	4 982 066	-	-	4 982 066
Other liabilities	2 376 774	-	255 245	2 632 019
TOTAL LIABILITIES	67 322 043	2 163 723	3 440 036	72 925 802
ASSETS/LIABILITIES (NET)	95 563	16 175 437	17 601 018	33 872 018
Liabilities assumed with import documentary credit	-	-	-	-

AKZ'000

31-12-2018	DOMESTIC CURRENCY	DOMESTIC CURRENCY INDEXED TO THE USD	FOREIGN CURRENCY	TOTAL
Cash and cash balances at central banks	18 709 121	280 086	454 117	19 443 324
Cash balances at other credit institutions	-	1 939 402	2 869 175	4 808 577
Investments at central banks a nd other credit institutions	-	-	-	-
Financial assets at fair value through other comprehensive income	68 203	-	-	68 203
Investments at amortised cost	20 252 548	-	-	20 252 548
Loans to customers	7 674 631	-	-	7 674 631
Other tangible assets	6 413 304	-	-	6 413 304
Intangible assets	88 511	-	-	88 511
Current tax assets	53 961	-	-	53 961
Other assets	379 995	20 059	-	400 054
TOTAL ASSETS	53 640 274	2 239 547	3 323 292	59 203 113
Funds from central banks and other credit institutions	24 960	-	-	24 960
Customer funds and other loans	29 013 000	355 729	283 348	29 652 077
Provisions	26 713	50 118	621 069	697 900
Current tax liabilities	4 527 440	-	-	4 527 440
Other liabilities	1 001 395	10 581	89 091	1 101 067
TOTAL LIABILITIES	34 593 508	416 428	993 508	36 003 444
ASSETS/LIABILITIES (NET)	19 046 766	1 823 119	2 329 784	23 199 669
Liabilities assumed with import documentary credit	-	-	44 332 033	44 332 033

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FINANCIAL INSTRUMENTS

At 31 December 2019 and 2018, the valuation categories of the financial instruments are as follows:

AKZ'000

31-12-2019	VALUED AT FAIR VALUE	VALUED AT AMORTISED COST	IMPAIRMENT	NET VALUE
ASSETS				
Cash and cash balances at central banks	-	26 578 448	-	26 578 448
Cash balances at other credit institutions	-	19 743 491	(31 060)	19 712 431
Investments at central banks and other credit institutions	-	13 854 877	(217 701)	13 637 176
Financial assets at fair value through other comprehensive income	68 203	-	-	68 203
Investments at amortised cost	-	24 259 603	(381 190)	23 878 413
Loans to customers	-	12 268 150	(534 480)	11 733 670
	68 203	96 704 569	(1 164 431)	95 608 341
LIABILITIES				
Funds from central banks and other credit institutions	-	(76 702)	-	(76 702)
Customer funds and other loans	-	(64 500 708)	-	(64 500 708)
	-	(64 577 410)	-	(64 577 410)
	68 203	32 127 159	(1 164 431)	31 030 931

AKZ'000

31-12-2018	VALUED AT FAIR VALUE	VALUED AT AMORTISED COST	IMPAIRMENT	NET VALUE
ASSETS				
Cash and cash balances at central banks	-	19 443 324	-	19 443 324
Cash balances at other credit institutions	-	4 813 501	(4 924)	4 808 577
Investments at central banks and other credit institutions	-	-	-	-
Financial assets at fair value through other comprehensive income	68 203	-	-	68 203
Investments at amortised cost	-	20 316 178	(63 630)	20 252 548
Loans to customers	-	8 146 767	(472 136)	7 674 631
	68 203	52 719 770	(540 690)	52 247 283
LIABILITIES				
Funds from central banks and other credit institutions	-	(24 960)	-	(24 960)
Customer funds and other loans	-	(29 652 077)	-	(29 652 077)
	-	(29 677 037)	-	(29 677 037)
	68 203	23 042 733	(540 690)	22 570 246

At 31 December 2019 and 2018, interest and commission income on financial instruments was as follows:

AKZ'000

31-12-2019 THROUGH PROFIT AND LOSS	GAINS	LOSSES	NET
ASSETS	6 536 355	-	6 536 355
Investments at central banks and other credit institutions	1 020 129	-	1 020 129
Investments at amortised cost	3 345 736	-	3 345 736
Loans to customers	2 170 490	-	2 170 490
LIABILITIES	-	(1 465 551)	(1 465 551)
Customer funds and other loans	-	(1 290 929)	(1 290 929)
Interest on rights of use (IFRS 16)		(174 622)	(174 622)
OFF-BALANCE SHEET	3 816 314	-	3 816 314
Import documentary credit	3 780 380	-	3 780 380
Guarantees provided	35 934	-	35 934
TOTAL	10 352 669	(1 465 551)	8 887 118

AKZ'000

31-12-2018 THROUGH PROFIT AND LOSS	GAINS	LOSSES	NET
ASSETS	4 825 747	-	4 825 747
Investments at central banks and other credit institutions	1 574 551	-	1 574 551
Investments at amortised cost	1 508 947	-	1 508 947
Loans to customers	1 742 249	-	1 742 249
LIABILITIES	-	(509 434)	(509 434)
Funds from central banks and other credit institutions	-	(986)	(986)
Customer funds and other loans	-	(508 448)	(508 448)
OFF-BALANCE SHEET	2 512 119	-	2 512 119
Import documentary credit	2 460 783	-	2 460 783
Guarantees provided	51 336	-	51 336
TOTAL	7 337 866	(509 434)	6 828 432

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RISK MANAGEMENT

The Bank is subject to different risks in the context of its business activities. The specific risks of each business are managed centrally. 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 his or her 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 recorded by a given portfolio as a result of changes in rates (interest and exchange rates) and/or 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 values below the values usually prevailing in the market (market liquidity risk).

OPERATIONAL - Operational risk is defined as the potential loss resulting from failures or shortcomings 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 Office, 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 Office, responsible for the compliance function, covers all areas, processes and activities of the Bank, and has the mission of contributing to 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

2019	GROSS BOOK VALUE	IMPAIRMENT	NET BOOK VALUE
BALANCE SHEET			
Cash and cash balances at central banks	26 578 448	-	26 578 448
Cash balances at other credit institutions	19 743 491	(31 060)	19 712 431
Investments at central banks and other credit institutions	13 854 877	(217 701)	13 637 176
Investments at amortised cost	24 259 603	(381 190)	23 878 413
Loans to customers	12 268 150	(534 480)	11 733 670
EQUITY EXPOSURE	96 704 569	(1 164 431)	95 540 138
OFF-BALANCE SHEET			
Import documentary credits	64 690 408	(681 375)	64 009 033
Guarantees provided	1 764 407	(52 932)	1 711 475
OFF-BALANCE SHEET EXPOSURE	66 454 815	(734 307)	65 720 508
TOTAL	163 159 384	(1 898 738)	161 260 646

AKZ'000

2018	GROSS BOOK VALUE	IMPAIRMENT	NET BOOK VALUE
EQUITY			
Cash and cash balances at central banks	19 443 324	-	19 443 324
Cash balances at other credit institutions	4 813 501	(4 924)	4 808 577
Investments at central banks and other credit institutions	-	-	-
Financial assets at fair value through other comprehensive income	68 203	-	68 203
Investments at amortised cost	20 316 178	(63 630)	20 252 548
Loans to customers	8 146 767	(472 136)	7 674 631
EQUITY EXPOSURE	52 787 973	(540 690)	52 247 283
OFF-BALANCE SHEET			
Import documentary credits	44 332 033	(671 187)	43 660 846
Guarantees provided	1 764 407	(26 713)	1 737 694
OFF-BALANCE SHEET EXPOSURE	46 096 440	(697 900)	45 398 540
TOTAL	98 884 413	(1 238 590)	97 645 823

At 31 December 2019 and 2018, the credit standing of financial assets showed the following detail:

AKZ'000

2019	RATING SOURCE	RATING LEVEL	GROSS EXPOSURE	IMPAIRMENT	NET EXPOSURE
Cash and cash balances at central banks	External rating	B1 to B3	24 340 286	-	24 340 286
		Unrated	2 238 162	-	2 238 162
			26 578 448	-	26 578 448
Cash balances at other credit institutions	External rating	Baa1 a Baa3	19 743 491	(31 060)	19 712 431
Investments at central banks and other credit institutions	External rating	B1 to B3	12 353 693	-	12 353 693
		Unrated	1 501 184	(217 701)	1 283 483
			13 854 877	(217 701)	13 637 176
Investments at amortised cost	External rating	B1 to B3	24 259 603	(381 190)	23 878 413
Loans to customers - equity	Internal rating	A	126 061	(5 492)	120 569
		B	12 142 089	(528 988)	11 613 101
			12 268 150	(534 480)	11 733 670
Loans to customers - off-balance sheet	Internal rating	A	16 450 370	(181 772)	16 268 598
		B	50 004 445	(552 535)	49 451 910
			66 454 815	(734 307)	65 720 508
TOTAL			163 159 384	(1 898 738)	161 260 646

AKZ'000

2018	RATING SOURCE	RATING LEVEL	GROSS EXPOSURE	IMPAIRMENT	NET EXPOSURE
CASH AND CASH BALANCES AT CENTRAL BANKS	External rating	B1 to B3	18 519 439	-	18 519 439
		Unrated	923 885	-	923 885
			19 443 324	**-**	**19 443 324**
CASH BALANCES AT OTHER CREDIT INSTITUTIONS	External rating	Aa1a Aa3	305 552	(55)	305 497
		Baa1 a Baa3	4 507 949	(4 869)	4 503 080
			4 813 501	**(4 924)**	**4 808 577**
INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS	External rating	B1 to B3	-	-	-
INVESTMENTS AT AMORTISED COST	External rating	B1 to B3	**20 316 178**	**(63 630)**	**20 252 548**
LOANS TO CUSTOMERS - EQUITY	Internal rating	B	8 107 694	(469 748)	7 637 946
		C	39 073	(2 388)	36 685
			8 146 767	**(472 136)**	**7 674 631**
LOANS TO CUSTOMERS - OFF-BALANCE SHEET	Internal rating	A	20 261 961	(306 766)	19 955 195
		B	25 834 479	(391 134)	25 443 345
			46 096 440	**(697 900)**	**45 398 540**
TOTAL			98 816 210	(1 238 590)	97 577 620

At 31 December 2019 and 2018, the geographic concentration of the credit risk was as follows:

AKZ'000

2019	ANGOLA	OTHER AFRICAN COUNTRIES	EUROPE	OTHER	TOTAL
Cash and cash balances at central banks	26 578 448	-	-	-	26 578 448
Cash balances at other credit institutions	61 181	-	14 077 917	5 573 333	19 712 431
Investments at central banks and other credit institutions	13 637 176	-	-	-	13 637 176
Investments at amortised cost	23 878 413	-	-	-	23 878 413
Loans to customers - equity	11 733 670	-	-	-	11 733 670
EQUITY EXPOSURE	**75 888 888**	**-**	**14 077 917**	5 573 333	95 540 138
LOANS TO CUSTOMERS - OFF-BALANCE SHEET	**65 720 508**	**-**	**-**	**-**	**65 720 508**
TOTAL	141 609 396	-	14 077 917	5 573 333	161 260 646

AKZ'000

2019	ANGOLA	OTHER AFRICAN COUNTRIES	EUROPE	OTHER	TOTAL
Cash and cash balances at central banks	19 443 324	-	-	-	19 443 324
Cash balances at other credit institutions	-	-	4 149 158	664 343	4 813 501
Investments at central banks and other credit institutions	-	-	-	-	-
Investments at amortised cost	20 316 178	-	-	-	20 316 178
Loans to customers - equity	8 146 767	-	-	-	8 146 767
EQUITY EXPOSURE	**47 906 269**	**-**	**4 149 158**	664 343	52 719 770
LOANS TO CUSTOMERS - OFF-BALANCE SHEET	**46 096 440**	**-**	**-**	**-**	**46 096 440**
TOTAL	94 002 709	-	4 149 158	664 343	98 816 210

At 31 December 2019 and 2018, total contractual cash flows of the financial instruments are as follows:

AKZ'000

2019	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	26 578 448	-	-	-	-	-	-	-	-	26 578 448
Cash balances at other credit institutions	19 712 431	-	-	-	-	-	-	-	-	19 712 431
Investments at central banks and other credit institutions	1 501 184	11 875 936	477 757	-	-	-	-	-	(217 701)	13 637 176
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	68 203	68 203
Investments at amortised cost	-	-	-	4 784 257	12 145 443	7 329 903	-	-	(381 190)	23 878 413
Loans to customers	450 706	-	2 003 610	2 192 968	-	1 346 986	34 551	6 239 329	(534 480)	11 733 670
TOTAL ASSETS	48 242 769	11 875 936	2 481 367	6 977 225	12 145 443	8 676 889	34 551	6 239 329	(1 065 168)	95 608 341
LIABILITIES										
Funds from central banks and other credit institutions	(76 702)	-	-	-	-	-	-	-	-	(76 702)
Customer funds and other loans	(58 804 589)	(81 791)	(747 684)	(3 257 613)	(1 608 839)	-	-	-	(192)	(64 500 708)
TOTAL LIABILITIES	(58 881 291)	(81 791)	(747 684)	(3 257 613)	(1 608 839)	-	-	-	(192)	(64 577 410)
LIQUIDITY GAP	(10 638 522)	11 794 145	1 733 683	3 719 612	10 536 604	8 676 889	34 551	6 239 329	(1 065 360)	31 030 931

AKZ'000

2018	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	19 443 324	-	-	-	-	-	-	-	-	19 443 324
Cash balances at other credit institutions	4 813 501	-	-	-	-	-	-	-	-	4 813 501
Investments at central banks and other credit institutions	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	68 203	68 203
Investments at amortised cost	-	-		1 162 186	1 074 308	15 392 098	2 687 586	-	-	20 316 178
Loans to customers	-	-	2 579 706	-	-	3 739 484	1 332 063	495 514	-	8 146 767
TOTAL ASSETS	24 256 825	-	2 579 706	1 162 186	1 074 308	19 131 582	4 019 649	495 514	68 203	52 787 973
LIABILITIES										
Funds from central banks and other credit institutions	-	(24 960)	-	-	-	-	-	-	-	(24 960)
Customer funds and other loans	(26 448 996)	(500 042)	(142 362)	(1 341 473)	(1 124 934)	(94 270)				(29 652 077)
TOTAL LIABILITIES	(26 448 996)	(525 002)	(142 362)	(1 341 473)	(1 124 934)	(94 270)	-	-	-	(29 677 037)
LIQUIDITY GAP	(2 192 171)	(525 002)	2 437 344	(179 287)	(50 626)	19 037 312	4 019 649	495 514	68 203	23 110 936

At 31 December 2019 and 2018, total contractual cash flows relating to the capital of financial instruments have the following detail:

AKZ'000

2019	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	26 578 448	-	-	-	-	-	-	-	-	26 578 448
Cash balances at other credit institutions	19 712 431	-	-	-	-	-	-	-	-	19 712 431
Investments at central banks and other credit institutions	1 500 000	11 799 200	477 400	-	-	-	-	-	(217 701)	13 558 899
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	68 203	68 203
Investments at amortised cost	-	-	-	4 695 612	11 896 487	6 939 764	-	-	(381 190)	23 150 673
Loans to customers	450 707	-	2 000 534	2 179 905	-	1 307 338	34 434	6 229 506	(534 480)	11 667 944
TOTAL ASSETS	48 241 586	11 799 200	2 477 934	6 875 517	11 896 487	8 247 102	34 434	6 229 506	(1 065 168)	94 736 598
LIABILITIES										
Funds from central banks and other credit institutions	(76 702)	-	-	-	-	-	-	-	-	(76 702)
Customer funds and other loans	(58 804 589)	(81 050)	(696 525)	(3 118 778)	(1 601 510)	-	-	-	-	(64 302 453)
TOTAL LIABILITIES	(58 881 291)	(81 050)	(696 525)	(3 118 778)	(1 601 510)	-	-	-	-	(64 379 155)
LIQUIDITY GAP	(10 639 705)	11 718 150	1 781 409	3 756 739	10 294 977	8 247 102	34 434	6 229 506	(1 065 168)	30 357 443

AKZ'000

2018	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	19 443 324	-	-	-	-	-	-	-	-	19 443 324
Cash balances at other credit institutions	4 813 501	-	-	-	-	-	-	-	-	4 813 501
Investments at central banks a nd other credit institutions	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	68 203	68 203
Investments at amortised cost	-	-		1 000 000	1 049 750	14 932 069	2 683 521	-	-	19 665 340
Loans to customers	-	-	2 570 248	-	-	3 561 724	1 319 307	493 171	-	7 944 450
TOTAL ASSETS	24 256 825	-	2 570 248	1 000 000	1 049 750	18 493 793	4 002 828	493 171	68 203	51 934 818
LIABILITIES										
Funds from central banks and other credit institutions	-	(24 960)	-	-	-	-	-	-	-	(24 960)
Customer funds and other loans	(26 448 996)	(450 000)	(141 675)	(1 210 974)	(1 109 427)	(93 568)				(29 454 640)
TOTAL LIABILITIES	(26 448 996)	(474 960)	(141 675)	(1 210 974)	(1 109 427)	(93 568)	-	-	-	(29 479 600)
LIQUIDITY GAP	(2 192 171)	(474 960)	2 428 573	(210 974)	(59 677)	18 400 225	4 002 828	493 171	68 203	22 455 218

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 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 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 of 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, so 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 ASSETS		VALUE OF REGULATORY OWN FUNDS REQUIREMENTS		VALUE OF REGULATORY OWN FUNDS		REGULATORY SOLVENCY RATIO	
IN AKZ	IN %	IN AKZ	IN %	IN AKZ	IN %	ORIGINAL	STRESSED
(4 543 459)	-6%	(260 512)	-14%	(4 995 025)	-15%	38,01%	33,37%

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 maintains compliance with Notice 08/2016 of 16 May regarding 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 2019 and 2018, the Bank's assets and liabilities are broken down by rate type as follows:

AKZ'000

2019	EXPOSURE TO FIXED RATE	EXPOSURE TO VARIABLE RATE	NOT SUBJECT TO INTEREST RATE RISK	DERIVATIVES	TOTAL
ASSETS					
Cash and cash balances at central banks	-	-	26 578 448	-	26 578 448
Cash balances at other credit institutions	-	-	19 712 431	-	19 712 431
Investments at central banks and other credit institutions	13 637 176	-	-	-	13 637 176
Financial assets at fair value through other comprehensive income	-	-	68 203	-	68 203
Investments at amortised cost	23 878 413	-	-	-	23 878 413
Loans to customers	7 735 153	3 998 517	-	-	11 733 670
TOTAL ASSETS	45 250 742	3 998 517	46 359 082	-	95 608 341
LIABILITIES					
Funds from central banks and other credit institutions	-	-	(76 702)	-	(76 702)
Customer funds and other loans	(5 696 119)	-	(58 804 589)	-	(64 500 708)
TOTAL LIABILITIES	(5 696 119)	-	(58 881 291)	-	(64 577 410)
TOTAL	39 554 623	3 998 517	(12 522 209)	-	31 030 931

AKZ'000

2019	EXPOSURE TO FIXED RATE	EXPOSURE TO VARIABLE RATE	NOT SUBJECT TO INTEREST RATE RISK	DERIVATIVES	TOTAL
ASSETS					
Cash and cash balances at central banks	-	-	19 443 324	-	19 443 324
Cash balances at other credit institutions	-	-	4 813 501	-	4 813 501
Investments at central banks and other credit institutions	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	68 203	-	68 203
Investments at amortised cost	20 316 178	-	-	-	20 316 178
Loans to customers	167 738	7 979 029	-	-	8 146 767
TOTAL ASSETS	20 483 916	7 979 029	24 325 028	-	52 787 973
LIABILITIES					
Funds from central banks and other credit institutions	-	-	(24 960)	-	(24 960)
Customer funds and other loans	(3 203 081)	-	(26 448 996)	-	(29 652 077)
TOTAL LIABILITIES	(3 203 081)	-	(26 473 956)	-	(29 677 037)
TOTAL	17 280 835	7 979 029	(2 148 928)	-	23 110 936

At 31 December 2019 and 2018, financial instruments with exposure to interest rate risk according to their maturity date and the interest rate reset date were as follows:

AKZ'000

2019	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	13 377 120	477 757	-	-	-	-	-	(217 701)	13 637 176
Investments at amortised cost	-	-	4 784 257	12 145 443	7 329 903	-	-	(381 190)	23 878 413
Loans to customers	450 706	2 003 610	2 192 968	-	1 346 986	34 551	6 239 329	(534 480)	11 733 670
TOTAL ASSETS	13 827 826	2 481 367	6 977 225	12 145 443	8 676 889	34 551	6 239 329	(1 133 371)	49 249 259
LIABILITIES									
Customer funds and other loans	(81 791)	(747 684)	(3 257 613)	(1 608 839)	-	-	-	(192)	(5 696 119)
TOTAL LIABILITIES	(81 791)	(747 684)	(3 257 613)	(1 608 839)	-	-	-	(192)	(5 696 119)
LIQUIDITY GAP	13 746 035	1 733 683	3 719 612	10 536 604	8 676 889	34 551	6 239 329	(1 133 563)	43 553 140

AKZ'000

2018	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	-	-	-	-	-	-	-	-	-
Investments at amortised cost	-	-	1 162 186	1 074 308	15 392 098	2 687 586	-	-	20 316 178
Loans to customers	-	2 579 706	-	-	3 739 484	1 332 063	495 514	-	8 146 767
TOTAL ASSETS	-	2 579 706	1 162 186	1 074 308	19 131 582	4 019 649	495 514	-	28 462 945
LIABILITIES									
Customer funds and other loans	(500 042)	(142 362)	(1 341 473)	(1 124 934)	(94 270)	-	-	-	(3 203 081)
TOTAL LIABILITIES	(500 042)	(142 362)	(1 341 473)	(1 124 934)	(94 270)	-	-	-	(3 203 081)
LIQUIDITY GAP	(500 042)	2 437 344	(179 287)	(50 626)	19 037 312	4 019 649	495 514	-	25 259 864

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, monitoring of liquidity positions is carried out from a prudential standpoint, calculated according to the rules required by the National Bank of Angola (Instruction 06/2016, of 08 August).

At 31 December 2019 and 2018, the analysis of the sensitivity of the book value of financial instruments to changes in interest rates was as follows:

AKZ'000

2019	-200BP	-100BP	-50BP	+50BP	+100BP	+200BP
Interest and similar income	(15 790 707)	(7 895 354)	(3 947 677)	3 947 677	7 895 354	15 790 707
Interest and similar charges	92 726	46 363	23 182	(23 182)	(46 363)	(92 726)
TOTAL	(15 697 981)	(7 848 991)	(3 924 495)	3 924 495	7 848 991	15 697 981

AKZ'000

2018	-200BP	-100BP	-50BP	+50BP	+100BP	+200BP
Interest and similar income	(86 419)	(43 195)	(21 594)	21 594	43 195	86 419
Interest and similar charges	23 268	11 634	5 817	(5 817)	(11 634)	(23 268)
TOTAL	(63 151)	(31 561)	(15 777)	15 777	31 561	63 151

At 31 December 2019 and 2018, financial instruments by currency were as follows:

AKZ'000

2019	KWANZAS	US DOLLARS	EUROS	OTHER	TOTAL
ASSETS					
Cash and cash balances at central banks	24 769 835	10 498	1 798 085	30	26 578 448
Cash balances at other credit institutions	59 630	6 193 026	13 218 474	241 301	19 712 431
Investments at central banks and other credit institutions	13 637 176	-	-	-	13 637 176
Financial assets at fair value through other comprehensive income	68 203	-	-	-	68 203
Investments at amortised cost	23 878 413	-	-	-	23 878 413
Loans to customers	11 733 670	-	-	-	11 733 670
TOTAL ASSETS	74 146 927	6 203 524	15 016 559	241 331	95 608 341
LIABILITIES					
Funds from central banks and other credit institutions	(45 959)	-	(30 743)	-	(76 702)
Customer funds and other loans	(62 028 035)	(1 762 445)	(710 198)	(30)	(64 500 708)
TOTAL LIABILITIES	(62 073 994)	(1 762 445)	(740 941)	(30)	(64 577 410)
TOTAL	12 072 933	4 441 079	14 275 618	241 301	31 030 931

AKZ'000

2018	KWANZAS	US DOLLARS	EUROS	OTHER	TOTAL
ASSETS					
Cash and cash balances at central banks	18 709 121	280 086	454 098	19	19 443 324
Cash balances at other credit institutions	-	1 941 499	2 703 952	168 050	4 813 501
Investments at central banks and other credit institutions	-	-	-	-	-
Financial assets at fair value through other comprehensive income	68 203	-	-	-	68 203
Investments at amortised cost	20 316 178	-	-	-	20 316 178
Loans to customers	8 146 767	-	-	-	8 146 767
TOTAL ASSETS	47 240 269	2 221 585	3 158 050	168 069	52 787 973
LIABILITIES					
Funds from central banks and other credit institutions	(24 960)	-	-	-	(24 960)
Customer funds and other loans	(29 013 006)	(355 723)	(283 329)	(19)	(29 652 077)
TOTAL LIABILITIES	(29 037 966)	(355 723)	(283 329)	(19)	(29 677 037)
TOTAL	18 202 303	1 865 862	2 874 721	168 050	23 110 936

At 31 December 2019 and 2018, the analysis of the sensitivity of the book value of financial instruments to changes in the exchange rates was as follows:

AKZ'000

2019	-20%	-10%	-5%	5%	10%	20%
United States Dollars	(828 012)	(414 006)	(207 003)	207 003	414 006	828 012
Euros	(2 734 899)	(1 367 450)	(683 725)	683 725	1 367 450	2 734 899
Other	(48 713)	(24 357)	(12 178)	12 178	24 357	48 713
TOTAL	(3 611 624)	(1 805 813)	(902 906)	902 906	1 805 813	3 611 624

AKZ'000

2018	-20%	-10%	-5%	5%	10%	20%
United States Dollars	(364 624)	(182 312)	(91 156)	91 156	182 312	364 624
Euros	(432 383)	(216 191)	(108 096)	108096	216 191	432 383
Other	(33 574)	(16 787)	(8 393)	8 393	16 787	33 574
TOTAL	(830 581)	(415 290)	(207 645)	207 645	415 290	830 581

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 Office 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 Notice 2/2016. The requirements for the solvency ratio are found in Notice 3/2016, Notice 4/2016 and Notice 5/2016. 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

	31-12-2019
ASSETS WEIGHTED BY CREDIT RISK	
Weighting 0%	-
Weighting 8%	259 252
Weighting 20%	4 296 805
Weighting 35%	-
Weighting 50%	2 062 191
Weighting 75%	128 314
Weighting 100%	26 273 183
Weighting 150%	-
TOTAL CREDIT RISK-WEIGHTED ASSETS	33 019 745
OWN FUNDS REQUIREMENTS: CREDIT RISK	3 301 975
Debt instrument positions subject to market risk	34 272 228
OWN FUNDS REQUIREMENTS: MARKET RISK	2 741 778
Operational risk-weighted assets	19 057 313
OWN FUNDS REQUIREMENTS: OPERATIONAL RISK	2 858 597
TOTAL OWN FUNDS REQUIREMENTS	8 902 350
OWN FUNDS	
Base	33 835 579
Complementary	0
TOTAL	33 835 579
Deductions	0
REGULATORY OWN FUNDS	33 835 579
SOLVENCY RATIO	38.01%
BASE SOLVABILITY RATIO	38.01%

30

SUBSEQUENT EVENTS

As is well known, the issue of the Coronavirus known as COVID-19 has seen significant developments in recent weeks in various countries, including Angola, with news that indicates that some sectors of the economy may be affected by direct and indirect effects caused by the disease such as, for example, tourism, transport and some services sectors.

Bearing in mind the activity carried out by the Bank, the Board of Directors does not estimate material effects in terms of the financial statements for the 2019 financial year resulting from the above event. However, given the uncertainty of these potential effects, the Bank's Board of Directors is unable to estimate and quantify the future impacts of the Coronavirus on the Angolan economy, and in particular on the Bank's own business. We will continue to assess this situation carefully over the next financial year.

Other than the topic referred to in the preceding paragraphs, we are not aware of any facts or events after 31 December 2019 that justify adjustments in the Notes to the Accounts for the year under analysis affecting the situations and/or information disclosed therein in a significant way, and/or that have altered or are expected to significantly alter the Bank's financial position, results and/or activities.

BCS YOUR PRIVATE BANK

10

ANNEXES

Independent Auditor's Report

To the Board of Directors of
BCS - BANCO DE CRÉDITO DO SUL, SA

Introduction

1 We have audited the attached financial statements of BCS - Banco de Crédito do Sul, SA, which comprise the balance sheet as at 31 December 2019, which shows a total of 106 797 820 thousand Kwanza and equity of 33 847 021 thousand Kwanza, including positive net earnings of 14 647 353 thousand Kwanzas, the statement of income and comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and the corresponding Accompanying Notes.

Responsibility of the Board of Directors for the Financial Statements

2 The Board of Directors is responsible for preparing and presenting these financial statements in an appropriate manner, in accordance with the prevailing International Financial Reporting Standards (IFRS), and for the internal control that it deems necessary to enable the preparation of those financial statements free from material misstatement 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 of the Accounting Institute of Angola. These standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance regarding whether the financial statements are free of material misstatement.

4 An audit involves carrying out procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. The procedures chosen depend on the judgment of the auditor, including an assessment of the risks of material misstatement of the financial statements due to fraud or error. In making such risk assessments, the auditor considers internal control relevant to the preparation and presentation of the financial statements by the entity in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entity. An audit also includes evaluating the adequacy 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 are convinced that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Grounds for the Qualified Opinion

6 At the end of 2018, the Angolan Banking Association (“ABANC”) and the National Bank of Angola (“BNA”) issued an interpretation that not all the requirements of IAS 29 - Financial reporting in hyperinflationary economies (“IAS 29”) had been fulfilled in order for the Angolan economy to be considered hyperinflationary for the year ended 31 December 2018. Consequently, the Bank's Management decided not to apply the provisions contained in IAS 29 to its financial statements at 31 December 2018. At that date, the accumulated inflation rate for the last three years exceeded 100%, regardless of the index used, which is an objective quantitative condition that leads us to consider, in addition to the existence of other conditions provided for in IAS 29, that the functional currency of the Bank’s financial statements at 31 December 2018 corresponds to a currency of a hyperinflationary economy. Under these circumstances, the Bank should have presented its financial statements at 31 December 2018 in accordance with the provisions set out in IAS 29. Although Angola is not considered a hyperinflationary economy with reference to 31 December 2019, the Bank should present comparative financial information with reference to 31 December 2018 in accordance with the provisions set out in IAS 29. We did not, however, obtain sufficient information to enable us to accurately quantify the effects of this situation as of 31 December 2018, which we believe to be material in the headings Other reserves and retained earnings and Net earnings for the year. The cumulative impacts of IAS 29 on the financial statements for the year ended 31 December 2019 were considered immaterial, as the greatest impact at 31 December 2018 concerns monetary items, which represent the vast majority of items on the Bank’s balance sheet.

Qualified opinion

7 In our opinion, except for the effects of the matters described in the section “Grounds for the Qualified Opinion”, the financial statements referred to in paragraph 1 above present, in all materially relevant aspects, the financial position of BCS - Banco de Crédito do Sul, SA at 31 December 2019, and its financial performance and cash flows for the period ended on that date, in accordance with the prevailing International Financial Reporting Standards (IFRS).

Points of Emphasis

8 As disclosed in note 26 of the accompanying explanatory notes, despite the decrease observed in the year of 2019 in terms of the weight of operations with related entities in the balance sheet total and regulatory capital of the Bank, we emphasise the significance of transactions with related parties carried out in 2019 and 2018.

9 We call attention to the information disclosed in note 30 of the accompanying explanatory notes regarding the possible impacts of the COVID-19 pandemic on the economy and, consequently, on the Bank's future activity.

PricewaterhouseCoopers (Angola), Limitada
Edifício Presidente - Largo 17 de Setembro, no. 3, 1 andar - sala 137, Luanda - Republic of Angola
T: +244 227 286 109, www.pwc.com/ao

Other subjects

10 Without affecting the opinion expressed in paragraph 7 above, we call attention to the fact that the financial statements for the year ended 31 December 2018, presented in the attached financial statements for comparative purposes, have been examined by another firm of Certified Public Accountants, which issued the respective Official Reviewer's Qualified Opinion on the Financial Statements and emphasised the matters referred to in paragraphs 6 and 8 above, respectively, dated 27 March 2019.

26 March 2020

PricewaterhouseCoopers (Angola), Limitada
Registered with the Accounting Institute of Angola under number E20170010

Represented by:
[signature]

Ricardo Santos, Public Accountant no. 20120086

Relatório do Auditor Independente

Ao Conselho de Administração do
BCS - Banco de Crédito do Sul, S.A.

Introdução

1 Auditámos as demonstrações financeiras anexas do BCS – Banco de Crédito do Sul, S.A., as quais compreendem o balanço em 31 de Dezembro de 2019 que evidencia um total de 106 797 820 milhares de Kwanzas e um capital próprio de 33 847 021 milhares de Kwanzas, incluindo um resultado líquido positivo de 14 647 353 milhares de Kwanzas, a demonstração de resultados e do resultado integral, a demonstração de alterações no capital próprio e a demonstração dos fluxos de caixa do exercício findo naquela data e o correspondente Anexo.

Responsabilidade do Conselho de Administração pelas Demonstrações Financeiras

2 O Conselho de Administração é responsável pela preparação e apresentação de modo apropriado destas demonstrações financeiras de acordo com as Normas Internacionais de Relato Financeiro (IFRS) em vigor e pelo controlo interno que determine ser necessário para possibilitar a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou a erro.

Responsabilidade do Auditor

3 A nossa responsabilidade consiste em expressar uma opinião independente sobre estas demonstrações financeiras com base na nossa auditoria, a qual foi conduzida de acordo com as Normas Técnicas da Ordem dos Contabilistas e Peritos Contabilistas de Angola. Estas normas exigem que cumpramos requisitos éticos e que planeemos e executemos a auditoria para obter segurança razoável sobre se as demonstrações financeiras estão isentas de distorção material.

4 Uma auditoria envolve executar procedimentos para obter prova de auditoria acerca das quantias e divulgações constantes das demonstrações financeiras. Os procedimentos seleccionados dependem do julgamento do auditor, incluindo a avaliação dos riscos de distorção material das demonstrações financeiras devido a fraude ou a erro. Ao fazer essas avaliações do risco, o auditor considera o controlo interno relevante para a preparação e apresentação das demonstrações financeiras pela entidade a fim de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não com a finalidade de expressar uma opinião sobre a eficácia do controlo interno da entidade. Uma auditoria inclui também avaliar a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas feitas pelo Conselho de Administração, bem como avaliar a apresentação global das demonstrações financeiras.

5 Estamos convictos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião de auditoria com reservas.

PricewaterhouseCoopers (Angola), Limitada
Edifício Presidente - Largo 17 de Setembro, n.º 3, 1º andar – sala 137, Luanda- República de Angola
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Bases para a Opinião com Reservas

6 No final de 2018, a Associação Angolana de Bancos ("ABANC") e o Banco Nacional de Angola ("BNA") expressaram uma interpretação de que não se encontravam cumpridos a totalidade dos requisitos previstos na IAS 29 – Relato financeiro em economias hiperinflacionárias ("IAS 29") para que a economia Angolana fosse considerada hiperinflacionária no exercício findo em 31 de Dezembro de 2018. Consequentemente, a Administração do Banco decidiu continuar a não aplicar as disposições constantes na IAS 29 às suas demonstrações financeiras a 31 de Dezembro de 2018. Naquela data a taxa de inflação acumulada nos últimos três anos ultrapassa os 100%, independentemente do índice utilizado, o que é uma condição quantitativa objectiva que nos leva a considerar, para além da existência de outras condições previstas na IAS 29, que a moeda funcional das demonstrações financeiras do Banco em 31 de Dezembro de 2018 corresponde à moeda de uma economia hiperinflacionária. Nestas circunstâncias, o Banco deveria ter apresentado as suas demonstrações financeiras em 31 de Dezembro de 2018 de acordo com as disposições previstas na IAS 29. Apesar de Angola não ser considerada uma economia hiperinflacionária com referência a 31 de Dezembro de 2019, o Banco deveria apresentar a informação financeira comparativa com referência a 31 de Dezembro de 2018 de acordo com as disposições previstas na IAS 29. Não obtivemos, contudo, informações suficientes que nos permitam quantificar com rigor os efeitos desta situação em 31 de Dezembro de 2018, que entendemos serem materiais nas rubricas de Outras reservas e resultados transitados e Resultado líquido do exercício. Os impactos acumulados da IAS 29 nas demonstrações financeiras do exercício findo em 31 de Dezembro de 2019 foram considerados imateriais, na medida em que o maior impacto em 31 de Dezembro de 2018 diz respeito a itens monetários, os quais representam a grande maioria dos itens do balanço do Banco.

Opinião com reservas

7 Em nossa opinião, excepto quanto aos efeitos dos assuntos descritos na secção "Bases para a Opinião com Reservas", as demonstrações financeiras referidas no parágrafo 1 acima apresentam de forma apropriada, em todos os aspectos materialmente relevantes, a posição financeira do BCS – Banco de Crédito do Sul, S.A. em 31 de Dezembro de 2019 e o seu desempenho financeiro e fluxos de caixa relativo ao período findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiro (IFRS) em vigor.

Ênfases

8 Conforme divulgado na nota 26 do anexo contendo as notas explicativas, não obstante a diminuição verificada no exercício de 2019 ao nível da expressão das operações com entidades relacionadas no total do balanço e dos fundos próprios regulamentares do Banco, salientamos a relevância das operações com partes relacionadas realizadas nos exercícios de 2019 e 2018.

9 Chamamos a atenção para a informação divulgada na nota 30 do anexo contendo as notas explicativas, relativa aos possíveis impactos da pandemia do COVID-19 na economia e, consequentemente, na atividade futura do Banco.

Outros assuntos

10 Sem afectar a opinião expressa no parágrafo 7 acima, chamamos a atenção para o facto das demonstrações financeiras referentes ao exercício findo em 31 de Dezembro de 2018, apresentadas nas demonstrações financeiras anexas para efeitos comparativos, terem sido examinadas por outra Sociedade de Revisores Oficiais de Contas, que emitiu a respectiva Certificação Legal das Contas com reservas e uma ênfase sobre as matérias referidas nos parágrafos 6 e 8 acima, respectivamente, com data de 27 de Março de 2019.

26 de Março de 2020

PricewaterhouseCoopers (Angola), Limitada
Registada na Ordem dos Contabilistas e Peritos Contabilistas de Angola com o nº E20170010

Representada por:

Ricardo Santos

Ricardo Santos, Perito Contabilista Nº 20120086

SUPERVISORY BOARD

THE SUPERVISORY BOARD'S REPORT AND OPINION ON THE REPORTING DOCUMENTS.

1. In compliance with the applicable legal and statutory provisions, the Supervisory Board issues this report and opinion on the management report and other reporting documents and individual accounts of BCS - Banco de Crédito do Sul, SA, as presented by the Board of Directors for the 2019 financial year.

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 the content of the External Auditors' Report issued by the company PwC Angola, which is fully reproduced herein, and which consists of an opinion with the following reservation:

"As disclosed in Note 2.5.6 of the Accompanying Notes, the Angolan Banking Association ("ABANC") and the National Bank of Angola ("BNA") issued an interpretation that not all the requirements set out in IAS 29 - Financial reporting in hyperinflationary economies ("IAS 29") had been fulfilled in order for the Angolan economy to be considered hyperinflationary for the year ended 31 December 2019 and, consequently, the Bank's Board of Directors decided to continue not to apply the provisions contained in that Standard to its financial statements at 31 December 2019, in line with its position with reference to 31 December 2018. At 31 December 2019, the accumulated inflation rate for the last 3 years exceeded 100%, regardless of the index used, which is an objective quantitative condition that leads us to consider, in addition to the existence of other conditions provided for in IAS 29, that the functional currency of the Bank's financial statements at 31 December 2019 corresponds to a currency of a hyperinflationary economy. Under these circumstances, the Bank should have presented its financial statements at 31 December 2019 and 2018 considering that assumption and in accordance with the provisions set out in IAS 29. We did not, however, obtain sufficient information to enable us to quantify the effects of this situation on the Bank's financial statements as of 31 December 2019 and 2018, which we believe to be material."

4. Within the scope of our duties, we examined the Balance Sheet at 31 December 2019, 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 2019 prepared by the Board of Directors and the proposal for the appropriation of earnings.

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 Report and Accounts for the year ended 31 December 2019 as presented by the Board of Directors, as well as the proposal for the Appropriation of Earnings.

Luanda, 20 March 2020

The Supervisory Board
Chair of the Supervisory Board
[signature]
Miguel Cristóvão Tyimbonde

Accountant no. 20120125

Voting Member
[signature]
Fernando Pontes Pereira

Voting Member
[signature]
Lúcio Alberto Pires da Costa

BCS

CONSELHO FISCAL

RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE OS DOCUMENTOS DE PRESTAÇÃO DE CONTAS

1. Em cumprimento das disposições legais e estatutárias aplicáveis, o Conselho Fiscal emite o presente relatório e parecer sobre o relatório de gestão e restantes documentos de prestação e contas individuais da Sociedade BCS - Banco de Crédito do Sul, S.A., apresentados pelo Conselho de Administração, relativamente ao exercício de 2019.

2. No decurso do exercício acompanhámos, com a periodicidade e a extensão que considerámos adequada, a evolução da actividade do Banco, a regularidade dos registos contabilísticos e o cumprimento das normas legais e estatuárias aplicáveis. Obtivemos também do Conselho de Administração e dos diversos serviços do Banco as informações e os esclarecimentos solicitados.

3. Analisámos o conteúdo do Relatório dos Auditores Externos emitido pela sociedade PwC Angola, que se dá integralmente reproduzido, e que consiste numa opinião com a seguinte reserva:

"Conforme divulgado na Nota 2.5.6 do Anexo, a Associação Angolana de Bancos ("ABANC") e o Banco Nacional de Angola ("BNA") expressaram uma interpretação de que não se encontram cumpridos a totalidade dos requisitos previstos nas IAS 29 – Relato financeiro em economias hiperinflacionárias ("IAS 29") para que a economia Angolana seja considerada hiperinflacionária no exercício findo em 31 de Dezembro de 2019 e, consequentemente, o Conselho de Administração do Banco decidiu continuar a não aplicar as disposições constantes naquela Norma às suas demonstrações financeiras em 31 de Dezembro de 2019, em linha com o que havia sido a sua posição com referência a 31 de Dezembro de 2018. Em 31 de Dezembro de 2019 a taxa de inflação acumulada nos últimos 3 anos ultrapassa os 100%, independentemente do índice utilizado, o que é uma condição quantitativa objectiva que nos leva a considerar, para além da existência de outras condições previstas nas IAS 29, que a moeda funcional das demonstrações financeiras do Banco a 31 de Dezembro de 2019 corresponde à moeda de uma economia hiperinflacionária. Nestas circunstâncias, o Banco deveria ter apresentado as suas demonstrações financeiras em 31 de Dezembro de 2019 e 2018 atendendo àquela premissa e de acordo com as disposições previstas nas IAS 29. Não obtivemos, contudo, informações suficientes que nos permitam quantificar os efeitos desta situação nas demonstrações financeiras do Banco em 31 de Dezembro de 2019 e 2018, que entendemos serem materiais."

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4. No âmbito das nossas funções, examinámos o Balanço em 31 de Dezembro de 2019, as Demonstrações de Resultados e do outro rendimento integral, das alterações dos capitais próprios e dos fluxos de caixa, para o exercício findo naquela data, bem como os respectivos anexos, incluindo políticas contabilísticas e os critérios valométricos adoptados.

5. Adicionalmente, procedemos à análise do Relatório de Gestão do exercício de 2019 preparado pelo Conselho de Administração e da proposta de aplicação de resultados.

6. Face ao exposto, e tendo em consideração o trabalho realizado, nomeadamente no cumprimento dos procedimentos contabilísticos, administrativos, financeiros e de controlo interno, somos de parecer que a Assembleia Geral:

- Aprove o Relatório e as Contas relativos ao exercício findo em 31 de Dezembro de 2019 apresentados pelo Conselho de Administração, bem como a proposta de Aplicação de Resultados.

Luanda, aos 20 de Março de 2020

O Conselho Fiscal

O Presidente do Conselho Fiscal

Miguel Cristóvão Tyimbonde

Miguel Cristóvão Tyimbonde

Contabilista nº 20120125

O Vogal

Fernando Pontes Pereira

Fernando Pontes Pereira

O Vogal

Lúcio Costa

Lúcio Alberto Pires da Costa

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BANCA PRIVADA E CORPORATIVA