Annual Report'18

Another impressive year of achievement

The results achieved by BFA in 2018 - a challenging year marked by the deep devaluation of the currency - are the fruit of a successful transition by the Bank in terms of its equity structure and management. BFA's values and principles of discipline, solidity, prudent risk management, meritocracy, client focus and the development of Angola have yet again made us the benchmark bank in Angola.

2018 in Review

Market leader in the range of services offered - December 2018:

56,5%
Visa SPI cards (credit and pre-paid cards)

22,8%
Debit cards

21,8%
TPAs

Increase of

105 174
AKZ million

increase in net profit

+152,2%
on 2017

1 243

Trades on BODIVA

-41%
up on 2017

BFA accounted for 59% of all trades in the year

+8,8%

Number of clients at December 2018 totalled

1 896 159

Asset portfolio increased to

1 703 728
AKZ million

+18%
on 2017

Awards:
Best Bank in Angola 2018 - Global Brands Magazine (UK)

Bank of the Year - The Banker (Financial Times group)

Best Commercial Bank in Angola - Global Banking and Finance Review (UK)

359 540
AKZ million in securities (T-bills and T-bonds)

The Bank maintained its long position on securities

BFA is considered the best bank in Angola, with a

24%

score on the ISB 2018 (banking satisfaction indicators) survey

BFA supports Huambo Central Hospital in the fight against malaria and other epidemics

2 581

employees took training courses

+23,7%

on 2017

Loan book

383 432,5

AKZ million

+47%

on 2017

The Bank is fulfilling its mission to finance the economy

BFA Annual Report

Public access to BFA's Annual Report can be done through laptop or tablet.

This Annual Report can be downloaded at www.bfa.ao

+8,9%

302,532

BANKITA contracts

+20,9%

on 2017

192

branches

393

active ATMs

+2,3%

on 2017

INDEX

Message from the Chairman of the Board of Directors

"Our 2018 results, in a year made very tough year by the deep devaluation of the currency, are the fruit of a successful transition ..."

2018 was yet another year of achievement and progress for Banco de Fomento Angola in its now 25-year history despite an extremely challenging environment. Our 2018 results, in a year made very tough year by the deep devaluation of the currency, are the fruit of a successful transition in terms of equity restructuring and the management of the Bank. Our achievements during our history and the benchmark status BFA now enjoys in Angola are founded on our values and principles: discipline, solidity, prudent risk management, meritocracy, client focus and the development of Angola.

It has been a long road since the start of the 1990s when the Banco de Fomento Exterior opened a representational office in Luanda that later became a universal commercial banking branch, and in that same decade with the acquisition of BFE became part of the BPI group. In the first two decades of its growth, BFA monitored and made a major contribution to the creation of the banking system in Angola. It achieved significant milestones as it developed into a modern bank with international standards: (i) segmentation of the commercial network with specialist customer care; (ii) creation of a national branch network with currently 166 branches, 16 business centres and 10 investment centres; (iii) launch of Angola's first credit card: BFA Gold; and (iv) in partnership with VISA and EMIS, aunch of the first automatic payment terminals (APTs) using credit and debit cards in all BFA ATMs.

In 2008 when Unitel became a BFA shareholder, the Bank's commitment to modernise banking in Angola led to an expansion of the branch network, more investment centres and new products such as Super Poupança BFA and Plano de Poupança BFA, the main sources of new funds. In 2012 and 2013 respectively the Oil & Gas – Operators and the Oil & Gas – Vendors business centres were opened to respond to the needs of, and improve the service to, operators and service providers in the oil industry.

In 2017 Unitel increased its stake in BFA, putting control of the Bank into Angolan hands. The new equity structure threatened stability as the BPI teams that had delivered support and back office services left. The Board of Directors I have the honour to chair provided excellent management during the equity transition and extremely challenging macroeconomic conditions, prioritising the sustainable growth of the Bank, protecting its financial solidity, consolidating its benchmark position within the Angolan financial system and deepening the confidence of our clients and staff.

Macroeconomically, 2018 presented major challenges: third consecutive year of economic crisis, deep depreciation of the currency and strong competition. Forecasts for 2019 suggest that this might be the year in which recovery begins, with initial moderate growth followed by stronger growth in the following years. The country will remain highly dependent on oil prices and oil production in Angola. In the meantime, the Government, business and Angolans themselves are already taking the first steps towards creating a more solid and sustainable economy. Although the next few years will be difficult, they will certainly be years in which we work towards a better future - and BFA will be focusing its full attention on contributing to that future, working hand in hand with our clients and the Angolan economy.

> **"Forecasts for 2019 suggest that this might be the year in which recovery begins..."**

The structure of the Angolan financial sector and its potential consolidation and restructuring were of particular importance to BFA. In December 2018 BNA withdrew the licences of 3 banks that did not meet capital adequacy requirements. The large number of banks in Angola (around 27) - some of which are small and others undercapitalised - could create systemic risk against which protective action must be taken. The weakness of some Angolan banks has had a negative impact on the system for selecting the best projects in the economy for loans, could hinder the modernisation of business in general though inability to provide continued support and might contaminate other banks in the country.

BFA's operating and financial 2018 results are remarkable for having been achieved in the current business environment.

In operating terms, the Bank increased the number of its clients by around 9% to 1 896 159. In 2018 was the Bankita account leader thanks to its firm strategy of promoting financial inclusion in Angola. The number of Multicaixa cards rose 16.5%, giving BFA a 24.46% share in the market. Despite the fall in client funds caused by the economic crisis and currency exchange restrictions, BFA's held 13.03% of the market and was ranked second in terms of client funds held with private banks.

BFA also increased lending to the economy with very material 51.86% increase in loans. In 2018 BFA boosted lending to productive sectors in Angola, especially industry and agriculture, thanks to its constant focus on improving the quality of its service to its clients.

The drop in the non-performing loan ratio to 3.61% of total lending is the result of application of the principle of strict credit risk analysis. Provisions for non-performing loans totalled 179.2%. The model for calculating impairment was improved to comply with IFRS 9 and accepted international practice.

We also introduced significant diversification in our international relations with other banks, as a correspondence bank and as a counterparty. This was made possible by BFA's excellent organisation and its constant application of best Angolan and international practice in risk management, financial management, the provision of information and the application of compliance procedures, especially as regards the fight against money laundering and the financing of terrorism.

BFA remained the prime driver of the capital market and was particularly active on the secondary market for public debt, acting as broker on the MRTT (treasury securities registry market). As broker, BFA enjoyed top ranking in terms of traded value and number of trades for the fourth consecutive year since it entered this market (it was the first broker licensed by the CMC [Capital Market Commission] and the first licensed to trade on the regulated markets of BODIVA [the Angolan Securities and Debt Stock Exchange]). BODIVA recognised BFA's contribution to the sector with the 2018 Members Award for excellence in financial broking and best performance in terms of traded value.

BFA's solid and dynamic performance as an Angolan bank was internationally recognised when it was voted Best Bank in Angola by The Banker (published by the Financial Times). The work done by BFA's management team to embed international quality criteria that will improve the confidence of our international partners (correspondent banks, international investors, shareholders) led to the Sírius award for the best annual report and accounts for 2017.

Financially, BFA has reported the best figures in its history, up 70.57% in USD terms on 2017 and improving its profit and solvency indicators:

- Banking income went up 35.43% in USD terms;
- Net interest income was 6.7%;
- ROE was 57.36%;
- Cost to income was 19.8%;
- Regulatory solvency ratio was 53.8%;
- Equity increased 66.45% to AKZ 361 909 000 000 (USD 1 175 400 000 at current exchange rates)

These results are the outcome of the work done by our staff, whose quality and commitment underpins BFA growth. In 2018 BFA staff received highly ambitious training in the tools and soft skills essential to the delivery of better customer service. A total of 9502 hours of training was given in compliance, accounting and finance, risk analysis, sales techniques, leadership and corporate behaviour.

2018 was also a milestone in BFA's 25-year history thanks to the launch of the BFA Academy that will provide training tailored to staff needs. The BFA Academy will help staff develop their careers and prepare the success plans essential to the Bank's organisational health. The BFA Academy is an investment to improve internal management skills and to develop Angolan human resources. Our diversity policy has led to a rise in female staff numbers, who now represent around 50% of all employees.

2018 also saw BFA continue its commitment to social responsibility and community involvement. Highlights were the purchase of anti-malarial medicines for Huila Province and the launch of BFA Solidário, which will support and recognise the work of non-profit organisations in the fields of education, health and the social and financial inclusion of children and young people. We are confident that this support programme will generate growth for many Angolans in 2019.

For all the above reasons, we now have a very solid basis on which to meet to the new challenges that will present and on which to develop more ambitious projects. In the last few years the BFA Board of Directors has worked hard to prepare for the future, giving BFA a bigger role in the transformation of Angola's economy. Of particular importance has been the preparation and implementation of BFA's strategic plan for 2018-2022 (Plano +BFA). This has led to an active end-to-end monitoring model for all staff initiatives presented as part of Plano +BFA. BFA staff

"So long as BFA continues down the path of meritocracy, discipline, stability and customer service it will certainly remain a benchmark for financial stability in Angola..."

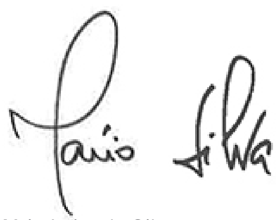
have presented 142 initiatives that will enable the Bank to continue its organic and sustained growth over the next few years.

Also as part of Plano +BFA and driven by a desire to become Angola's leading bank, we are developing an ambitious digital transformation and omni-channel strategy to ensure the Bank is never more than a key stroke away from its clients. We are also updating BFA's IT architecture to improve our service to our clients and ensure that it remains as trustworthy and reliable as ever. Plano +BFA also covers strategic consideration of the international expansion of BFA and of our ambition to penetrate other African markets thanks to the significant advantage provided by our digital transformation.

The Bank has a number of clear objectives for its 2018-2022 strategic plan: to make BFA the leading universal bank by increasing market share in deposit terms, to make us the leading bank for wealthy clients, to diversify revenue and to lead the digital transformation of Angola's financial sector. In order to achieve this, a stable environment is essential if we are to retain the trust of our clients and staff. So long as BFA continues down the path of meritocracy, discipline, stability and customer service it will certainly remain a benchmark for financial stability in Angola, contributing to the development and modernisation of business in the country, giving its staff a future and creating shareholder value.

I should like to thank our staff and their families for all their hard work and dedication in meeting the challenges that presented in 2018, all of which was essential to the growth of BFA. Finally, my particular thanks go to our clients for preferring BFA and their continued confidence in us and I can assure them that BFA will continue to do everything in its power to improve and maintain its stability and service quality.

BFA believes in Angola. In the light of the challenges facing the Angolan economy and its financial system, it is increasingly important to protect the Bank's solidity and to keep it on track with the strategy set by the Board of Directors in Plano +BFA. As we continue down this path, implementing the Bank's strategy, BFA must be prepared for approaching challenges: macroeconomic standardisation in Angola, consolidation of the country's financial system; and the digitalisation of our services to our clients. Only then will we merit our clients' trust, be able to support Angolan business, attract international investors to Angola, work with economic policy authorities, meet the expectations of our workers and merit the support of our shareholders.



Mário Leite da Silva

VISION, VALUES AND COMMITMENTS

VISION

BEING THE Nº 1 BANK
FOR ALL ANGOLANS

and plaing a role
in Angola's
sustainable development

VALUES

INNOVATION
TRANSPARENCY
CLOSENESS

MISSION

Designing financial solutions, products and services that foster long-lasting relations with its Customers and generate value for Shareholders

COMMITMENTS

STAFF
FOCUSINGON PERSONALAND
PROFESSIONAL GROWTH

CLIENTS
ASSURING SATISFACTION
AND SERVICE QUALITY

ANGOLA
PLAY A ROLE IN THE DEVELOPMENT
OF THE ANGOLAN ECONOMY

SHAREHOLDERS
ADD VALUE

STRATEGY

The Bank's strategic challenges and priorities are customer-focused and are aimed at broadening involvement, against the background of fast-changing market needs. Our strategy is summarised in this section:

OBJECTIVE

Build distinction through greater engagement with clients.

COMMITMENT TO THE CLIENT

- Improve customer service.
- Increase electronic channels.
- Streamline processes.
- Diversify products.

STRATEGIC PRIORITIES

1. Invest in the relationship with the client.
2. Develop analytical skills to get a better understanding of clients.
3. Increase innovation to keep pace with clients' needs.
4. Invest in e-banking.
5. Maintain the quality of the loan book.

CRITICAL FACTORS IN SUCCESS

Speed up processes

To improve service to our clients, we need to streamline our processes and make decisions in the shortest time possible.

Operating excellence

Operating excellence is key to better customer service in a digital world.

BFA culture

Culture is the third critical factor in our success. We need to attract and retain talent that will help us achieve our goals. We aim to develop an organizational culture in which the client is the paramount focus.

Strategic plan +BFA

At the end of 2017 BFA produced the 2018-2022 strategic plan. In March 2018 an implementation model (+BFA) was launched as a plan with targets for the next 4 years aimed at developing a more diversified business model and a service model more focused on adding client value that divided the strategy into five basic sections:

(i) **Improvement of the Bank's commercial functions** to increase the number of personal and business clients and make them more loyal and profitable;
(ii) **Innovation** through both core banking and expansion into new product lines (e.g. insurance);
(iii) **BFA digitalisation** of our internal processes and of relations with our clients;
(iv) **(iv) Transformation of our organisation and culture** to become more focused on the client and results;
(v) **Non-organic growth** to prepare the Bank for new growth opportunities through the acquisition of Angolan and foreign financial institutions.

At the initial implementation stage the Bank was supported by a team of consultants. From July 2018 the programme was entirely managed by the Bank's own team. 2018 therefore saw the Bank on a steep organisation learning curve.

The most important milestones were:

- Organising and pacing management the monitoring of the entire transformation programme;

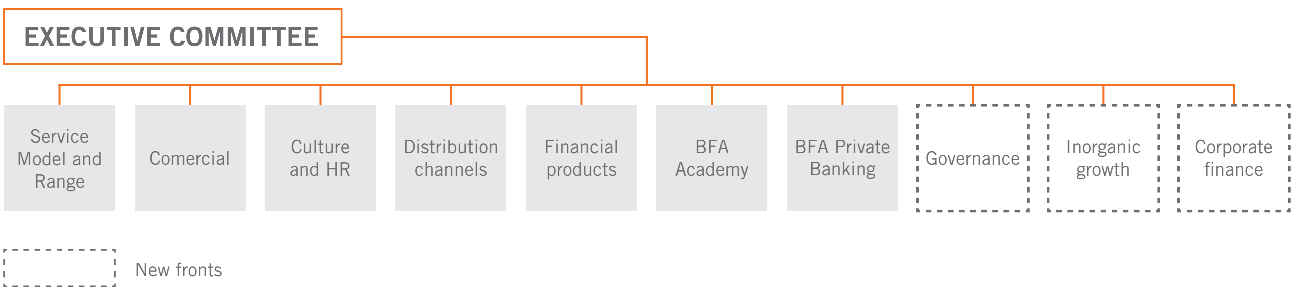
- Segmenting personal and business clients: in order to adjust the service model to the value contributed by each client, the Bank reviewed and adjusted the segmentation of personal and business clients. Personal clients are now classified into four segments (top, affluent, upper mass, and mass) and business clients into six segments (key accounts, oil & gas, public sector, medium-sized enterprises, small enterprises and micro enterprises);

- Investing in staff training to improve the quality of customer care and customer service in the commercial network and support;

- Orange Jersey support teams in branches to cut transaction numbers. These are teams trained to help clients use alternative banking channels (ATMs, BFA Net and BFA App) that will cut our high transaction levels.

2018 placed a major emphasis on the +BFA strategic plan, with around 32 steering committee meetings, all of which were attended by CECA (Executive Committee of the Board of Directors) as project sponsors, by leads (the Bank's leading directors) as project managers, and by the teams and the owners implementing the projects.

+BFA currently has 10 projects on its books: 7 current and 3 yet to begin (Inorganic Growth, Governance and Corporate Finance).



Adding Value

BFA's value creation proposal is sustained by the values and commitments to which BFA has been committed since its inception. The four action areas for value creation are staff, clients, shareholders and the community.

VALUE FOR STAFF

Best bank to work in - People are the key to BFA's success: attracting, retaining and strengthening the relationship with our employees by investing heavily in their personal and professional growth.

BEST BANK TO WORK IN

- Gender diversity and equal career opportunities;
- Talent management through general, induction and specialised training;
- Promotion of a common vision through mobility and internal progression of Bank staff;
- Careful induction of trainees through two training sessions:
  - BFA's historical background, outlining its main products and services;
  - Procedures for signing up to and using the products offered
- Advanced qualification of high-potential staff through MBAs, Executive Masters Degree in bank management and postgraduate programmes in accounting and corporate finance;
- Investment in training in key topical issues such as compliance and the fight against money laundering.

VALUE FOR CLIENTS

Best Bank for clients – Building loyalty, offering the most appropriate products and ensuring customer satisfaction and exceptional service through our branches and digital channels.

BEST BANK FOR CLIENTS

- Simple, accessible, customised products and services for all client needs;
- Clear and succinct language used for products and services and when handling inquiries and resolving problems;
- Innovative payment methods and electronic channels to offer customers security and convenience;
- Fulfilment of commitments and responsibilities to customers;
- Profitable and secure household savings;
- Mystery Client programme to assess service in branches.

VALUE FOR SHAREHOLDERS

Best bank for shareholders - Generating attractive, sustainable returns for shareholders through high yields, risk control and efficient use of capital.

BEST BANK FOR SHAREHOLDERS

- Reliable management and risk control to ensure business sustainability;
- Assurance of a sound balance sheet;
- Continuous growth in BFA's economic value.

VALUE FOR THE COMMUNITY

Best community bank - Contributing to the development of the economy and social progress in Angola, particularly in education.

BEST COMMUNITY BANK

- Leveraging the Angolan economy;
- Establishing partnerships with universities by granting distinctions and merit awards to the top students;
- Supporting regional events through sponsorship;
- Involvement in solidarity campaigns;
- Setting up and managing a Social Fund totalling USD 15 million in December 2017. The Fund was built up with 5% of BFA's total profit over five years;
- Reducing the Bank's environmental footprint by increasing file scanning and improving energy efficiency in branches.

Key Indicators

Amounts expressed in AOA Million

AKZ	Dec 16	Dec 17	Dec 18	Var % 16-17	Var % 17-18
Total assets	1 312 879,6	1 443 064,4	1 703 727,8	9,9%	18,1%
Loans and advances to clients [1]	235 310,9	194 808,9	295 842,5	(17,2)%	51,9%
Client deposits	1 079 702,0	1 058 241,4	1 232 128,2	(2,0)%	16,4%
Shareholders equity and equivalent	173 221,1	217 421,7	361 908,5	25,5%	66,5%
Banking income	99 571,6	138 295,3	280 168,9	38,9%	102,6%
Net interest income	66 945,3	107 822,5	117 732,9	61,1%	9,2%
Net non-interest income	32 626,3	30 472,8	162 435,9	(6,6)%	433,1%
Overheads [2]	35 829,6	33 794,7	58 197,2	(5,7)%	72,2%
Operating profit	68 379,5	107 340,5	225 707,2	57,0%	110,3%
Net profit	61 912,1	69 085,0	174 258,7	11,6%	152,2%
ROA	4,4%	5,0%	10,0%	+ 0,6 p.p.	+ 5,0 p.p.
ROE	38,1%	35,4%	57,4%	(2,7) p.p.	+ 22,0 p.p.
Cost-to-income	35,9%	24,4%	19,8%	(11,5) p.p.	(4,6) p.p.
Total assets per employee	498,8	552,7	637,1	10,8%	15,3%
Loan-to-deposit ratio	23,1%	20,2%	25,6%	(2,9) p.p.	+ 5,4 p.p.
Regulatory solvency ratio	34,6%	37,9%	53,8%	+3,3 p.p.	+ 15,9 p.p.
Non-performing loans / Total advances and loans to clients	4,7%	6,1%	3,6%	+ 1,4 p.p.	(2,5) p.p.
Non-performing loan impairment provisions [3]	125,4%	144,3%	179,2%[3]	+ 18,9 p.p.	+ 34,9 p.p.
Loan impairment provisions [3]	5,8%	8,8%	5,1%[3]	+ 3 p.p.	(3,7) p.p.
Number of branches [4]	191	191	192	-	0,5%
Number of employees	2 632	2 611	2 674	(0,8)%	2,4%
BFA net penetration	36,7%	28,1%	26,2%	(8,6) p.p.	(1,9) p.p.
Debit card penetration	57,6%	59,8%	58,9%	+ 2,2 p.p.	(0,9) p.p.

(1) Loans net of provisions
(2) Includes cost of staff, supplies and third-party services, other operating expense, depreciation and amortisation
(3) The method for calculating impairment was changed in 2018 to comply with IFRS 9
(4) Branches + business centres + investment centres + banking service points

Amounts expressed in USD million

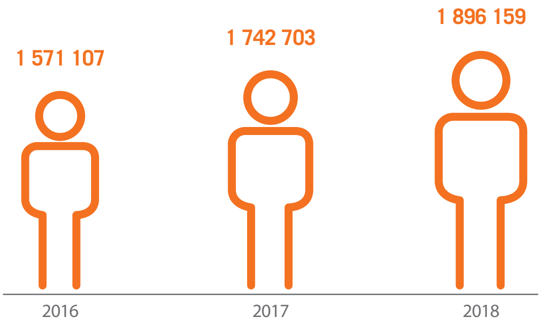
USD	Dec 16	Dec 17	Dec 18	Var % 16-17	Var % 17-18
Total assets	7 913,5	8 697,1	5 520,7	9,9%	(36,5)%
Loans and advances to clients [1]	1 418,4	1 174,1	958,6	(17,2)%	(18,4)%
Client deposits	6 508,0	6 377,9	3 992,5	(2,0)%	(37,4)%
Shareholders equity and equivalent	1 044,1	1 310,4	1 175,4	25,5%	(10,3)%
Banking income	607,6	833,5	1 128,8	37,2%	35,4%
Net interest income	407,2	649,9	457,7	59,6%	(29,6)%
Net non-interest income	200,4	183,7	671,1	(8,4)%	265,4%
Overheads [2]	218,2	203,7	224,0	(6,6)%	10,0%
Operating profit	417,7	646,9	919,1	54,9%	42,1%
Net profit	377,2	416,4	710,2	10,4%	70,6%
ROA	4,4%	5,0%	10,0%	0,6 p.p.	+ 5,0 p.p.
ROE	38,1%	35,4%	57,4%	(2,7) p.p.	+ 22,0 p.p.
Cost-to-income	35,9%	24,4%	19,8%	(11,5) p.p.	(4,6) p.p.
Total assets per employee	3,0	3,3	2,1	10,8%	(38,0)%
Loan-to-deposit ratio	23,1%	20,2%	25,6%	(2,9) p.p.	+ 5,4 p.p.
Regulatory solvency ratio	34,6%	37,9%	53,8%	+ 3,3 p.p.	+ 15,9 p.p.
Non-performing loans / Total advances and loans to clients	4,7%	6,1%	3,6%	+ 1,4 p.p.	(2,5) p.p.
Non-performing loan impairment provisions [3]	125,4%	144,3%	179,2% 3	+ 18,9 p.p.	+ 34,9 p.p.
Loan impairment provisions [3]	5,8%	8,8%	5,1% 3	+ 3 p.p.	(3,7) p.p.
Number of branches [4]	191	191	192	0%	0,5%
Number of employees	2 632	2 611	2 674	(0,8)%	2,4%
BFA net penetration	36,7%	28,1%	26,2%	(8,6) p.p.	(1,9) p.p.
Debit card penetration	57,6%	59,8%	58,9%	+ 2,2 p.p.	(0,9) p.p.

(1) Loans net of provisions
(2) Includes cost of staff, supplies and third-party services, other operating expense, depreciation and amortisation
(3) The method for calculating impairment was changed in 2018 to comply with IFRS 9
(4) Branches + business centres + investment centres + banking service points

Business
2016-2018

Clients

The number of BFA clients grew in absolute terms in line with 2017.

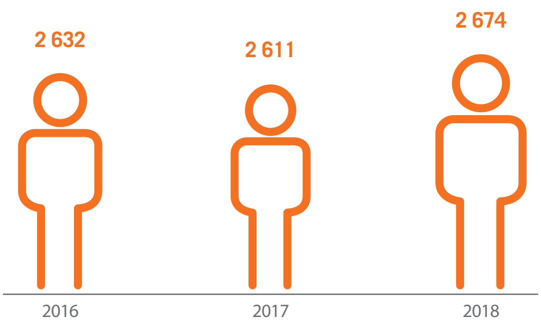


Branches

BFA increased the number of its branches in Angola to 192 (branches, business centres, investment centres and service points).

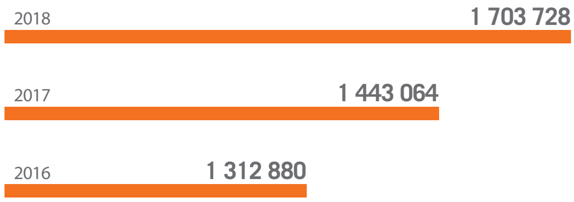
Employees

In 2018 BFA employee numbers rose 2.4%.



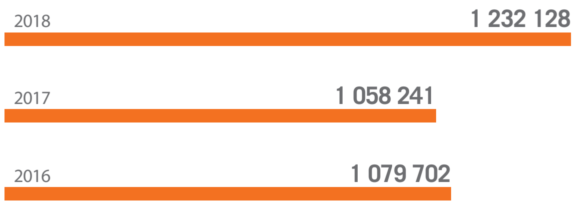
Total assets (AKZ M)

In 2018 BFA's total assets rose 18.1%, reflecting the increase in its business.



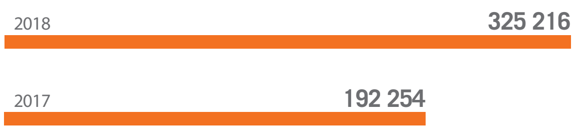
Total deposits (AKZ M)

Market confidence in the Bank was evidenced by a higher inflow of resources than in 2017 (AKZ 1 232 128 million by end 2018).



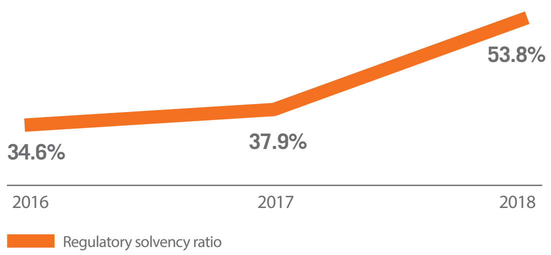
Regulatory own funds (AKZ M)

BFA's regulatory own funds rose 69.2% in 2018, consolidating the Bank's position and solidity in terms of the financial support it provides to its clients.



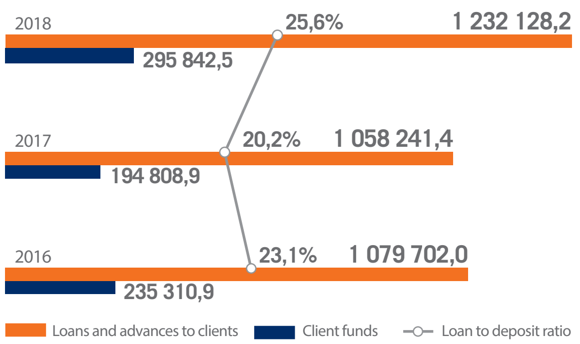
Regulatory solvency ratio

BFA's significant financial solidity is reflected in a regulatory solvency ratio that is more than 5 times above the required (10%) minimum.



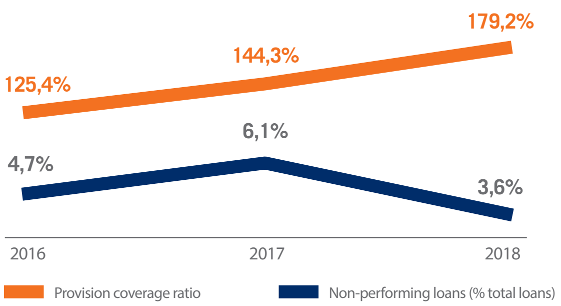
Business with clients (AKZ M)

In 2017 The Loan-to-deposit ratio went up to 24% since lending went up more than deposits.



Loan quality

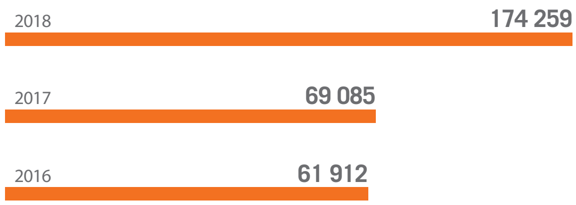
2018 saw the non-performing loan ratio fall as the loan book expanded and the provision coverage ratio rose.



Note : The method for calculating impairment was changed in 2018 to comply with IFRS 9

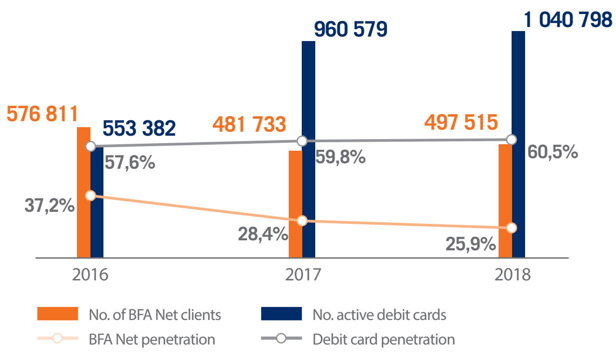
Net profit (AKZ M)

In 2018 BFA achieved the highest profits in its history (+152.2% on 2017 or over AKZ 174 billion).



Services

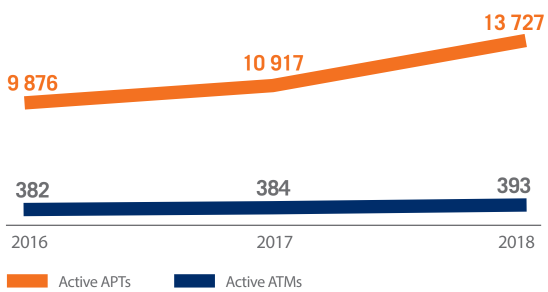
Debit card and BFA Net penetration levels remained constant in 2018 at 58.9% and 26.2%, respectively.



Note 1 : In January 2017 EMIS began classifying cards used at least once in the last 6 months as active. In the period up to December 2016 cards were not classed active unless they had been used in the last month.

ATMs and APTs

As the number of ATMs and APTs increased, BFA continued its commitment to increasing the number of alternative contact channels with the Bank.



Outlook for 2019

In a growing competitive environment, with profound changes in the macroeconomic and social climates, BFA will focus on improving its operating performance, including a detailed review of service models, development processes and people management.

I. Compliance

In order to bring controls into line with international standards and to ensure the Bank implements best practice at all times, BFA has created an Exchange Control Department, introduced an AML profiling and filtering tool and has expanded the Compliance team.

To ensure continued application of best practices, in 2019 BFA will:

- Strengthen internal controls with internationally accepted practices to ensure compliance and support the fight against money laundering and the financing of terrorism (FML/FT);
- Continue Compliance team training in general to make it the bedrock of excellent performance and of the ability to respond efficiently to the challenges now facing the Bank;
- Review and improve the information in the Bank's client database;
- Install and commission the DCS-AML profiling and filtering tool;
- Improve the Bank's approach to correspondent banks, coming into line with best international practice;
- Improve management involvement and intervention in compliance processes and procedures.

II. Customer relations

Over the next year, BFA intends to leverage its relationship with clients, reinforce its position as a trusted bank and be the bank for all Angolans. In 2019 BFA will therefore:

- Continue mystery client surveys of all BA's personal and business banking branches and of corporate banking, introducing new surveys to keep a constant watch on the care and service the Bank provides to its clients so as to identify and exploit areas for improvement;
- Issue a Multicaixa credit card in Angola and a Multicaixa Express app and introduce a direct debit service, showing clients that BFA is available 24/7;
- Provide personal and business clients with information on OPEs and access to foreign trade transactions through BFA Net and BFA App;
- In partnership with Fidelity, increase the range of stand-alone insurance contracts offered by adding accident at work and personal accident insurance.

III. Risk management

In 2019 RM (Risk Management) is expected to cover global, balance sheet, credit and operating risk in order to fulfil its responsibilities and perform its duties on an independent basis. In 2019 BFA will therefore:

- Conclude the operating plan for Risk Management;
- Acquire the necessary human and technical resources, technical skills and experience to undertake existing profiling and risk management processes;
- Improve, develop or acquire new risk management tools;
- Adopt a technological platform for the Bank in order to be able to apply business intelligence and datamining tools to perform independent analysis;
- Invest in the general training of all Bank staff, especially management, in risk management principles and aims.

IV. Human resources

In 2018, HR underwent a change in its responsibilities that will be extended to affect all BFA's other departments and the alignment of Bank staff with its strategy.

In addition, and as a result of the change, in 2019 HR will focus on:

- Implementing a new type of performance assessment, new integrated HR management software, a new management support solution (SAP), an internal whistleblowing channel and a new leaders programme;
- Identify and develop internal BFA talent and promote programmes for identifying external talent;
- Continue to review the Bank's internal HR policies on internal mobility.

V. Innovation and technology

The focus on technological innovation is one of the cornerstones of BFA's strategy. Investments in IT systems and the projects undertaken in this area have yielded very positive results that have not only enabled the systems not only to keep pace with the Bank's growth but also to become a driver of growth. The goals for 2019, building on progress achieved to date, are:

- Launch of a new mobile app;
- Migration of core banking to a guaranteed 3G version that will be available 24/7;
- Infrastructure upgrade to support new projects, where each system can operate independently;
- Implementation of new forms that meet regulatory requirements and include VAT on invoices in Angola.

VI. Social responsibility

In 2019 BFA will:

- Distribute funds to 12 entities of proven merit in supporting the improvement of child health, education and welfare in Angola;
- Undertake health, education and social inclusion activities through donations, receive awards and perform voluntary work.

VII. 2018-2022 strategic plan

In 2018 the implementation of the 2018-2022 strategic plan (+BFA) was marked by a steep organisation learning curve. Activities planned for 2019 therefore include:

- **Working to ensure rotation within the Transformation team**. This must be a multi-disciplinary team that throughout its management of +BFA projects is also able to acquire transverse knowledge that can be later applied in other areas of the Bank's work. The Transformation Department is expected to act as a driver of careers within BFA;
- **Increasing the investment in** BFA staff **training** through the BFA Academy that will be dedicated to the training of Bank employees and the enhancement of their development, skills and qualifications;
- Continued focus on client **segmentation** and product innovation to improve the service to existing clients and to capture new clients;
- Embedding the **We are BFA** culture by developing team spirit and customer focus;
- **Implementing a change management timetable** to embed a change management mindset through quarterly activities organised by the Transformation team. The focus will be on relationships and project-based work to create the behaviour patterns needed for transformation;
- **Dissemination of the +BFA Plan throughout the entire Bank** thanks to the monthly +BFA intranet newsletter (with information on the Plan for that month), a BFA Day once a month on which the entire Bank discusses the +BFA Plan, and an intranet forum on which staff can suggest new Plan initiatives;
- **Rolling out digital transformation**, concentrating in particular on the launch of a new mobile app and the procedure for opening an e-account.

02

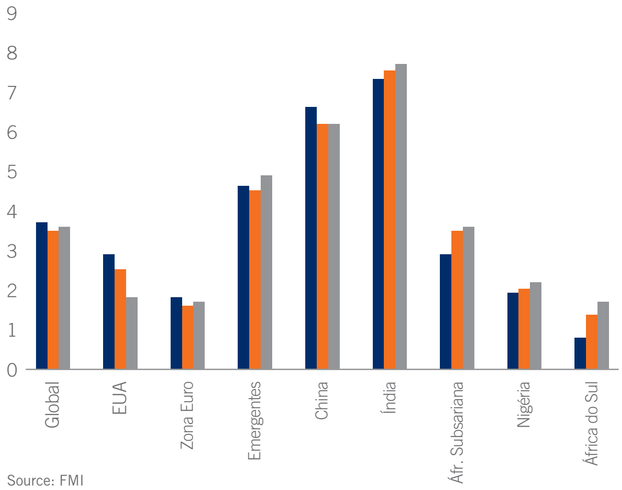
ECONOMIC ENVIRONMENT

Global economy

IMF estimates show that the global economy slowed slightly in 2018, growing 3.6% (-0.1% against 2017). Global expansion was weaker, reflecting some loss of dynamism in a few (mainly the most advanced) economies. These posted +2.2% GDP growth (-0.1% on 2017) but the slowdown was a general phenomenon. The German, Japanese, Canadian and French economies expanded more slowly than in 2017 (between 1% and 0.3% more slowly). Emerging economies also suffered a slight general deceleration, especially in Eastern Europe where GDP growth was more sluggish (3.6% in 2018, 1.6% less than in 2017, because of the impact of the shrinking Turkish economy) while in in the Middle East, North Africa, Afghanistan and Pakistan expansion slid from 2.5% to 1.8%. In the Commonwealth of Independent States however GDP rose from 2.2% to 2.8%. Sub-Saharan Africa's GDP increased from 2.7% in 2017 to 3.0% in 2018 thanks to slightly better performance from Nigeria, one of the biggest economies in the region (up from 0.8% in 2017 to 1.9% in 2018). South Africa's performance however remained weak, falling from 0.9% in 2017 to 0.8% in 2018.

World economic growth

YOY change (%)



Source: FMI

For 2019 the IMF predicts a continued gentle slide in GDP growth to 3.5%, essentially as a result of less dynamic advanced economies, whose GDP is expected to rise just 1.7%. Emerging economies are also likely to see their expansion slow slightly to 4.5% (-0.1% on 2018), depressed mainly by the performance of Europe's emerging and developing economies, where growth will be only 0.7% (-3.1% on 2018). Sub-Saharan Africa however is expected to improve 3.5% and South Africa to recover somewhat (+1.4%), growing these economies.

The forecasts are in part a response to the reaction of the financial markets to escalating trade tensions in 2018. Risks included: the negative impact of higher US and Chinese tariffs, the introduction of new fuel emission standards in Germany and concerns about the Italian economy's sovereign and financial risk, which could weaken market sentiment as regards Italy. At the same time, new factors have triggered tensions that could downgrade forecasts, e.g. the UK's probable no-deal withdrawal from the EU and the possibility of a bigger than expected slowdown in the Chinese economy.

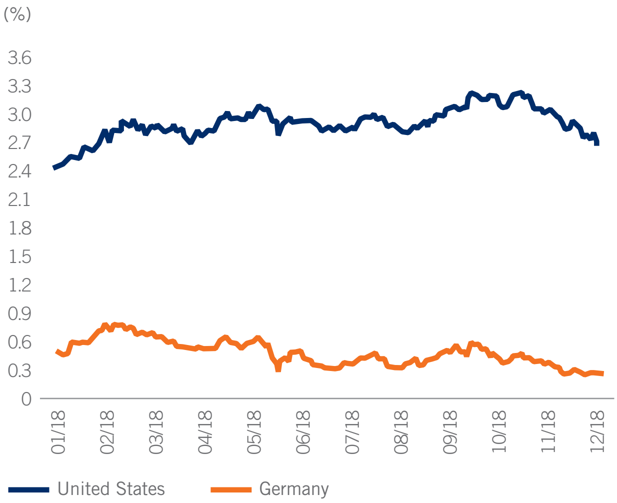
2018	2019
Advanced economies • GDP +2.3% • General slowdown	**Advanced economies** • Growth down to 1.7% • Less economic dynamism • European instability as a result of Brexit
Emerging economies • Slower growth in Eastern Europe • Slight improvement in the Middle East and North Africa • Steady growth in Sub-Saharan Africa	**Emerging economies** • GDP +4.5% • Sub-Saharan Africa to expand 3.5% • Major slowdown in emerging and developing European economies
GLOBAL ECONOMY: +3.7%	**GLOBAL ECONOMY: +3.5%**

MONETARY AND BOND MARKETS

The 2018 financial markets were generally impacted by a tighter US monetary policy, more volatile stock markets and by the fallout of the trade war between the USA and China and the application of tariffs on each others' exports.

The US economy saw 4 hikes in Fed fund rates - the last in December - which lifted them to between 2.25% and 2.50%. Taken together with the 3 rises in 2017, this means that US monetary policy is no longer markedly expansionist and is also not neutral, since unemployment is at a historic low. 2018 was also the year in which the Fed's balance sheet began to be cut from around USD 4.44 billion at end 2017 to USD 4.06 billion at end 2018, an almost USD 400 billion reduction achieved thanks to maturing Fed assets. Interest rates tracked monetary policy, 3-month USD Libor rising from 1.69% at end 2017 to 2.80% at end 2018, the highest in 10 years. Rates are expected to keep rising in 2019 but probably not at 2018 levels.

10-year sovereign debt yield



Source: Bloomberg

The Eurozone maintained its highly expansionist policy with the ECB continuing to purchase assets in 2018, raising the value of its holdings to over EUR 4.65 billion at the end of December from around EUR 4.45 billion at the start of the year. Asset purchases ceased in December and a reinvestment policy has been introduced that will maintain the assets held by Eurosystem at their maximum levels. There was no change in the rates relevant to monetary policy, the refi rate remaining at 0%, the marginal lending facility rate at 0.25% and the deposit facility rate at -0.40%. 3-month Euribor was also stable, rising just -0.33% to -0.31% over the year. Rates are unlikely to change in the first half of 2019 at least.

There were no major changes in other central banks either, with the exception of an additional 25-point rise in the Bank of England's repo rate to 0.75%. The Bank of Japan and the Swiss central bank also maintained relatively expansionist monetary policies.

The public debt markets were marked by a rise in the US 10-year T-bond yield to 3.23% to September/October (the highest level since 2011). A downturn in the markets and in economic forecasts then led to a correction, which by the end of the year brought yield down to 2.69% from 2.41% in January. The German Bund yield fell in 2018 to 0.24% by the end of the year, below the 0.43% offered at the end of 2017.

INTERBANK MARKET

Euribor

- Very expansionist policy
- ECB increased its securities holding to over EUR 4.65 billion by year end
- Refi rate unchanged at 0%, marginal lending facility rate at 0.25% and the deposit facility rate at -0.40%
- 3-month Euribor also stable, up just -0.33% to -0.31% over the year

USD Libor

- US monetary policy no longer markedly expansionist
- Fed balance sheet cut to USD 4.06 billion by end 2018
- 3-month USD Libor up to 2.80% at end 2018
- Rates expected to continue to rise in 2019

PUBLIC DEBT MARKET

Yields

- US T-bond yield up
- 3.23% peak (highest since 2011)
- Market slowdown and economic forecasts corrected yield, which ended the year at 2.69%

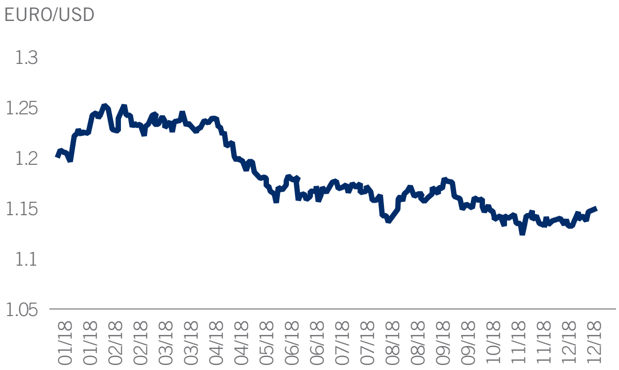
Bund

- German Bund yield fell in 2018 to end the year at 0.24%, -0.43% on year-end 2017.

FOREIGN EXCHANGE MARKET

In 2018 the dollar recovered some of the ground it lost to the euro in 2017 and the EUR/USD rate ended the year 1.15 down, up from around 1.12 in November, vs 1.20 at the end of 2017. In aggregate, the dollar rose in general over the year, particularly against emerging country currencies, mainly as a result of US monetary policy. The euro also fell against the dollar as a result of its relatively unchanged expansionist monetary policy and growth forecasts that were moderate compared with those for the USA. Sterling weakened during the year against both the dollar and the euro with the absence of any significant progress in producing a Brexit agreement that is both workable and acceptable to the EU and the UK. Among emerging currencies, the falls in the yuan and the Turkish lira stand out. In the case of the yuan, the depreciation was the result of a cooling economy plus the trade war with the USA. The Turkish lira was affected by a crisis caused by a number of factors, including the impact of US customs tariffs following a diplomatic misunderstanding. The Turkish economy closed 2018 in recession.

EUR/USD exchange rate



Source: Bloomberg

Angolan Economy

ECONOMIC ACTIVITY

ECONOMIC INDICATORS AND PROJECTIONS

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019P
Actual growth in GDP (yoy, %)	3,5	8,5	5,0	4,8	0,9	(2,6)	(0,2)	(1,7)	0,4
Oil sector	(5,2)	8,5	(0,9)	(2,5)	11,1	(2,7)	(5,3)	(9,5)	(2,2)
Other sectors	10,0	8,6	8,7	8,9	(3,0)	(2,5)	3,0	2,6	1,5
Oil production (millions of barrels per day)	1,69	1,76	1,72	1,67	1,78	1,75	1,64	1,52	-
Price of Angolan oil (average, USD/barrel)	108,7	110,9	107,7	97,4	48,9	40,9	54,0	72,0	55,0
Consumer price index (variation y-o-y, end of period)	13,5	10,3	8,8	7,3	9,2	30,7	29,8	19,6	17,5
Budget balance (% of GDP)	8,1	4,1	(0,3)	(5,7)	(2,9)	(4,5)	(6,3)	2,4	0,1
Primary budget balance exc. oil (% of GDP exc. oil)	(51,1)	(53,7)	(48,3)	(33,9)	(18,1)	(12,2)	(15,7)	(9,9)	(8,1)
Gross international reserves (USD billion, end of period)	27,5	32,2	32,2	27,8	24,4	24,3	18,1	15,8	17,5
Average exchange rate (AKZ/USD)	93,9	95,5	96,6	98,3	120,1	163,5	165,9	252,7	-

Sources: IMF, INE, MinFin, BNA

Data from INEZ (Angola's National Statistics Institute) shows that in 2018 GDP slipped 1.7%, primarily because of a 8.2% y-o-y fall in oil and gas business. 2018 was also the third consecutive year of recession (-2.6% in 2016 and -0.1% in 2017).

GDP - OIL

In the case of the oil industry the slowdown was caused by falling production. The General State budget estimates crude production at 1.52 mbd (1.64 mbd in 2017). Lower production is attributable to the operation of older oil fields that are in sharp decline and the lack of any new projects other than Kaombo.

General State Budget forecast	Actual
USD 50	USD 72
Higher oil revenues:	

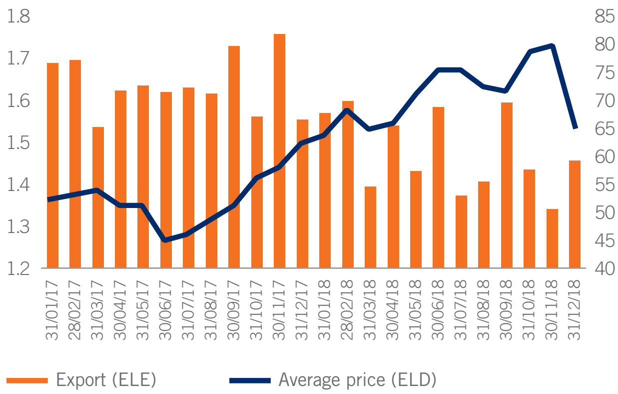
- Angolan government takes extraordinary revenue to repay domestic public debt
- Fiscal consolidation greater than expected

GDP - NON-OIL

The rise in crude prices since 2017 will not improve the non-oil economy mainly because of the Angolan government's strategy of taking extraordinary revenue to repay domestic public debt, leading to greater than expected fiscal consolidation.

Oil exports and monthly oil prices

mbd; USD



Source: Finance Ministry

Economic recovery is expected in 2019 and the IMF predicts 2.5% growth thanks to a 3.1% improvement in the oil sector and a 2.2% improvement in the rest of the economy. The oil sector will increase production as current exploration and new investment in the Kaombo (north and south) and Vandumbu (Block 15.06) fields bear fruit, although this will depend on the duration of the agreement to reduce oil production made with OPEC and other countries and compliance with it. The growth of the non-oil economy will also depend on oil prices. An improved economic environment should also lead to the gradual return of investment.

FOREIGN TRADE

BALANCE OF PAYMENTS

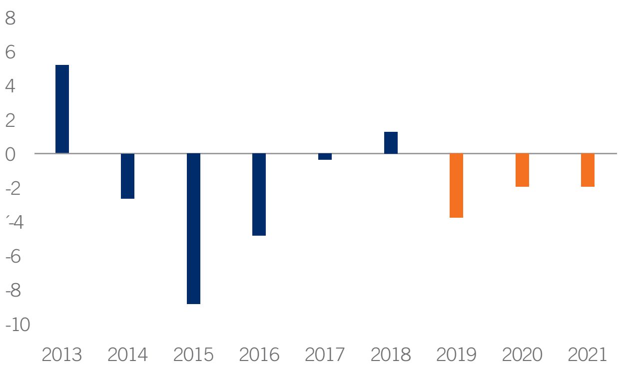
	2011	2012	2013	2014	2015	2016	2017E	2018E	2019P
Current balance (% of GDP)	12,6	12,0	6,7	(2,6)	(8,8)	(4,8)	(0,3)	7,0	(3,8)
Commercial balance (% of GDP)	45,2	41,1	33,5	21,0	10,7	13,9	16,7	24,0	-
Export of goods (% annual varation)	33,0	5,6	(4,0)	(13,3)	(43,9)	(16,9)	26,1	21,3	-
of which: oil (% annual varation)	32,9	6,3	(4,0)	(13,8)	(44,7)	(17,2)	26,9	22,4	-
Import of goods (% annual varation)	21,4	17,2	11,1	8,5	(27,6)	(34,6)	6,8	18,6	-
Capital and financial balance (% of GDP)	18,3	15,5	7,1	(5,0)	(11,1)	(8,2)	(6,5)	(1,2)	-

Sources: IMF, BNA

The current balance is USD 7.5 billion according to BNA (approximately 7.0% of GDP). This reflects the rise in the value of oil exports (thanks to higher prices) and imports that have grown more slowly in kwanza terms but have plummeted in dollar terms. The import of goods (excluding services) rose as access to foreign currency improved, gradually mopping up the demand for imports that the weak economy had prevented being met.

Current account balance

(% of GDP)



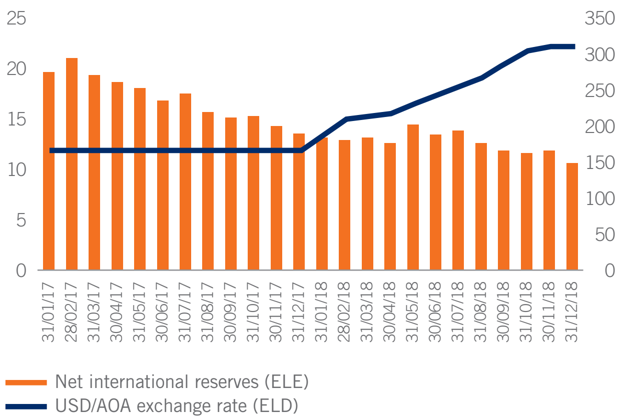
Source: IMF

Gross foreign debt however increased in 2018. 4th quarter figures for the year show gross foreign debt of USD 63.1 billion, up from USD 59.8 billion at end 2017. In GDP terms the increase was even greater because of the material fall in GDP in dollar terms caused by the weaker exchange rate (49% in 2017 but 57% at end 2018).

In 2019 the IMF expects to see the current balance move back into the red (-3.8%) as imports rise more strongly with a recovering economy and a currency market that is beginning to normalise. These factors could also increase exports, which might even stabilise.

International reserves and exchange rate

USD billion; USD/AOA



Source: BNA

2018 reserves dropped USD 2.96 billion to 10.63 billion (-21.77%) from their level in December 2017. The 2017 fall was USD 7.2 billion. Higher oil revenues offset the use of NIR and also allowed a slight increase in currency allocation. The IMF also forecasts that foreign investment will decrease yet further in 2018 to -20% of GDP, reflecting higher foreign public-sector debt.

Following the change of method for determining the exchange rate, which therefore ceased to be fixed, the Angolan economy gradually came into external balance, in line with the country's medium-term aims and its policies. The currency fell over 48.9% against the dollar and 36.3% against the euro to give an exchange rate of around USD/AOA

309 and EUR/AOA 353 at end 2018. The correction was accompanied by significant tightening of the spread between official and unofficial exchange rates in the year, from 168% in January to 33% in December.

To conclude, while 2018 saw a gradual reduction in external imbalances the IMF expects a number of imbalances to worsen again in 2019, especially the current balance.

PUBLIC FINANCE

In 2018 the Government completed greater than expected fiscal consolidation, taking higher than budgeted oil revenues. With respect to the 2018 General State Budget and in the light of current projections, it is generally clear that the big change since the March forecasts (when the General State Budget was passed) is that Brent prices have been much higher than expected. Angolan oil exports were selling at USD72 a barrel (the General State Budget was based on USD50 a barrel). Consequently, despite much lower than expected oil production figures, tax revenues on oil totalled AOA 3.886 billion, well above the 2018 General State Budget estimate of AOA 2.399 billion.

Expenditure was only slightly above budget at AOA 5.450 billion (forecast: AOA 5.209 billion), primarily because of 22% higher than expected interest (AOA 1.182 billion vs forecast AOA 0.968 billion). Public-sector investment was also higher than expected.

The result of the above is likely to be a totally unexpected 0.6% GDP surplus, which is a positive development, particularly given the 6.3% GDP deficit of 2017. The consolidation has also impacted the primary balance indicator, which is in surplus for the first time since 2013 (as is the above budget balance). Finally, if we exclude the effects of the oil economy and look only at the primary non-oil balance (non-oil % of GDP), the deficit here dropped from -16.3% to -13.0%.

2019 is predicted to produce another surplus, estimated by IMF to be 1.3% of GDP. Debt underwent a major adjustment as a result of exchange rate changes, rising from 68.5% of GDP to 91.0% at end 2018, including the Sonangol debt. IMF expects debt to end 2019 at around 79.1% of GDP.

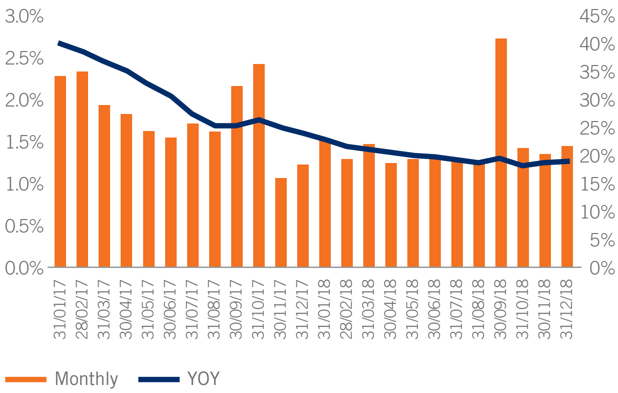
According to the annual debt plan, debt servicing (interest, repayment and commission) totals AOA 5.214 billion, 39% of the debt being national and 61% international. The Government expects to service the debt by raising around AOA 2.800 billion in funds and financing the rest from the 2019 General State Budget surplus. Around 70% of planned issues (excluding special issues, e.g. those used to recapitalise BPC) will be foreign debt and only AOA 380 billion will come from treasury bonds and around AOA 660 billion from treasury bills.

INFLATION AND INTEREST RATES

Interest rates fell in 2018, as in 2017. Inflation averaged 19.6%, well below the 29.8% of 2017. Year on year, inflation decreased throughout the period, remaining on a downward trend until October (18.0%) before picking up in the last two months of the year to end at 18.6%, at its lowest levels since February 2016. The trend was the result of monthly inflation below 1.5% - indeed for half of the year monthly inflation was below 1.3%. The exception was September (2.7% because of higher water bills). Inflation fell together with the exchange rate, an apparent contradiction caused by the importance of the grey economy to prices - on the grey foreign exchange market the kwanza appreciated over the year.

Inflation in Angola

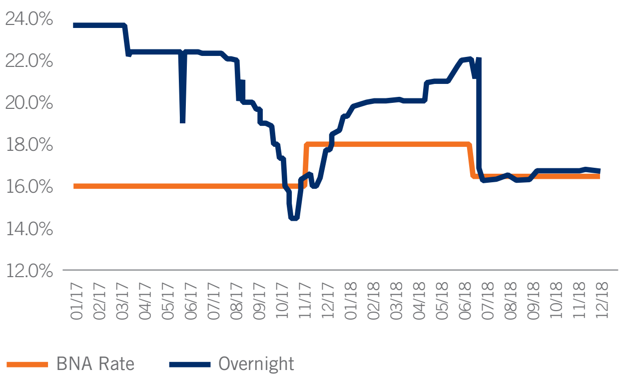
(%)



Source: BNA

BNA reference interest rate

(%)



Source: BNA

Monetary policy remained tight and there was a significant reduction in the quantity of national currency in circulation. This led at the May and July meetings of the Monetary Policy Committee to a move towards a less restrictive policy: repo rate and BNA rate set at 18% (the former had been 20%) initially, with a subsequent reduction to 16.5%; and a reduction of the reserve requirement ratio (national currency) from 21% to 19% in May and from 19% to 17% in July. The 7-day liquidity absorption rate remained 0% throughout the year.

INFLATION

Inflation was 19.6% and slid over the year

Main reasons:

- Monthly inflation below 1.5%;
- Exception was September (2.7%) because of higher water bills;
- Appreciation of the kwanza on the grey foreign exchange market.

BANKING SECTOR

2018			
Lending	Total lending to the economy rose 16.9%, after a 5.3% contraction in 2017.	+	Lending to the private sector alone increased 14.7% compared with a 8.4% contraction in 2017.
		−	Non-performing loans ended 2018 as 28.3% of total lending (-0.5% below end 2017). Despite this slight improvement, the rate increased materially during the year to hit a historic high of 32.7% in May 2018.
Deposits	Deposits increased 31.7% in 2018, compared with an increase of 1.5% in 2017.	+	The significant upswing is in part due to the revaluation of foreign currency deposits, whose kwanza value increased as the value of the national currency itself fell. Foreign currency deposits as a proportion of total deposits therefore enjoyed a robust increase from 32.8% to 46.7%.

OIL PRODUCTION DOWN WITH WORSENING PROSPECTS

In 2018 the price of Brent went up to over USD80 a barrel between the end of September and the middle of October thanks to the success of the agreement to reduce production signed by OPEC and other countries, including Russia, and to other factors. This peak was however followed by a steep fall as Brent prices plummeted to close to USD50 as concerns grew about the global economy and the demand for oil.

International oil prices

(USD/brl)

Source: Bloomberg

Oil prices gradually began to climb from USD66.9 at the start of 2018 to USD86.3 by October that year (almost +30%). A major contributor was the OPEC+ agreement between OPEC and a number of other countries (Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, Southern Sudan and Sudan) to cut oil production, which had been extended until the end of 2018. However, while OPEC countries cut production even more than required, this was more than offset by the mediocre implementation of the agreement by non-OPEC countries. Two other factors also contributed to the price rise: Venezuela's deteriorating economy had a big impact on its oil production, which dropped to below 1.5 mbd (million barrels per day) for much of 2018; plus the sanctions on Iran, which came into effect in November. Since a number of countries were exempted from sanction implementation until May 2019, the effect of the sanctions themselves was more moderate than expected. The result was a general environment conducive to a gradual price rise since there was very little volatility May-November.

From the middle of October the oil market suffered significantly as fears for the global economy grew. The fallout of the trade war between the USA and China began to be felt and higher tariffs were predicted, while at the same time scepticism grew about the cyclical nature of the Fed's rate rises, which the market believed could be too fast. Other markets, especially the equities market, dropped up to Christmas, tracked by the price of Brent as slower economic growth impacted the demand for oil products. Brent consequently dropped from its October peak to end the year at USD53.8.

Higher prices were also prevented by increasing US oil production, with strong growth in 2018 that was greater than predicted. According to Bloomberg oil production, which had not exceeded 10 mbd at end 2017, was around 12 mbd at end 2018, and is expected to keep rising (although less fast) in 2019 in part thanks to increased shale oil production.
2019 began with the entry into force of the new OPEC+ agreement that caps production. This, taken together with an improvement in the financial markets (a fact not unrelated to the Fed's change in strategy) lifted prices at the start of the year. Looking forward to the end of 2019, a number of different factors may impact oil prices. Firstly, the demand for oil products may be weaker than expected, depending on how the global economy grows. The biggest concerns are the negotiations during the trade war between the USA and China, which between them account for one-third of all oil demand.

Supply-side, in addition to the questions about compliance with and the scope of OPEC+, three other big questions present:

- The situation in Venezuela (which cannot export oil to the USA or import the naphtha it needs to dilute its very heavy crude) will continue to be a big brake on production, pushing prices up.

- The end in May of the significant reduction exemptions (SREs) from the sanctions on Iran will also mean a big drop in Iranian oil production. However it is possible, but not very likely, that the SREs will be renewed.

- Finally, some of the oil pipelines built to deal with US shale oil transport problems will come into operation in the second half of 2019 and will certainly increase production up even higher than its current levels.

Regulatory Changes

The regulatory changes introduced by the supervisory authorities in 2017 are listed below:

Month	Event
JANUARY	**Directive no. 7/DSB/DRO/DMA/2018** Foreign exchange policy - currency position limit.
	Instruction no. 01/2018 Foreign exchange policy - foreign currency auctions - participation procedure.
	Instruction no. 02/2018 Foreign exchange policy - foreign exchange procedures.
	Instruction no. 03/2018 Foreign exchange policy - exchange rates.
	Notice no. 1/18 Establishing the global currency position limit for commercial banks and the basis for its calculation.
	Directive no. 01/DSI/DRO/DMA/2018 Foreign exchange policy - currency position limit - commercial banks.
MARCH	**Notice no. 2/18** Establishing minimum share capital and regulatory own funds (ROF) for banks subject to supervision by BNA in the current macroeconomic and financial environment.
	Notice no. 3/18 Establishing the commission-free minimum banking services offered by banks supervised by BNA.
	Notice no. 4/18 Determining the amendment of article 12 of Notice no. 9/17 of 12 September 2017.
MAY	**Instruction no. 05/2018** Monetary policy for reserves.
JUNE	Presidential Decree no. 139/18 Establishing the legal and tax regimes creating a duty to pay fees to the Comissão do Mercado de Capitais-CMC.
	Instruction no. 06/2018 Foreign exchange policy - foreign exchange limits on family support.
	Instruction no. 07/2018 Foreign exchange policy -creation of an independent foreign exchange control fund within banks.
	Law 9/18 Approving the Financial Resource Repatriation Act.
JULY	**Notice no. 5/18** Establishing the rules and procedures for foreign exchange transactions to pay for the import and export of goods in the Republic of Angola.
AUGUST	**Notice no. 6/18** Establishing the global currency position limit for commercial banks and the basis for its calculation.
	Directive no. 05/DSB/DRO/DMA/ 2018 Currency position limit - commercial banks.
	Instruction no. 1/18 Approving the table of minimum copyright and associated fees.

Month	Event
SEPTEMBER	**Instruction no. 13/2018** Foreign exchange policy - prevention of money laundering and of the financing of terrorism in international trade.
NOVEMBER	**Notice no. 7/18** Establishing the requirements and procedures for the authorisation of the formation of money and credit non-bank financial institutions subject to BNA supervision.
	Notice no. 8/18 Establishing minimum share capital and regulatory own funds for monetary and credit non-bank financial institutions subject BNA to supervision.
	Notice no. 9/18 Setting out the terms and conditions bureaux de change must apply in their business.
	Notice no. 10/18 Establishing the penalties for delay in sending regular information to BNA.
	Notice no. 11/18 Establishing the operating rules for securities deposit services offered by financial institutions supervised by BNA within the Angolan payment system.
	Directive no. 06/DEF/DRO/ 2018 Change in the interest rate offered on Bankita à Crescer.
	Instruction no. 14/2018 Foreign exchange policy - remuneration of collateral deposited for credit cards.
	Instruction no. 15/2018 Foreign exchange policy - foreign currency sale to bureaux de change and payment service providers.
	Instruction no. 16/2018 Foreign currency sale limits for payment service providers and bureaux de change.
	Instruction no. 17/2018 Repatriation of financial resources.
	Instruction no. 18/2018 Financial system - conversion of foreign currency loans to individuals.
DECEMBER	**Presidential Decree no. 292/18** Approving the legal regime applying to invoices and equivalent documents.
	Instruction no. 19/2018 Foreign currency auctions - organisation and operation.
	Instruction no. 20/2018 Foreign exchange policy - reference exchange rates - calculation method - bank exchange rates.
	Instruction no. 21/2018 Foreign exchange policy - extension of the temporary suspension of foreign exchange licences for the import of goods.
	Directive no. 06/DMA/ 2018 Sending information to the interbank foreign exchange market.
	Law 15/18 Approving the Law on compulsory repatriation and extension of the forfeit of goods.
	Law 17/18 Legislative authorisation law regulating the standardisation of nomenclature for large numbers.
	Notice no. 12/18 Establishing the global currency position limit for commercial banks and the basis for its calculation.

TAX REFORM

2018 saw a continuation of the tax reform questions raised in previous years and the start of discussion about the introduction of value added tax (VAT) to Angola.

On 26 December 2018 the Presidential Decree on the statutory obligation to pay compulsory social protection contributions was passed. Inter alia this regulates the calculation and payment of social security contributions. The Decree revokes the previous decree regulating this matter and increases the contribution base by including additional remuneration factors.

The exceptional regime for the settlement of fiscal, customs and social security liabilities without interest, fines or legal fees by the taxpayer or his representatives in respect of taxable events up to 31 December 2017 was passed. Taxpayers must sign up to the regime between 1 January and 30 June 2019.

The legal regime on invoices and equivalent documents was passed. This sets out the rules on the issue, keeping and archiving of invoices and equivalent documents by taxpayers resident in Angola for tax purposes with respect to their transfers of goods, provision of services, payment of advances and early payments made as part of their business.

The regime for the electronic submission of accounts was passed. This applies to taxpayers who have a business with an annual turnover, or who import goods worth, over AKZ 50 000 000 based on their tax returns for the previous financial year.

03

BFA

Our History

1990

- Opening of an office of the former Banco de Fomento Exterior (BFE) in Luanda.

1993

- BFE presence boosted with the opening of a branch in Luanda, which started the Bank's business from capital equivalent to USD 4 million.

1996

- Acquisition of BFE by the BPI Group, leading to strong expansion of the group in Angola.

2002

- BFA assumes the status of an autonomous entity under Angolan law.

2003

- Inauguration of the new head office in Luanda, a high point of the BFA brand in the Angolan market and a landmark in the expansion plan for the Bank's commercial network by concentrating its central services in a single building.

2004

- The commercial network segmentation process began with the opening of the first three business centres, offering a specialised service to the corporate customer segment.

2005

- The social fund is created based on three action areas: education, health and social welfare.

- BFA launches the BFA Gold credit card, the first credit card on the Angolan market.

2006

- Significant expansion of the commercial network and boost to segmentation with the inauguration of the first investment centre.

2007

- Expansion of the commercial network with 96 service desks, 83 branches, 7 business centres, 4 investment centres and 2 service points.

- In partnership with VISA and EMIS, BFA is the first bank to launch a cash withdrawal service using credit and debit cards at all BFA ATMs.

2008

- Change in shareholder structure as a result of the sale of 49.9% of BFA to Unitel.

- Extension of the investment centre network to Benguela Province with the opening of the first investment centre in Lobito.

- Launch of the BFA Super Savings product, the main vehicle for acquiring new customer funds, particularly in USD.

2009

- Expansion of the commercial network to 129 service desks.

- Launch of the BFA Savings Plan and the Western Union service.

2010

- Creation of the central archive as part of the current dynamic information system, the main objective being to improve service quality to the customer in terms of queries and requests for documentation.

2011

- Launch of the BFA SMS service for private customers.

- Start of the eMudar@BFA project to provide the Bank with an application platform for management processes.

- Signing of the Bankita agreement with the BNA.

2012

- Creation of the Oil & Gas Operators Business Centre, to meet the specific needs of oil operators.

- Growth in the outlet network, with 167 service desks, 139 branches, 15 business centres, 8 investment centres and 5 service points.

- Service desks in Luanda Province reached a market share of 20%, with a total of 498 outlets.

2013

- Creation of the Oil & Gas Vendors Business Centre, to meet the specific needs of service providers to oil sector companies.

2014

- Inauguration of the BFA Helpline 923 120 120.

- Launch of the Kandandu prepaid VISA card.

2015

- BFA is the first member of BODIVA, with more than 70% market share in number and volume of transactions.

- BFA launches its first mobile application.

2016

- Legal constitution of BFA Asset Management, to be dedicated to trading and managing investment funds.

2017

- UNITEL buys +2% of BFA, becoming the majority shareholder.

2018

– Agrobusiness Department set up to support the sustainable development of this segment in Angola.

- Bank's Risk Management function becomes operational.

- Creation of the training academy.

Corporate Governance

CORPORATE GOVERNANCE AND INTERNAL CONTROL

Corporate governance is a cornerstone of any financial institution given its importance in the enforcement of the regulatory framework. BNA Notice no. 1/13, of 19 April, regulates the introduction of corporate governance-related policies and processes by financial institutions.

In response to this regulation, the Bank sought to establish a set of corporate management and internal control practices that would affect the management model through rules on capital structure, organisational structure, remuneration policy, code of conduct and conflict management, as well as transparency and disclosure processes. At the same time, it laid down reporting guidelines for the governance model.

As part of the ongoing efforts to improve the corporate governance structure and practices, the Board of Directors approved the implementation of an action plan in accordance with article 26(2) of Notice no. 1/13 and article 22(2) of Notice no. 2/13, of 19 April, to ensure that the Bank's corporate governance model and internal control system comply with the relevant regulations and are in line with international best practice.
In compliance with BNA Instruction no. 1/13 of 22 March, which regulates the submission of information by financial institutions to BNA within the framework of BNA Notices nos. 1/13 and 2/13, in December 2017 BFA's Board of Directors submitted its Annual Report on Corporate Governance and Internal Control at 30 November 2017, which contains the opinion of the Supervisory Board and the external auditor.

GUIDING CORPORATE GOVERNANCE PRINCIPLES

BFA's guiding corporate governance principles are based on strict compliance with Angolan and international laws and regulations as these apply to internationally recognised best practices and mirror the best ethical principles. They include:

Management transparency	Internal	Ongoing, full reporting. This allows non-executive members of the Board of Directors (BoD) and members of the Supervisory Board to comply efficiently with their controlling and supervisory duties.
	External	Comprehensive, accurate reporting. This allows shareholders, authorities, auditors, investors and stakeholders in general to assess the quality and appropriateness of the information provided and the outcomes.
Independence	Executive management independent of shareholders or particular interests.	
Fairness	Fair dealing with shareholders, clients and staff.	
Loyalty	Loyalty through the prevention of conflicts of interests.	
Efficiency	Efficient operation and interaction between all the Company's management and supervisory bodies.	
Strictness	Strictness in managing the various risks inherent in the Bank's business.	
Participation in decisions	Participation in decisions by adopting corporate models into decision-making processes and encouraging teamwork.	
Performance and merit	Performance and merit as key criteria of the employee and management remuneration policy.	
Harmony	Harmony by bringing shareholder, director and employee interests into line with each other.	
Value creation	A consequence of the aforementioned principles and the main goal of BFA's management and staff.	

CORPORATE STRUCTURE AND GOVERNANCE MODEL

BFA was incorporated by deed on 26 August 2002 as a result of the transformation of the Angolan branch of Banco BPI, S.A. into an Angolan bank.

By a deed published in Diário da República, III series - no. 11, of 17 January 2017 (the official gazette) following the unanimous written resolution of the relevant shareholders and the corresponding authorisation of the BNA, a thorough reformulation of BFA's articles of association was published, following changes to the shareholder structure.

CORPORATE STRUCTURE AND EQUITY INTERESTS

Up to the beginning of 2017, BFA was majority-owned by the BPI Group, which held 50.1% of its share capital, the remaining 49.9% being held by UNITEL, S.A. On 5 January 2017, pursuant to the share purchase agreement executed on 6 October 2016, Banco BPI, S.A. sold a 2% stake in BFA's share capital to UNITEL, SA, which became BFA's majority shareholder, with 51.9% of the share capital.

Equity structure

- BPI Group
- Unitel, S.A.

i. Banco BPI, S.A.;

ii. BPI Madeira, SGPS, Unipessoal, S.A.;

iii. BPI Vida e Pensões – Companhia de Seguros de Vida, S.A.;

As a founding shareholder, BFA has demonstrated permanent support and encouragement for the initiatives launched by EMIS from the outset and is usually one of the first banks in the system to implement the new solutions and services made available, such as:

- Installation of the new BFA data processing centre at the EMIS facilities, designed to meet the highest international standards as regards technical and service access conditions;

- Use of the new card management platform, in which BFA has a market share of over 42.5% of cards issued;

- New image-based cheque clearing system.

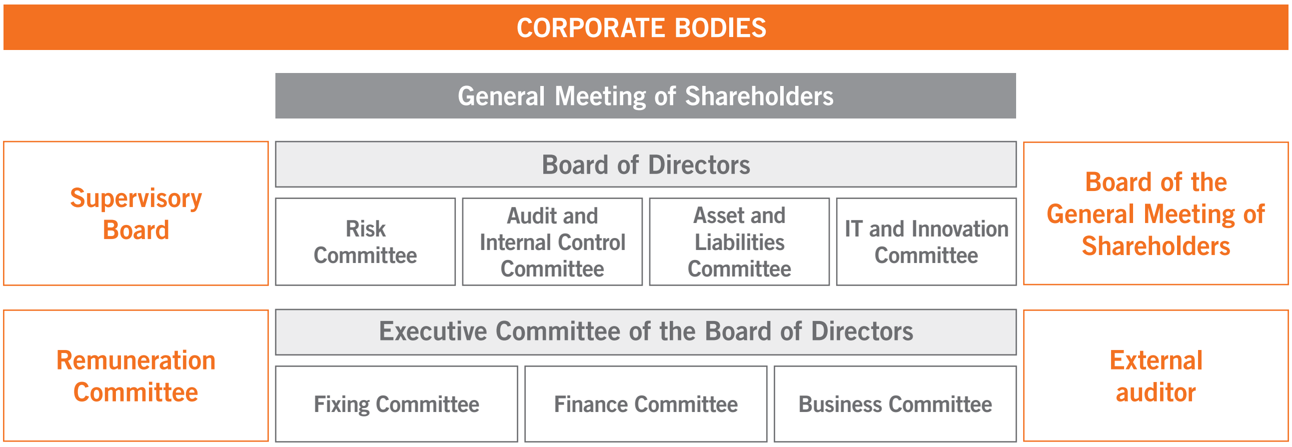
In accordance with EMIS's AoA, approved at the General Meeting of Shareholders on 17 December 2010, corporate management is carried out by the Board of Directors, while day to day management is delegated to an Executive Committee.

Following the changes that occurred at the beginning of the year on the BFA Board of Directors, new Bank directors were appointed to positions on EMIS's corporate bodies:

- Remuneration Committee: Dr. Jorge Albuquerque Ferreira.

GOVERNANCE MODEL

BFA's operating model complies with the requirements of the Financial Institutions Act (Law no. 12/2015 of 17 June 2015) and the following organisational model is established in its articles of association.



The following corporate bodies are statutory bodies:

i. General Meeting of Shareholders;

ii. Board of Directors;
and the Supervisory Board;

iii. Board of the General Meeting of Shareholders, its chairman, vice-chairman and secretary, the Executive Committee of the Board of Directors, the Remuneration Committee and the external auditor.

All BFA governance body members have the technical expertise, professional experience and moral character to perform their duties. All members are bound to a strict duty of confidentiality and are subject to a set of rules aimed at preventing conflicts of interest or the misuse of insider information, based on the best principles of sound and wise management.

General Meeting of Shareholders	
Composition	The General Meeting of Shareholders is made up of all the Bank's shareholders and its proceedings are governed by the AoA.
Powers	The General Meeting of Shareholders has powers over all matters that are not included in the powers attributed to other corporate bodies, namely: • Amendment of the company's articles of association, including any amendments relating to increases or decreases in share capital; • Merger, spin-off, transformation or dissolution of the company; • Issue of any securities that may result in a subscription or conversion into shares; • Introduction of limitations or suppression of shareholders' pre-emptive rights in capital increases; • Acquisition and sale of shares or own bonds; • Distribution of profits for the year, in accordance with the articles of association; • Other distributions of assets to shareholders and advances on profits; • Any matter of company management that the Board of Directors submits for its consideration.

Board of Directors	
Composition	The Board of Directors is composed of a minimum of 7 and a maximum of 15 members, elected by the General Meeting, who shall be elected and who shall in turn appoint the Chairman of the Board and, as the case may be, one or more Vice-Chairmen. The current BFA Board of Directors is composed of 13 members.
Powers	It is incumbent upon the Board of Directors to take all necessary or appropriate measures to undertake the activities included in the corporate purpose, and in general to take all measures that do not fall within the competence of other corporate bodies, its main competences being: • Acquisition, disposal or encumbrance of movable and immovable property; • Provision of collateral and personal or real guarantees by the company; • Opening or closing of establishments or part thereof; • Changes in Company organisation; • Appointment of agents for specific acts, or classes of acts, setting the limit of their mandates; • Approval of business and strategic plans, budgets and any changes thereto, under the conditions defined in the Articles of Association; • Decisions with significant capital impact; • Any significant change in the Company's geographical area of activity, unless foreseen in the strategic or business plan; • Listing of the shares representing the share capital of the Company or of subsidiaries; • Approval of the proposal for the appropriation of profit; • Transactions with related parties in excess of USD 2,500,000.00; • Issuance of subordinated debt, unless foreseen in the budget; • Amendments to the Board of Directors and Executive Committee Regulations and the Credit and Risk Regulations; • Formation of any subsidiary or acquisition of any shareholding that results in the formation of a subsidiary. The Board of Directors is also responsible for approving and monitoring the business and risk strategies as well as the policies and actions required to achieve the established goals, which are implemented by each of the BFA's Departments involved in strategy execution. The resolutions of the Board of Directors are recorded in minutes, duly written up and signed by all those present. In order to regulate its internal operations, the Board of Directors delegated the Bank's day-to-day management to an Executive Committee composed of five to seven members, within the limits established in the resolution establishing the delegation and in the operating regulations of the Board of Directors' Executive Committee.
Frequency	The Board of Directors shall meet at least monthly and whenever convened by the Chairman of the Board.

Executive Committee of the Board of Directors	
Composition	Executive management of the Bank is carried out by three, five or seven Directors, appointed by the Board of Directors, and the Chairman shall be chosen from among them.
Powers	Under its rules of procedure, which are approved by the Board of Directors and are subordinate to the annual action plans and budget and other measures and guidelines approved by the Board of Directors, the Executive Committee of the Board of Directors has extensive management powers for the exercise of the banking activity, as defined by law, and in particular the power to make decisions and to represent the Company. Its activities are constantly monitored by the Board of Directors, the Supervisory Board and the external auditor.
Frequency	The Executive Committee of the Board of Directors (ECBD) meets whenever convened by its chairman, usually once a week and at least once a month.

Risk Committee	
Composition	The Risk Committee comprises three to six executive or non-executive members of the Board of Directors (BoD) and, if the BoD so decides, non-board members who are freely chosen specialists in the area of Risk Management. Members are appointed by the BoD, which also appoints the committee's Chairman and, should it so decide, a Vice-Chairman.
Powers	• Advise the Board of Directors on risk strategy; • Monitor the management of risk policy regarding the risks inherent in the Bank's business.
Frequency	The Risk Committee meets quarterly or whenever convened by its chairman. Members of the Supervisory Board and the External Auditor may attend the meetings of the Risk Committee, without the right to vote, provided they notify their intention to the Committee Chairman.

Audit and Internal Control Committee

Composition	The Audit and Internal Control Committee comprises three to six members of the Board of Directors (BoD), non-members of the Executive Committee and, if the BoD so decides, non-Board members who are freely chosen specialists in the relevant Committee area. Members are appointed by the BoD, which also appoints the committee's Chairman and, should it so decide, a Vice-Chairman. The number of non-Board members must never exceed half of the total Board members.
Powers	• Ensure that an effective and duly documented reporting system is in place and operational, including the system for the preparation and disclosure of the financial statements; • Supervise the implementation of the Bank's accounting policies and practices; • Review all financial information for internal publication or disclosure, especially the annual management accounts; • Check the independence and efficiency of the internal audit, approve and review the scope and frequency of its activity and supervise the implementation of proposed corrective measures; • Supervise the work of the compliance function; • Supervise the activities and independence of the external auditors and set up a communication channel for the purpose of obtaining the audit findings and reports issued.
Frequency	The Audit and Internal Control Committee meets on a quarterly basis or whenever convened by its chairman.

Asset and Liabilities Committee

Composition	Comprised of three to six executive or non-executive members of the Board of Directors (BoD) and, if the BoD so decides, non-Board members who are freely chosen specialists in the field of assets and liabilities. Members are appointed by the BoD, which also appoints the chair of the committee and, should it so decide, a vice-chair.
Powers	• Advise the Board of Directors on asset and liability management strategy; • Define, follow up and monitor asset and liability management policy as regards the management of liquidity, interest rate, exchange rate and market risks; • Monitor indicators and metrics and their alignment with the objectives and targets for balance sheet management set out in the Strategic Plan; • Monitor the national and international macroeconomic climate, including analysing trends in interest rates and exchange rates in the market and identifying potential impacts;
Frequency	The Assets and Liabilities Committee meets on a quarterly basis or whenever convened by its chairman.

IT and Innovation Committee	
Composition	Comprised of three to six executive or non-executive members of the Board of Directors (BoD) and, if the BoD so decides, non-Board members who are freely chosen IT and innovation specialists. Members are appointed by the BoD, which also appoints the chair of the committee and, should it so decide, a vice-chair.
Powers	• Advise the Board of Directors on strategy for developing the Bank's information systems and their implementation; • Monitor the implementation of projects related to the Bank's information systems; • Support the Board of Directors in identifying, evaluating and implementing new processes, products or working methods
Frequency	The IT and Innovation Committee meets on a quarterly basis or whenever convened by its chairman.

Fixing Committee	
Composition	Comprising ECBD members and the heads of the operating departments (Finance and International, and Foreign Sector and Treasury) and the commercial departments (Corporate Banking, Personal and Business Banking, Investment Centres). Members of the Fixing Committee are appointed by the ECBD, which also appoints its chairman and, should it so decide, a vice-chairman.
Powers	• Ensure compliance with BNA standards. • AMonitor the BNA's foreign exchange auctions, analysing deviations and proposing corrective measures. • Approve and monitor the distribution of foreign currency by customers in accordance with the criteria established for the purchase and sale of foreign currency, as well as the internal rules established for this purpose. • Monitor the policy for managing sales of foreign currency, eliciting proposals for submission to the ECBD with a view to resolving major constraints to economic activity. • Monitor and streamline the processes for requesting foreign currency at the Bank, identifying opportunities to improve processes or introduce new methods, and ensure subsequent assessment by the ECBD.
Frequency	The Fixing Committee meets meet at least once a month and whenever convened by its chairman.

Finance Committee	
Composition	Made up of the head of the Financial and International Department (DFI), acting as chairman, and other members appointed by the chairman.
Powers	The Finance Committee is an advisory body to the ECBD whose mission is to frame DFI's business: • Monitoring of legislation and prudential rules in force; • Pricing policy; • New product strategy; • Management of balance sheet risks: exchange rate risk, interest rate risk and liquidity risk; • Other tasks requested by the ECBD. Meetings of the Finance Committee may be attended by any of the members of the BFA Board of Directors. In addition, the chairman of the Finance Committee may call other BFA employees to attend whenever their intervention and participation is relevant to the items on the agenda.
Frequency	The Finance Committee meets weekly or whenever convened by its chairman.

Business Committee	
Composition	The Business Committee is comprised of members of the ECBD and, if the ECBD wishes, persons who do not belong to that body but are freely chosen by it on the basis of their specialist knowledge in the area in which the Business Committee operates, i.e. the operating departments (Marketing, Protocol Management, Means of Payment and Transformation Office) and the commercial departments (Corporate Banking, Personal and Business Banking, and Investment Centres). Members of the Fixing Committee are appointed by the ECBD, which also appoints its chairman and, should it so decide, a vice-chairman.
Powers	The Business Committee: • Monitors the development of the business and the commercial performance of the different networks; • Monitors the competitive environment and prospects for business development; • Defines commercial policy by identifying priorities, opportunities and constraints to business activity; • Monitors the implementation of the commercial policy, i.e; • Requerer a elaboração de propostas a submeter à CECA visando a resolução de constrangimentos relevantes para a actividade comercial; • Requests the drafting of proposals to be submitted to the ECBD to resolve major constraints for business activity; • Monitors the implementation of defined priorities, in particular by analysing deviations and their impacts; • Develops and streamlines the implementation of new products to be launched onto the market and monitor their commercial performance; • Monitors and streamlines business activity by identifying process implementation opportunities or new methods; ensures they are subsequently assessed by the ECBD.
Frequency	The Business Committee meets monthly or whenever convened by its chairman.

Supervisory Board	
Composition	The Supervisory Board structure is governed by the Articles of Association and its operation follows the legal or regulatory provisions and its own regulations. It comprises a chairman and two permanent members, one of whom must be a chartered accountant. Its members must be natural persons with full legal capacity (article 433 of the Companies Act) and must have the technical qualifications and professional experience, including actual banking experience, to allow them effectively to fulfil the tasks entrusted to them.
Powers	• To supervise the Company's management; • Ensure compliance with the law and with the Articles of Association; • Verify that the books of account, accounting records and supporting documents are in order; • Check the accuracy of the balance sheet and income statement; • Confirm that the valuation criteria in use by the company lead to an accurate valuation of its assets and results; • Prepare an annual report on its auditing activities, including its opinion on the annual report, accounts and proposals submitted by management; • Call a general meeting whenever the chairman of the General Meeting of Shareholders fails to do so; • Comply with any other provisions of the law, the Articles of Association and BNA directives.
Frequency	The Supervisory Board meets at least once every quarter.

External auditor	
Composition	External audit is provided by PricewaterhouseCoopers (Angola), Lda. The rules governing the services provided by external auditors are set out in BNA Notice 4/2013 of 22 March 2013. The Bank maintains that its auditors are independent, within the scope of applicable regulatory and professional requirements, and that their objectivity is not compromised. In this regard, BFA has built into its governance practices and policies various mechanisms to safeguard the independence of its auditors.
Powers	• Audit BFA's financial statements as at 30 June and 31 December; • Issue an opinion as to the truth and fairness of the Annual Report on Corporate Governance and the Internal Control System.
Frequency	The external auditor performs an annual audit of management procedures and/or processes selected for this purpose, including mandatory general IT controls.

COMPOSITION OF THE CORPORATE BODIES

The General Meeting of Shareholders on 6 June 2017 approved the following appointments to BFA's corporate bodies for the period 2017-2019.

BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

Chairman	Jorge Brito Pereira
Vice-Chairman	Luis Graça Moura
Secretary	André Barreiros

BOARD OF DIRECTORS

Chairman	Mário Leite Silva
Vice-Chairman	António Domingues
Directors	Jorge Albuquerque Ferreira António Matias Vera Escórcio Manuela Moreira Rodrigo Guimarães Francisco Avilez Carlos Firme
Non-executive directors	Otilia Faleiro Francisco Costa Diogo Santa Marta

EXECUTIVE COMMITTEE

Chairman	Jorge Albuquerque Ferreira
Members	António Matias Vera Escórcio Manuela Moreira Rodrigo Guimarães Francisco Avilez Carlos Firme

SUPERVISORY BOARD

Chairman	Amilcar Safeca
Vice-Chairman	Rodrigo Aguiar Quintas
Chartered accountant	Henrique Camões Serra

EXTERNAL AUDITOR

PricewaterhouseCoopers (Angola), Lda.

ORGANISATIONAL CHART

BFA's organisation chart has a functional structure that clearly separates the areas and functions of each department, each of which headed by one of an executive director.

Jorge A. Ferreira Chairman	António Matias	Vera Escórcio	Manuela Moreira	Carlos Firme	Rodrigo Guimarães	Francisco Avilez
Marketing	Personal and Business Banking (North)	Finance and International	Social Responsibility	Accounts and Planning	Personal and Business Lending	IT
HR	Personal and Business Banking (South)	Foreign Exchange Control	Protocol Management	Facilities and Assets	Credit Risk	Means of Payment
Business Development Unit	Investment Centres	Treasury	Private Banking		Structured Finance and Investment	Credit Processing
Corporate	Agrobusiness	BFA Asset Management			General Risk	Foreign
Transformation					Monitoring, Recovery and Litigation	Organisation and Quality
BFA Academy					Legal	Procurement
					Compliance	

Mário Silva
BD Chairman

Internal Audit

Executive Committee of the Board of Directors

Rodrigo Guimarães
Director

Vera Escórcio
Director

Carlos Firme
Director

Jorge Albuquerque Ferreira
Chairman

Francisco Avilez
Director

Manuela Moreira
Director

António Matias
Director

Executive Committee of the Board of Directors

JORGE ALBUQUERQUE FERREIRA

Chairman

Date of birth

22 February 1970

Jorge Albuquerque Ferreira has been President of the BFA Executive Committee since the end of June 2017. He holds a degree in Economics from the University of Coimbra. He has been with Banco BPI for 23 years. He began his career as a Customer Manager at a BPI branch, and worked his way up through the banking hierarchy to the position of Central Director. His professional mission has always focused on commercial leadership at national and international level.

ANTÓNIO MATIAS

Director

Date of birth

19 July 1968

António Matias has been a member of the Board of Directors since 2005 and Chairman of the Board of the Instituto de Formação Bancária de Angola (IFBA). In addition to an academic career in Economics he has more than 15 years' experience in banking, having joined BFA in January 1998. He held various positions in sales until he was appointed Assistant Manager of the Credit Department in 2001 and Central Manager of the Corporate Department in May 2005. He earned a degree in Business Management from the Agostinho Neto University College of Economics and a postgraduate degree in Banking, Insurance and Financial Markets from ISLA (Instituto Superior de Línguas e Administração).

VERA ESCÓRCIO

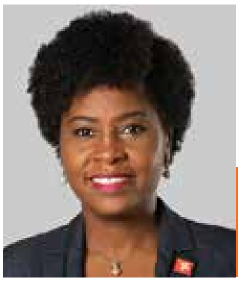
Director

Date of birth

17 September 1974

Vera Escórcio has been a member of the BFA Board of Directors since 2009. She has 16 years' experience in the banking sector, and started in 2001 at BFA, where she reached the position of Assistant Financial Director. She was also Finance Director at Banco BIC.

She graduated in Economics and specialised in Business Economics at the UNL School of Business and Economics (Universidade Nova de Lisboa) and obtained a postgraduate degree in Banking Management from Católica Executive Education Lisbon.



MANUELA MOREIRA

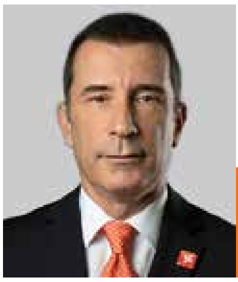
Director
Date of birth
28 September 1969

Manuela Moreira has been a member of the BFA Board of Directors since 2014. Her 20 years' banking experience began at BFA in 1997. She has performed various duties during her career, namely within the Accounting, Credit and Sales Departments, having been appointed head of the Investment Centre Department in May 2006. She previously worked at the Ministry of Finance's Accounting Department and for the Ministry of Education as a lecturer at the Instituto Médio de Economia de Luanda (IMEL). She graduated from the University of Havana, Cuba, in 1995 with a degree in Accounting and Finance and from the Getúlio Vargas Institute in 2005 with a Master's Degree in Business Management.

CARLOS FIRME

Director
Date of birth
28 December 1970

Carlos Firme has been a member of the BFA Board of Directors since June 2017. He holds a degree in Economics from ISEG (1988-93), a Master's in Monetary and Financial Economics from ISEG (1995-97) and the Advanced Management Program (AMP) from Harvard Business School (2009). He began his professional career in 1993 at the Ministry of Finance's Office of Economic Studies (GEE), and in 1997 joined the Finibanco Group, initially as Director of the Office of Economic and Sectoral Studies and, as of 1999, as a Director in the areas of Trading and Financial Markets. From 2006 to the end of 2015, he held the position of Director with the Banif Group, in the areas of Investment Banking, Asset Management, Pension Funds, Venture Capital and Commercial Banking, having taken on roles in the Financial, Investment and Risk areas.



RODRIGO GUIMARÃES

Director
Date of birth
18 September 1966

Rodrigo Guimarães has been a member of the BFA Board of Directors since 2017. He began his career at BPI in 1990, working on Project Finance in the Corporate Department and from 2012 in the Business Development Unit. He worked at BFA previously, between 2006 and 2009, as Director of the Project Finance Department and later as Director in charge of Corporate Affairs and the Legal Department. He also served as the Chief of Staff for the Secretary of State for Treasury and Finance (2004) and Chief of Staff for the Secretary of State for Fiscal Affairs (2011). He graduated in Law from the Faculty of Law of the Universidade Católica Portuguesa, and holds an MBA from Manchester Business School.

FRANCISCO AVILEZ

Director
Date of birth
29 March 1971

Francisco Avilez has been a director of BFA since April 2018. He began his banking career in 1996 in the BPT group, starting in Asset Management in Portugal and Switzerland before moving to Finance as its Central Director 2013-2017. He was BFA's Head of Finance 2006-2010, working as a Banco BPI executive seconded to Angola. Mr Avilez holds a degree in economics from Lisbon's Universidade Nova and a Masters in Developing Economies from the University of Stanford in California.

INTERNAL CONTROL SYSTEM

The BFA internal control system is comprised of the organisational plan of all the methods and procedures adopted by the Board to achieve the management objective of ensuring, as far as practicable, the methodical and efficient conduct of its activities. It includes objectives such as adherence to management policies, safeguarding of assets, prevention and detection of fraud and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

According to Notice no. 2/13, which regulates the obligation on financial institutions to implement an internal control system, an appropriate and effective internal control system is one where the board of directors and management are reasonably certain that the Bank's strategic and operational objectives are being met, that the reporting system is reliable and that standards and regulations are being met.

BFA's current internal control system consists of four components, with specific objectives and instruments to ensure that the system as a whole is appropriate and integrated:

Control environment	The control environment covers the attitudes and actions of the Bank's management and staff, considering the levels of knowledge and experience appropriate to their functions, and the high principles of ethics and integrity with which they operate.
Risk management system	The risk management system provides a set of integrated policies and processes to ensure risks are correctly identified, assessed, monitored, controlled and reported. It considers all relevant risks and ensures that they are managed effectively, consistently and in a timely manner.
Information and coommunication	The Bank's information and communication systems should ensure complete, reliable, consistent, comprehensible and aligned information on the objectives and measures defined, as well as procedures for collecting, processing and disseminating information in accordance with best practice.
Monitoring	Monitoring of the internal control system involves ongoing, effective and timely detection of deficiencies in strategy, policies, processes and all categories of risk, as well as ethical and professional principles.

REMUNERATION OF CORPORATE BODIES

Remuneration of executive directors

The remuneration policy at BFA for ECBD members is based on fixed and variable components, awarded in line with market practice and according to the performance of BFA and of each individual director in the year prior to payment of said remuneration. Consistency of performance is assessed over a multi-year horizon, based on the following criteria:

- Individual performance;
- Collective performance of the organisational units under the Director's responsibility;
- The Bank's overall performance;
- Due regard for the standards, rules and external and internal procedures applicable to BFA's business and, in particular, the Code of Conduct.

The amount of fixed compensation paid to ECBD members is consistent with market practice and is determined by individual employment contracts and the labour laws in effect.

The purpose of the variable remuneration element is to strengthen the alignment between the interests of ECBD members and the interests of BFA and its shareholders. Taking 'consistent performance' into account when setting the variable remuneration of ECBD members helps prevent variable pay from becoming an incentive for excessive risk-taking. The total amount of variable remuneration payable to members of the ECBD is affected by various factors, most notably the historical performance of profit before tax and profit after tax in the previous two years.

Since BFA is not a publicly-traded company, the variable remuneration component in question is fully paid in cash.

Remuneration of non-executive directors, Supervisory Board and the Board of the General Meeting of Shareholders

The remuneration of non-executive members of the Board of Directors, the Board of the General Meeting of Shareholders and the Supervisory Board is fixed and they receive no variable remuneration for their duties.

The remuneration paid to members of the Board of Directors, the Board of the General Meeting of Shareholders and the Supervisory Board is determined by a Remuneration Committee made up of shareholder representatives, where such a committee has been elected, or directly by the shareholders through the General Meeting of Shareholders.

Remuneration in 2018

In 2018 the aggregate remuneration paid to members of the Board of Directors, the Supervisory Board and the Board of the General Meeting amounted to AKZ 1456 million, as follows:

- Members of the ECBD, AKZ 1325 million, including both fixed and variable remuneration;
- Non-executive members of the Board of Directors, Supervisory Board and Board of the General Meeting of Shareholders, AKZ 132 million in fixed remuneration.

PROFIT APPROPRIATION POLICY

The profit appropriation policy is stated in the Articles of Association, which set the following order of priority:

- Cover losses carried forward from previous years;
- Set up or replenish the legal reserve;
- Set up or replenish the special reserves required by law;
- Pay preferred dividends due on any preference shares the Bank may have issued, namely those without voting rights;
- Distribute 40% of the remaining profit to all shareholders, unless the General Meeting decides by a majority representing two-thirds of the share capital to fully or partially replenish any reserves or to make any other specific investments of interest to the Bank;
- Allocate the remainder as decided by simple majority of the General Meeting of Shareholders.

At present, the requirements regarding funding of the legal reserve are fulfilled.

Between 2009 and 2012, 65% of profits were paid out as dividends while the remaining 35% were transferred to the free reserves.

In 2013 and 2014, 50% of net profits were paid out as dividends while the remaining 50% were transferred to free reserves.

Between 2015 and 2017, 40% of profits were distributed as dividends and 60% were allocated to free reserves.

The proposal for the appropriation of profit for 2018 is that 40% of income before extraordinary items and tax should be distributed as dividends, the remainder being allocated to free reserves.

ETHICAL PRINCIPLES AND CONFLICTS OF INTERESTS

He ethical conduct of all BFA employees is a critical factor for the development and success of the organisation, as it brings benefits not only for the organisation's reputation but also in terms of operational efficiency, prudent risk management and employee satisfaction.

The Code of Conduct, the Board of Directors Regulations and the ECBD Regulations set the highest standards of behaviour, based on ethical and professional principles, and lay down rules, principles and procedures for identifying, monitoring and mitigating conflicts of interest.

BFA fosters transparency in relations between corporate bodies and employees and discourages participation in illegal activities and excessive risk-taking, thus contributing to transparency in contractual relationships between the Bank and other parties. Furthermore, BFA stipulates that neither members of corporate bodies nor employees may accept gifts of more than token value that might compromise their independence.

The professional activities of members of the Bank's corporate bodies and employees are governed by the ethical principles set out in BFA's Code of Conduct, as approved by its Board of Directors (available on the Intranet and on the corporate website); please see below a summary of the main points:

- To ensure that, in addition to complying with the rules and duties arising from applicable laws and regulations, the Bank, the members of its corporate bodies and its employees act in strict compliance with ethical principles and demonstrate exemplary civic behaviour;

- To proceed with professional diligence and competence in the performance of duties, in good faith and in compliance with high standards of diligence, loyalty and transparency. Respond to the requests of customers and the competent authorities in a strict, timely and thorough manner, while observing the duty of professional secrecy;

- To provide fair and equitable treatment to the Bank's clients in all situations;

- To manage conflicts of interest: (i) situations of conflict between the interests of two or more customers should be treated with discernment and fairness to ensure fair treatment of the parties involved; (ii) conflicts between the interests of clients and the Bank, its employees or its directors, arising from the Bank's current activities, must be resolved in favour of the client, unless there are legal or contractual grounds for doing otherwise;

- To preclude improper gains and abuse of position: members of governing bodies and employees are not allowed to request, accept or receive, for themselves or for third parties, benefits of any kind or promise thereof, related to or constituting compensation for acts or omissions occurring in the performance of their duties at the Bank (regardless of whether such an act constitutes a violation of their duties);

- Relations with the authorities: in dealing with supervisory banking, authorities and tax and judicial authorities, governing body members and employees must act diligently, seeking clarification from their respective immediate superiors whenever necessary.

- Ensuring that loans granted to shareholders, members of governing bodies, employees or related parties follow normal market conditions, bearing in mind their specific risk profile (possibility of waiver of loans of a social nature to members of governing bodies and employees, such as mortgage loans or medical expenses). In this regard, BFA has in place two regulations for subsidised employee loans:

    - mortgage loans for owner-occupied housing; and
    - personal loans.

In their dealings with clients and the market, BFA's governing body members and employees must exercise the utmost discretion and keep strictly confidential any services provided to customers and any client or third party information they are privy to while performing their duties.

BFA provides its Code of Conduct to all new employees, as it understands the importance of drafting a clear and objective reference manual of behaviours that constitutes a tool for ethical guidance in decision-making in the business context

In addition, for the performance of their duties all employees in the Finance and International Department (DFI) signed the declaration of commitment to comply with the code of conduct for markets published by BNA in Notice no. 13/2011.

In addition, the Bank adhered to the Code of Conduct for Monetary and Foreign Exchange Markets, which guarantees the principles of professional ethics in relations between participants in interbank markets, the operational practices of the markets and their efficiency.

RISK MANAGEMENT SYSTEM

The risk management system allows a comprehensive overview and management of the risks inherent in financial institutions, with a view to mitigating potential losses associated with risk events. At BFA, the risk management system is comprised of the following essential functions:

- Strategy definition;
- Identification and assessment of risk exposure;
- Monitoring and control;
- Reporting and performance evaluation.

Risk management at BFA is based on the ongoing identification and analysis of exposure to different types of risk, as well as on the execution of strategies to optimise results. There is full respect for the pre-established and duly supervised restrictions and limits.

In accordance with BNA Notice no. 07/2016, of 22 June, on the requirements and principles governing internal risk governance systems for financial institutions, in 2017 BFA institutionalised risk management, creating the Risk Management Department.

In addition to its implementation of the new risk management governance system in 2018, BFA also improved Risk Management's IT and methodology skills to ensure its operations are into line with best international practice.

The Bank therefore produced and approved an Appetite for Risk Framework and A Declaration of Appetite for Risk in which it set out the types and levels of risk it is prepared to accept to achieve its strategic objectives, to meet regulatory requirements and to achieve the returns on capital agreed with its shareholders.

At the same time BFA also produced and approved the stress tests required by the National Bank of Angola (BNA) as of February 2019.

In order to support the work of the Risk Management Department, BFA also began implementing a risk data mart to bring together all the information Risk Management needs to perform its analyses, thus demonstrating BFA's commitment in this area.

In 2018 BFA also distributed to all its departments the risk management methods and practices defined in 2017 for identifying, assessing, monitoring and controlling risk:

Credit risk

- **Personal and Business Lending:** Monitoring of personal and business credit risk;
- **Corporate Credit Risk:** Monitoring of corporate credit risk;
- **Structured Finance and Investment:** Monitoring of the credit risk on operations based on project risk;
- **Real Estate:** Valuation of assets and assessment of assumptions in operations exposed to the real estate sector;
- **Finance and International:** Monitoring of exposure to the financial sector.
- **Monitoring, Recovery and Litigation:** Involvement in the calculation of provisions for and impairment of the loan book and monitoring and recovery of non-performing loans.

Operating risk

- **Operating Risk:** Global exposure analysis;;
- **Internal Audit:** Monitoring of operating risk management;
- **All departments:** Identification of critical processes and areas.

Liquidity risk

- **Finance and International**: Analysis of individual liquidity risks per instrument.

Market risk

- **Finance and International**: Risk analysis per instrument and global risk analysis - interest rates, exchange rates, trading portfolios.

Country risk

- **Finance and International**: Analysis of individual country risk through ratings and independent analyses.

Compliance risk

- **Compliance/Legal**: Analysis of compliance risk.

INTERNAL INFORMATION

BFA's commitment to and ongoing investment in information and communications systems is part of its strategy to achieve high levels of innovation, modernisation and risk control. These systems promote the sustainable growth of the Bank, not only optimising procedures and processes but also customer service quality.

Corporate communication

BFA places special importance on straightforward, open relations with its shareholders, the authorities, the media and other market players.

Communication with the market in general is carried out through publication of the annual report, and the quarterly financial statements summaries, which are available on the corporate website.

Employees are kept informed of BFA's performance and activities through the corporate intranet.

Every three months, the Bank holds a meeting with the senior management team, attended by members of the different departments, in order to discuss the presentation of financial results and forecasts.

IN-HOUSE MAGAZINE - BFA YETU

BFA continues to focus on its internal communications.

BFA Yetu was launched in 2013. The word ‘yetu’ means ‘ours’ in the Kimbundu language. The magazine is printed every four months and keeps employees up to date with the Bank’s activities.

In-house magazine Nº11 November 2018

MONITORING

The Audit and Inspection Department (DAI) largely oversees the internal control system and undertakes to assess its effectiveness, efficiency and suitability by monitoring compliance with established processes and procedures.

The DAI ensures that sales departments (branches, corporate centres and investment centres) and central services are subject to regular assessment in order to safeguard the integrity and safety of BFA’s and customer assets and ensures compliance with relevant internal regulations and risk control. The DAI also ensures that control procedures are able to deal with each new risk as it is identified and are in line with the legal requirements for each process.

Core Business

SPEARHEADING THE PROMOTION OF FINANCIAL INCLUSION AND STEPPING UP THE FINANCING OF THE ECONOMY

Introducing banking services to the population of Angola

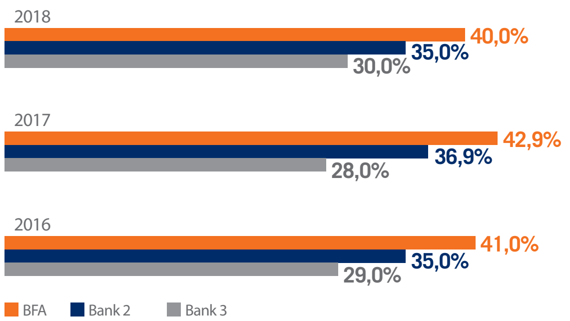
One of the major focuses of the financial sector is the promotion of banking services within the population. Thanks to the joint efforts of BNA and other financial institutions, steps have been taken in this direction and have resulted the steady growth of banking service use.

A 2018 survey of the residents of Luanda Province aged 15 or over showed that 57.6% of them used banks. Usage has not changed since 2017 when the figure rose 7% on 2016.

Bank use

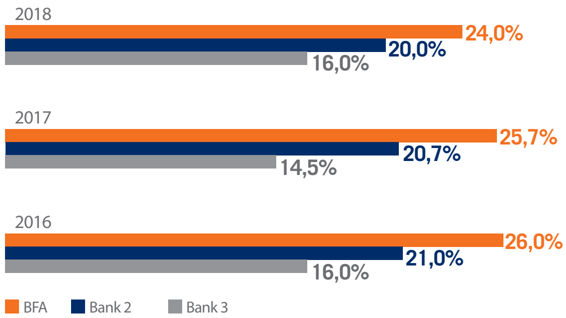
While BFA's share of the market of Luanda Province residents aged 15 or over may have slipped, it still leads other banks in this field (40% of the market in 2018), testimony yet again of the work and dynamism employed by BFA to capture and maintain the market and its clients.

Penetration



This strong resilience, coupled with BFA's efforts to expand its nationwide footprint and broaden its product and service offering, is reflected in the consolidation of market share as the leading bank in Angola. In 2018, BFA maintained this leadership, with 24% of the market.

Market share as leading bank



Maintenance and consolidation of market position

Improved customer service, based on quality care, has been one of the key principles applied across each and every commercial area of the Bank, which, as in previous years, is reflected in growth in its customer base. BFA gained 150 000 new customers in 2018 (+8.8% on 2017).

MAINTAINING THE BRICKS AND MORTAR BRANCH NETWORK

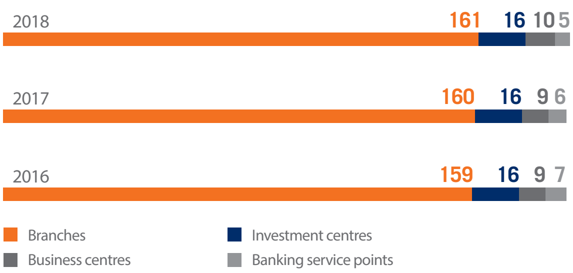
The commercial branch network in Angola

With a view to better serving its clients, BFA's retail network is underpinned by a market segmentation strategy within three areas of activity: standard retail branches specialising in banking services for personal and business clients, business centres for medium and large companies, offering solutions tailored to their specific needs, and investment centres, for high-income and possible high-net-worth customers, with a focus on personalised customer care.

In 2018 BFA opened 1 service desk and 1 business centre, refurbished and reopened 5 branches and permanently closed one service point. Overall, the BFA network comprises 161 branches, 16 business centres, 10 investment centres and 5 service points. The Facilities and Assets Department is responsible for the growth of BFA's commercial network with a duty to find the best branch locations, to approve and licence projects, to carry out works and to refurbish existing branches.

The opening of new branches and the refurbishing of existing branches began in 2018, and the continuing strategy is to expand the network and modernise the design of old and run-down branches.

BFA distribution network



The programme makes clear BFA's total commitment to creating a country-wide full-service commercial network for its clients and to remaining one of Angola's leading banks.

FOREIGN EXCHANGE CONTROL DEPARTMENT

The Foreign Exchange Control Department (DCC) was created in August 2018 in accordance with Instruction no. 7/2018 of 19 June 2018. The new department ensures strict compliance with foreign exchange laws and regulations during the processing of transactions by banks and the proper recording of foreign exchange transactions and their reporting to BNA.

DCC is now also responsible for reporting a number of actions to BNA that include sending it the chart of requirements (previously the job of Finance and International and of Foreign and Treasury). DCC also now controls execution deadlines and monitors all the processes recorded in the integrated foreign exchange system (SINOC) to which BNA has not replied. It is finally responsible also for organising and controlling the licensing process when requested by clients and acts as their contact with BNA in these matters.

In 2019, together with several other Bank departments, DCC intends to improve the registration and control of foreign exchange transactions and to further improve communication with BNA in order to improve the service BFA offers its clients.

In 2018 BFA bought its currency on the primary market at currency auctions, through BNA direct allocation and from clients. Currency purchases rose slightly by 19.7% to USD 2 165 million because of increased purchase from BNA (33.8% or USD 2 047 million), which was offset by a 57.8% fall in purchases from clients (USD 118 million).

More efficient customer care

Service quality is one of BFA's guiding principles. The Bank consequently adjusts its practices and systems to keep the client at the heart of its transformation.

The eMudar@BFA project is certainly one of the most important in this sense, with a new workflow-based front end for branch, business centre and investment centre operations to make them more efficient and secure, while also contributing to the decentralisation of basic banking operations. Throughout 2018 the Bank worked to extend the reach of its new solution, through which funeral and travel insurance is now sold, and adapted business account opening and modification procedures to enable the solution to identify the beneficial owners of the account as required by current legislation and best international practice.

Furthermore, for the fifth year running, BFA carried out a mystery client survey in all its branches to measure customer service quality and support, followed by the establishment of targets and areas of improvement. This survey was carried out with the aim of strengthening the commercial team's focus on key customer service quality issues.

In 2018 BFA continued its customer satisfaction project, which is used to measure service quality.

EXTENSION OF STANDALONE INSURANCE SALES

In October 2018, with the aim of diversifying its range of banking products, BFA introduced Seguro Viagem, a new standalone personal accident and travel insurance that under one single policy covers every member of a group travelling together against events that may occur abroad during their period of travel.

Clients can take out the policy at any BFA branch or at home via BFA Net.

2018 also saw more intensive marketing of Seguro Funeral (launched in November 2017) to all Angolan citizens resident in Angola. The policy covers funeral organisation and expense in Angola for insured, subject to an AKZ 1 000 000 limit. 3210 policies have been issued so far.

SERVICE QUALITY

Mystery client survey

Between 2014 and 2017 BFA carried out seven mystery client surveys throughout the its personal and business branch network. The survey assesses the quality of customer service and care, sets targets and identifies areas for improvement for the branch image and the commercial team, proactive customer support and behaviour in sales situations.

In 2018 BFA extended the mystery client survey to include corporate banking and has completed an initial set of surveys.

The results will form the basis for detailed files for each commercial officer, including areas for improvement. The files will be available on the intranet and will be discussed at commercial meetings. The Bank's aim is to increase commercial teams' focus on improving customer service.

Client satisfaction survey

2018 saw the first stage of the National Customer Satisfaction Index Study (ISCN) at service desk level. The survey was taken by a sample of 9000 clients representing all personal and business banking branches and led to the creation of a customer satisfaction indicator for each service desk.

Also in 2018, and as part of the +BFA strategic plan, the first satisfaction survey for the corporate sector was taken by a sample 180 key accounts to assess their satisfaction and identify areas for improvement in service quality.

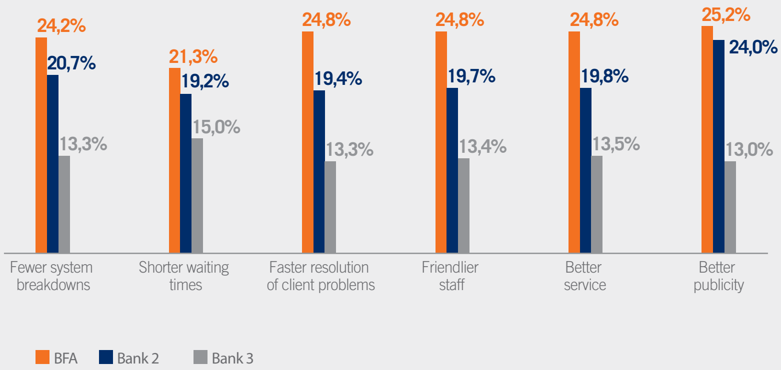
Action plans have been developed on the basis of the results of these studies to deal with priority areas in service quality.

AAMPS study: perception of banks

A survey conducted in Luanda Province in 2018 revealed clients' perception of banks. The study found that BFA distinguishes itself in all categories from banks ranked 2nd and 3rd.

The category in which BFA excelled was advertising, where it was 1.2% ahead of the runner-up. It also did well in customer care (+5.0% ahead of the runner-up), speed in solving problems (+5.4% ahead of the runner-up); and friendly staff (+5.1% ahead of the runner-up).

Bank perception



ISB (Bank satisfaction indicator) survey

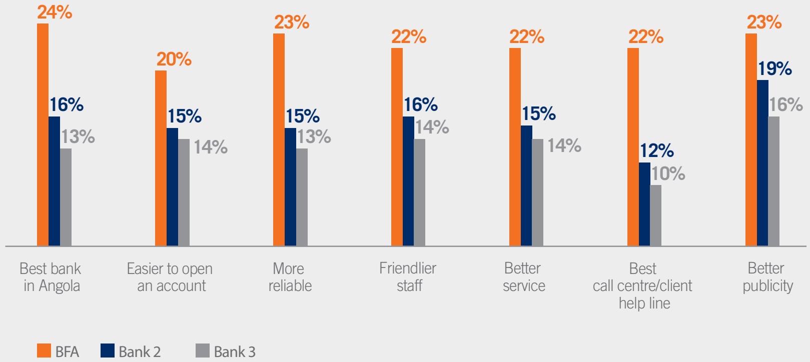
ISB 2018 is the outcome of 4217 interviews with bank users resident in Angola's 4 main provinces. It covers the banking sector alone and asks Angolan bank users for their opinion of the country's banks in general and of the bank they use most (their principal bank) in particular.

Angolan banks use the survey to see how they are rated and assessed by their current and potential clients and to get information on clients' relationships with their principal banks.

In all categories BFA comes out well ahead of the banks ranked 2 and 3.

BFA did best in the Best Bank in Angola category (8% ahead of the runner-up). It also topped the Most Reliable Bank category (8% ahead of the runner-up) and the Best Advertising category (4% ahead of the runner-up). It also did well in the Best Call Centre/Client Help Line, Best Care and Friendliest Staff categories.

Bank perception



Success in attracting clients

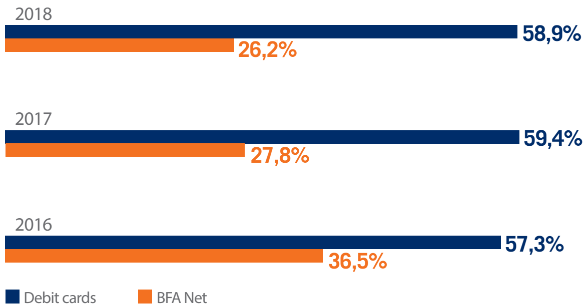
In 2018 the number of customers in the personal, entrepreneur and business banking segments increased 9.1% against 2017 (156 710 clients), indicating BFA's retail banking dynamism, an area in which it once again leads in the range of banking services it offers in Angola.

CUSTOMER BASE AND SERVICES - PERSONAL AND BUSINESS CLIENTS

	2016	2017	2018	Δ% 16-17	Δ% 17-18
Clients (no.)	1 560 313	1 727 759	1 884 469	10,7%	9,1%
BFA Net (no.)	570 013	480 855	489 900	(15,6)%	1,9%
Debit cards (no.)	893 558	1 026 637	1 112 944	14,9%	8,4%
Credit cards (no.)	13 006	10 149	12 000	(22,0)%	18,2%
Salary account (no.)	90 169	101 210	110 679	12,2%	9,4%

The number of debit cards and salary accounts rose again by 8.4% and 9.4% respectively. Credit cards reversed the falling trend of the last few years to see their numbers increase by 18.2%, thanks to a clearer foreign exchange policy in the country and current action to stabilise the economy. The number of BFA Net clients also bucked the 2017 trend to total 489 900 in 2018.

BFA Net and debit card penetration



Debit card penetration was relatively stable in 2018 (58.9%). Despite the rise in the number of BFA Net subscribers however, its penetration rate fell slightly against 2017 to 26.2%.

Deposits

Since BFA is the preferred choice of its clients for banking services, it therefore attracts considerable resources that keep the Bank's liquidity levels high and provide efficient financing of the Angolan economy.

Deposits from personal and business clients grew 5.2% to AKZ 416 777 million, reversing 2017's negative trend.

CLIENT FUNDS - PERSONAL AND BUSINESS CLIENTS

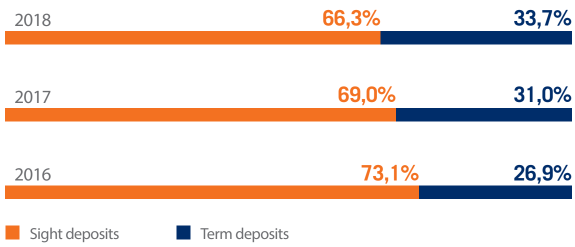
AKZ millions

	2016	2017	2018	Δ% 16-17	Δ% 17-18
Funds	423 822,4	396 021,3	416.777,0	(6,6)%	5,2%
Deposits	423 706,8	395 960,4	416.777,0	(6,5)%	5,3%
Sight	309 824,5	273 186,7	276.507,9	(11,8)%	1,2%
Term	113 882,3	122 773,6	140.269,1	7,8%	14,3%
Other	115,6	60,9	-	(47,3)%	(100,0)%

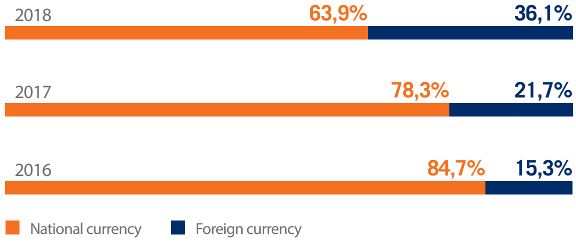
As in previous years, sight deposits provided the biggest contribution to total deposits (approximately 66% of the portfolio and +1.2% on 2017). Total term deposits rose around 14.3% (approximately AKZ 17 496 million) against 2017, reflecting clients' rising concern with saving.

The improvement in total resources from the personal and business banking sector is however mainly explained by the devaluation in 2018 of the national currency, which fell heavily against most international currencies, especially the US dollar.

Client funds



Deposits by currency and type - personal and business clients

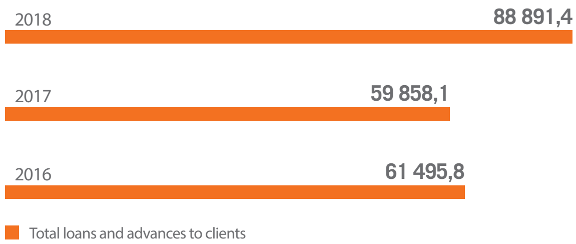


Increased lending to clients

Unlike 2017, 2018 saw a material expansion (approximately 48.5%) of the loan book to AKZ 88 891 million, clearly evidencing the emphasis BFA places on its mission to finance the economy.

While the rise is partly due to a real increase in the size of the loan book denominated in the national currency - on which BFA places great emphasis for its ability to energise the Angolan economy - it is also the result of the 2018 devaluation of the kwanza, which pushed up the value of the foreign currency loan book.

Loans and advances to clients



Note: total loans excluding accrued interest

PROTOCOL MANAGEMENT DEPARTMENT

Set up in July 2013, the Protocol Management Department (DGP) aims to speed up the signing of protocols with institutional and corporate customers in an organised and competitive manner. These protocols offer access and price benefits for particular loan operations to the employees of institutions and corporations who open a salary account at BFA.

In 2018 DGP undertook 63 commercial actions in Angola to energize this area, and by the end of 2018 had signed 9 new protocols with public and private entities as compared with 2017.

DGP's main aim in these agreements is to obtain automatic salary credit contracts. In December 2018 and with respect to the protocol portfolio, the number of automatic salary credits (DAO) totalled 15 274, up 4 586 on December 2017 (+42.91%).

At 31 December 2018 protocol-based lending totalled USD 167 963 000, up about USD 34 386 000 (+25.74%) thanks to commercial actions, and led to 8663 operations.

The quality of the portfolio was kept high by a particularly low percentage of non-performing loans (0.4% - well below the personal banking figure for the same products).

In 2019 and in line with the Bank's strategic plan, DGP aims to grow 48% in general and 19% in terms of new protocols and automatic salary credit contracts, continuing its strategy of creating solutions tailored to Angolan companies and their employees.

INVESTMENT CENTRES

SPEARHEADING THE CREATION OF INVESTMENT AND SAVINGS SOLUTIONS

The network of investment centres is of key importance to the Bank's segmentation and specialisation strategy. It has therefore created teams focused on the creation of personal relationships to attract clients and develop solutions suited to the requirements of high net worth clients and clients with high wealth accumulation potential.

Despite the challenging economic environment that was the main factor on business progress in 2018, the network of investment centres began to produce significant results, thanks to the dynamism of their teams, the excellence of their service and the quality of the solutions they offered their clients. One of the outcomes of this success was the opening of a new centre in Cabinda.

At the same time BFA began to improve the skills of investment centre staff and to prepare them for the future challenges that will face the Bank by significantly increasing the training they receive.

LIQUIDATION OF THE BFA OPORTUNIDADES FUND AND LAUNCH OF BFA OPORTUNIDADES II

The BFA Oportunidades Fund was liquidated in 2018, having come to the end of its 1-year term with a net profit of 18.06%. Between 20 July and 23 August 2018 BFA opened subscription to BFA Oportunidades II to all its clients in any of its branches. The Fund was fully subscribed with an initial total value of AKZ 18 billion.

BFA Oportunidades II is a closed-end securities investment fund that aims to exploit opportunities in Angolan public debt denominated in national currency that has a residual term of up to 12 months. The Fund and can hold a residual portion of its assets on deposit with Banco de Fomento Angola, S.A.

The Fund is intended for high net worth personal and business clients, enabling them to diversify their portfolios, offering significant appreciation potential (compared to term deposits) and increased tax efficiency (exempt from capital gains tax - IAC).

Expansion of the client base

In 2018 client numbers rose faster than in 2017 to 4759 in this segment (+382 on 2017).

CLIENT BASE AND SERVICES - INVESTMENT CENTRES

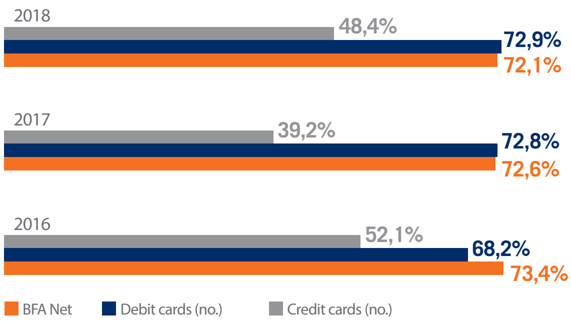
	2016	2017	2018	Δ% 16-17	Δ% 17-18
Clients (no.)	4 214	4 377	4 759	3,9%	8,7%
BFA Net (no.)	3 093	3 177	3 431	2,7%	8,0%
Debit cards (no.)	2 874	3 186	3 471	10,9%	8,9%
Credit cards (no.)	2 195	1 715	2 302	(21,9)%	34,2%

The number of home banking clients rose to 3431 (+8% on 2017) in line with the increase in client numbers in this segment.

Debit card numbers continued to increase against 2017 (+8.9%). Credit card numbers however fell by a material 34.2% against 2017.

In the last few years the Bank has been particularly careful to increase the number of solutions it offers its clients to maintain their loyalty and keep satisfaction levels up. This has led to high penetration rates, particularly in the debit card sector where rates, like those for BFA Net, are now over 70%.

Penetration rates: BFA Net, debit cards and credit cards – investment centres



Significant growth in client funds

Client funds, which fell in 2017, increased significantly in 2018 by around 66.9% to AKZ 328 008.9 million, reflecting the dynamism of BFA's investment centres and their ability to create savings solutions tailored to client requirements.

CLIENT FUNDS - INVESTMENT CENTRES

Milhões AKZ

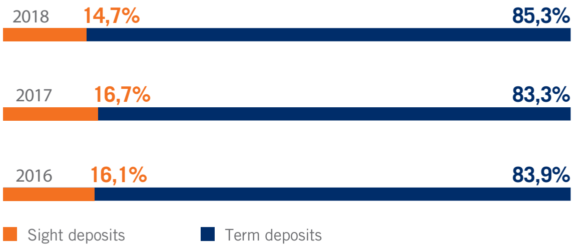
	2016	2017	2018	Δ% 16-17	Δ% 17-18
Funds	211 917,8	196 482,1	328.008,9	(7,3)%	66,9%
Deposits	211 817,9	196 445,4	328.008,9	(7,3)%	67,0%
Sight	34 096,7	32 843,5	48.350,1	(3,7)%	47,2%
Term	177 721,2	163 601,9	279.658,8	(7,9)%	70,9%
Other	99,9	36,8	-	(63,2)%	(100,0)%

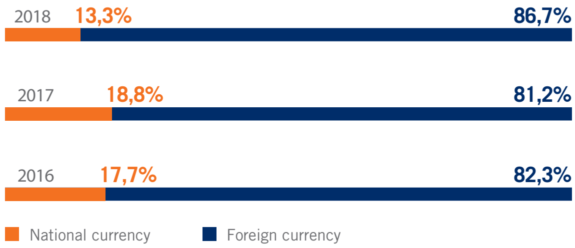
The significant increase in total investment centre funds must however also be considered in the light of Angolan currency developments in 2018. Since the majority of the resources in the portfolio for this segment are denominated in USD and represent 86.7% of total funds, the fall in the value of the kwanza is the biggest factor in the 66.9% increase in funds over 2017, particularly in the light of the challenging economic environment that prevailed.

Term deposits totalled AKZ 279 658.8 million (+70.9% on 2017). The weighting difference of term and demand deposits remains clear, with term deposits accounting for 85.3% of total client deposits, since the high interest rates prevailing in Angola offer a high return on investment at all times. As with term deposits, demand deposits also rose materially against 2017 to AKZ 48 350.1 million.

In response to the need for liquidity and to satisfy investment opportunities and diversification of its customers' portfolios, BFA continued its financial brokering business in relation to public debt securities initiated in 2014.

Deposits by type and currency – investment centres

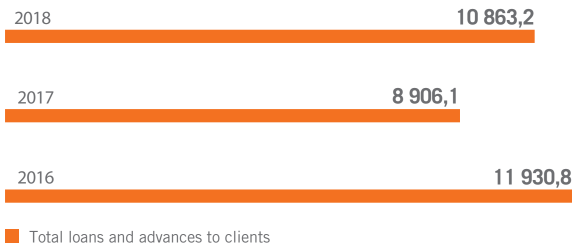




Lending

The loan book in this segment also expanded 22% in this segment in 2017 (total loans AKZ 10 863.2 million). As in other segments however, part of this improvement was caused by the higher value of the foreign currency loan portfolio following the devaluation of the kwanza, as well as by the specific needs of this segment and resource structure, as already mentioned.

Loans and advances to clients - investment centres



ECONOMIC RESEARCH OFFICE

The Economic Research Office (GEE) was set up in January 2018 to study and monitor the Angolan economy and to produce a useful tool for BFA's departments, its clients and Angola in general.

GEE therefore began work in 2018 by changing the format of the BFA Weekly Review (*Informação Semanal*) to make it a weekly report (also now in English) on BFA's public website. The Office also began to publish information notices (in Portuguese and English) on major economic events and particular sectors of the Angolan economy. In 2018 12 information notes were published - around one every month. GEE also helped make BFA management more attentive to the macroeconomic realities of the country. As regards IFRS9, this led to the use of macroeconomic scenarios to calculate loan impairment and to the development of scenarios for BFA planning and budgeting purposes.

In 2019, GEE will focus on consolidating existing content and on increasing the frequency of its internal notes on the Angolan economy. It will also promote the production of new content in order to serve Angolan society and BFA's clients in particular, by providing a reliable and useful source of economic information. Finally the production of analyses for decision-making purposes within BFA will continue to be an essential part of GEE's work.

CORPORATES

Increased corporate lending

Despite the challenging economic environment and the problems inherent in Angolan business, in 2018 BFA continued to place a particular emphasis, as a reference bank, on its duty to finance the development of the economy and to continue its role as a true business partner. This led to a major effort to work more closely with the clients in this segment, with over 9000 visits by the Bank to its clients in 2018, a major improvement in their confidence in it and further growth.

Expansion of the client base and deeper penetration by Bank services

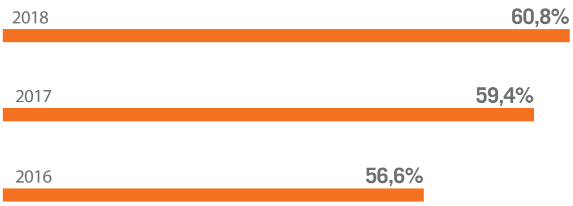
The number of Corporate Banking clients rose again in 2018 in line with 2017 rates, to 6931.

CLIENT BASE AND SERVICES - CORPORATES

	2016	2017	2018	Δ% 16-17	Δ% 17-18
Clients (no.)	6 524	6 688	6 931	2,5%	2,6%
BFA Net (no.)	3 690	3 972	4 184	7,6%	5,0%

BFA Net Empresas, which offers functionalities suited to the particular needs of the Bank's corporate clients, enjoyed a 5% rise in the number of new members in 2018, slightly below the 2017 figure. The penetration rate also increased to 60.4%. BFA Net Empresas is a specialist service offered to corporate clients enabling them to carry out banking transactions smoothly and efficiently.

Penetration rate - BFA Net Empresas



Increased client funds

In 2018 Corporate Banking client deposits went up 4.2% on 2017 to AKZ 479 601.7 million. This was largely the result of new clients who lifted sight deposits by around 7.7% (AKZ 18 165.1 million), while the growth in term deposits was 0.5%.

At the same time, there was a very large expansion of the securities portfolio (treasury bonds) to AKZ 518 962.3 million, primarily because of the inflow of resources to this segment (+84.6% approximately). This was mainly because of the continued fall in term deposit yields triggered by lower profit forecasts).

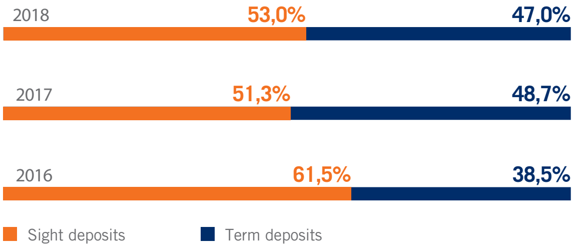
CLIENT FUNDS - CORPORATES

AKZ millions

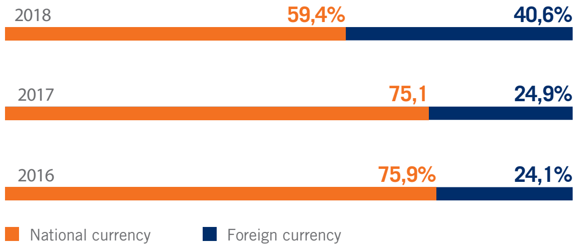
	2016	2017	2018	Δ% 16-17	Δ% 17-18
Funds	673 053,0	741 517,9	998 564,0	10,2%	34,7%
Deposits	439 921,0	460 378,2	479 601,7	4,7%	4,2%
Sight	270 371,6	236 210,2	254 375,3	(12,6)%	7,7%
Term	169 549,4	224 168,0	225 226,4	32,2%	0,5%
Securities*	233 132,0	281 139,7	518 962,3	20,6%	84,6%

* Client securities held in custody by BFA and recognised off-balance sheet.

Deposits by type



Deposits by currency



Deposits by currency saw a significant fall in aggregate national currency terms against 2017, dropping 15.7% as a proportion of total deposits mainly as a result of the devaluation of the national currency in 2018. The weighting of foreign currency however went up simultaneously compared with 2017.

Lending

The Corporate loan portfolio expanded 60.6% on 2017, in part because of much higher corporate lending (+60.6%) but also because of a large increase in the value of import documentary credits (approximately +193.7% on 2017.

LOANS AND ADVANCES TO CLIENTS - CORPORATES

Milhões AKZ

	2016	2017	2018	Δ% 16-17	Δ% 17-18
Total lending	196 610,40	161 223,30	161 223,30	(18,0)%	(18,0)%
Corporate	196 607,80	161 214,00	161 214,00	(18,0)%	(18,0)%
Loans & advances to clients	159 985,40	126 269,10	126 269,10	(21,1)%	(21,1)%
Unsecured loans	36 622,30	34 944,90	34 944,90	(4,6)%	(4,6)%
Import doc. credits	8 796,90	7 357,20	7 357,20	(16,4)%	(16,4)%
Guarantees	27 825,50	27 587,70	27 587,70	(0,9)%	(0,9)%
Other	2,63	9,29	9,29	253,1%	253,1%

Note: credit volumes exclude accrued interest

Although the growth in guarantees was more moderate (around 25%) their value totalled AKZ 34 483.8 million.

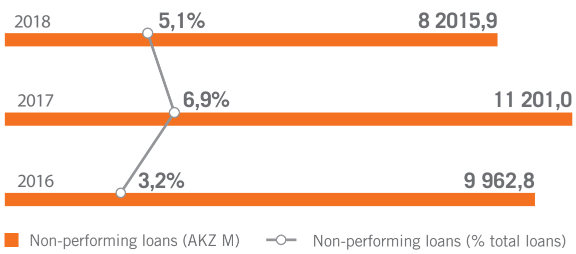
While the devaluation of the national currency made a significant contribution to this material increase, 2018 nevertheless saw a real expansion in lending to clients, particularly in national currency - a clear indication of the importance BFA places on financing and supporting the energising of the Angolan economy and on partnering business and the public sector despite the challenges presented by the current economic environment.

Non-performing loan portfolio

The significant increase in corporate lending was accompanied by a major improvement in portfolio risk indicators. Non-performing loans fell AKZ 2 995.17 million (-27% on 2017) bringing the-performing loan ratio down significantly from 6.9% in 2017 to 3.2% in 2018.

The provision coverage ratio was 286.5% in 2018, reflecting BFA's prudence and the big improvement in the quality and robustness of its loan book.

Loan quality - Corporate Banking

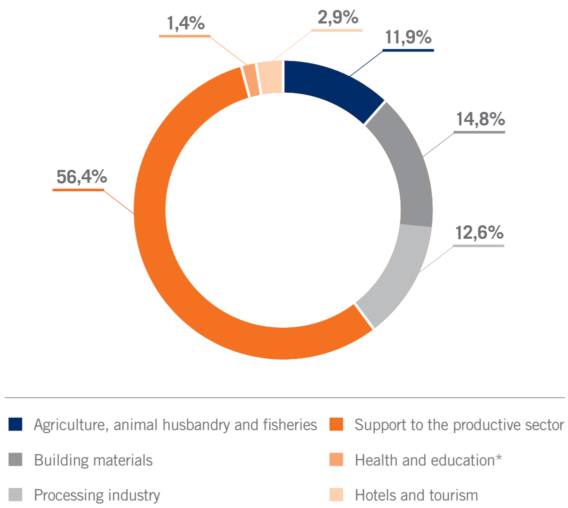


Structured finance and investment funding

Structured Financing and Investment Funding is responsible for providing tailor-made structured financing on a medium and long-term basis with a complex legal structure:

- Start-ups;
- Project finance;
- Mergers & acquisitions;
- Major investments in projects involving corporate risk where the risk has a considerable impact on the company;
- Loans to government or public sector entities and/or with an Angolan State-backed guarantee;
- Structured loans with bank syndicates;
- Restructuring of liabilities/substitution of liabilities in large corporate groups as a way of safeguarding the participation in the loan;
- Projects with shared risk, particularly with multilateral and bilateral agencies and export credit agencies (ECAs);
- Agricultural loans aimed at the farming sector, including assessment of the technical component, and investment loans for the financing of non-current investments or investments covered by the Angola Investe programme.

Two loans were approved in 2018 in this area: one to the real estate and construction sector and the other to the health sector.



ANGOLA INVESTE

Angola Investe is a programme supporting micro, small and medium enterprises (MSMES) and micro, small and medium individual entrepreneurs by financing investment projects.

It has two main methods for stimulating investment:

- Subsidised interest rates, capping them at 5%;
- A Government guarantee system that gives entities that have no assets a Government guarantee covering up to 70% of the value of their investment.

To December 2018, BFA had approved 68 loan applications totalling AKZ 10 884 million to 48 companies in 14 provinces, creating around 1955 jobs.

Of the 68 applications approved, 65 have been funded (total of AKZ 9735 million). The Credit Guarantee Fund issued 51 government guarantees and 21 guarantee reinforcements to cover approved financing and financing reinforcements.

The sectors prioritised were agriculture and manufacturing, sectors with marginal recourse to imports of raw materials, which use domestic resources and help diversify the economy.

BFA ranked second in the Angola Investe loan portfolio out of 16 banks (according to the latest issue of Jornal de Angola of 16 April 2018), with 13% of total lending. The average loan per application indicates major investment in micro and small companies.

CORPORATE BUSINESS - SEGMENTATION´S DEEPENING

2018 saw the segmentation of Key Accounts and the reorganisation of this department.

It was firstly decided to expand the teams supporting Angolan key accounts through internal recruitment from Corporate and Personal Banking of staff with the necessary qualifications in terms of attitude and technical skills.

The existing key account centre was maintained and 4 of its business centres became key account centres to create a total of 5 key account centres as follows:

- Head Office Key Account Centre 1;
- Head Office Key Account Centre 2;
- Rainha Ginga Key Account Centre;
- Viana Polo Industrial Key Account Centre;
- Talatona Key Account Centre.

2 regional directors have been appointed to support the new organisation.

OVERHAULED COMMERCIAL PROCESS

Work was done in 2018 to introduce practices to ensure that teams are given full and disciplined support to enable them to provide high levels of service quality.

Support meetings were also timetabled and organised into weekly, fortnightly, monthly and quarterly briefing and debriefing sessions and each function was allotted different responsibilities.

Managers must now make 8 contacts per day and 5 visits a week, on 4 of which they must be accompanied by the Commercial Director, who also leads the daily briefing and debriefing sessions and the monthly team support meeting. The Regional Director is required to attend 3 briefings a week and make 4 visits a week to centres, accompanying the Commercial Director on 3 visits a week to clients.

A planning and monitoring schedule was also produced to set timings and processes, and a quarterly meeting was introduced to define action plans and set targets, while a weekly meeting decides the visits and contacts to be made.

Work was also done on the use of tools to monitor the commercial, operating and loan pipeline and to fix and prepare for sales meetings with clients, including the production of reports and summary charts.

OIL & GAS

Given the dynamism of current markets, the geographic dispersion of its business partners and its aim of addressing the challenges presented by its clients in the oil sector, BFA is constantly seeking value proposals that are based on innovative solutions and service excellence. Its work in this area is therefore based on three essential pillars:

SPECIALIST SUPPORT

This addresses the particular needs of different companies in the oil sector by channelling service through two dedicated business centres:

- Oil & Gas Operators Business Centre
- Oil & Gas Vendors Business Centre

Since the creation of these specialist and dedicated oil sector business centres with their ability to create solutions that meet their clients' needs in full, BFA has become the preferred partner of clients in this segment of the market.

Experienced and dedicated teams who understand transaction details and the regulatory framework ensure that all instructions are executed fast.

2018 was particularly challenging for Oil & Gas since in order to ensure compliance with changes in Angolan law - in foreign exchange policy in particular - BFA had to redesign and strengthen its operating procedures and train its staff.

In the light of its commitment to deliver high service quality without compromising full compliance with Angolan law, the Bank reorganised its support teams in order to maintain an excellent level of service in line with its high quality standards. Account managers are now flanked by commercial assistants who together with them to provide customer care and continue to offer the dedicated service to which BFA is committed.

OPERATING EFFICIENCY

The demands of oil sector clients made it essential for BFA to adapt its operating structure and payment processing and transfer systems to comply with best international practice and the standards on which they are based:

- Given the number of transactions by clients in this segment, BFA has made the automatic integration of files possible between clients' and Bank IT systems.

- BFA provides automatic delivery of statements, SWIFT messaging of MT940 and MT101 transactions, batch payment in PSX format so that a number of different beneficiaries can be paid using the same file in intrabank and interbank transfers.

- Active encouragement of clients to use e-payment methods (e.g. home banking) that guarantee immediate execution of transactions, enable users to authorise transactions wherever they may be and guarantee that transaction approval depends on account movement rules only.

- In addition to processing standard transfers, home banking can also be used to pay tax by creating a BFA Net Empresas access profile with a restricted transaction profile.

- Registration and monitoring of service contracts and salaries in SINOC (integrated foreign exchange transaction system).

SOLIDITY AND TRUST

BFA's solid balance sheet and high liquidity levels mean that it has the capability to provide full and transparent support to meet all the requirements of its oil sector clients and to deal with their financial and operating needs. Clients name this as one of their reasons for their confidence in the Bank.

The applications and technologies BFA has developed and made available to its clients rely on processes and technologies that are in line with best sector practice and provide total security, speed, efficiency and integrity in transaction processing.

In order to meet compliance requirements and to maintain its relations with its counterparties, BFA makes sure all its clients are given up to date KYC information.

By relying on these three pillars the Bank has been able to deliver an excellent service, transparent transactions and daily enhancement of the trust its clients place in it.

While maintaining its commitment to its clients, in 2018 BFA performed the following operations with its typical efficiency:

- FX transactions with BNA to make payment on contracts and local payments in kwanzas;
- PIT (oil tax) payments;
- Tripartite contracts: for these clients BFA is subject to no restrictions on the purchase of USD from operators.

AGRIBUSINESS DEPARTMENT

AGRIBUSINESS DEPARTMENT

The Agribusiness Department was created in December de 2018 to support the sustainable development of agribusiness in Angola (agriculture, animal husbandry, fishing, forestry and associated industries). In line with the Bank's strategy and values, the focus on agribusiness is intended to make BFA the preferred bank of all private and public sector companies in this area.

The main responsibilities of the Agribusiness Department include:

- Supporting companies operating in the fields of agriculture, animal husbandry, fishing, forestry and associated industries in their relations with BFA to help grow their business;
- Offering a range of financial products and services that meet the needs of agribusiness companies at each link in the value chain;
- Providing support to the personal and business commercial banking networks to help them consolidate their commercial relationships with agribusiness clients;
- Developing partnerships with public and private institutions to share credit risk and information;
- Identying financial and other partners in Angola and abroad who have wide agribusiness experience in order to improve BFA's own skills in this area.

In 2019 the main focus will be on ensuring that the Department's functional organisation and each section is in line with the Bank's global strategy, which is itself in line with the diversification strategy of the Angolan economy.

PUBLIC DEBT BROKING

Spearheading the move to make Angola's capital markets more dynamic

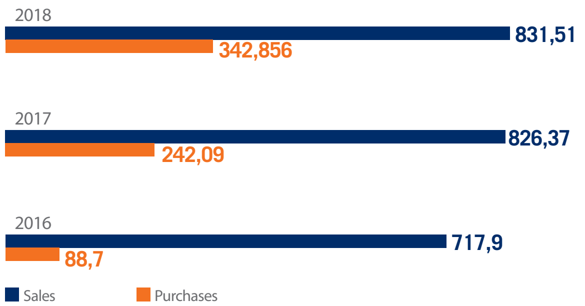
BFA began its public debt securities brokerage business at the start of 2014 as an additional tool for providing its clients with excess liquidity and investment opportunities.

From November 2013, the Finance Ministry began to issue negotiable public debt (USD-indexed treasury bonds) to meet the payment of supplier and contractor debts (mainly in the public works sector). The Finance Ministry currently pays this negotiable public debt in the form of ORTNs (adjustable-rate treasury bonds).

BFA has been buying up treasury bills from companies that need liquidity for their business and selling them to other clients, who capitalise on the opportunity to diversify and obtain a return on their savings.

In 2018 BFA altered its strategy of buying USD-indexed treasury bonds on the primary market. It instead introduced a rollover system, whereby clients sold the Bank bonds maturing in 2018 and replaced them with longer-maturity bonds. BFA-brokered national currency public debt with its clients totalled USD 1174.4 million. The Bank was able to meet the high demand for USD-indexed securities through the primary market, where it cemented its leadership with a 18.11% market share.

USD public debt transactions with clients

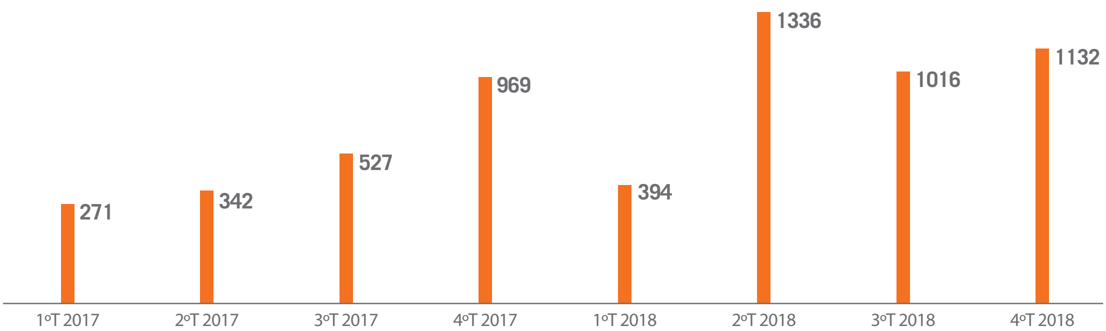


BODIVA

The consolidation of the Bank's position as a Financial Intermediary is intrinsically linked to the opening of the Angola Stock Exchange (BODIVA) in 2015. This consolidation culminated with BFA becoming the first Trading Member of BODIVA, with the ability to act on regulated markets on its own behalf and as an intermediary in the execution of orders from third parties.

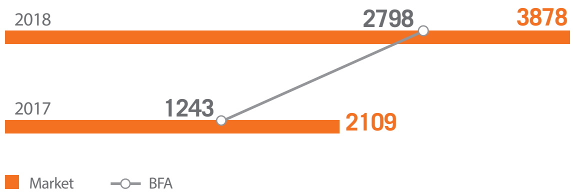
In 2018 BODIVA registered a total of 3878 trades, an increase of 83.9% on 2017 (AKZ 794.89 billion traded).

Trades per quarter



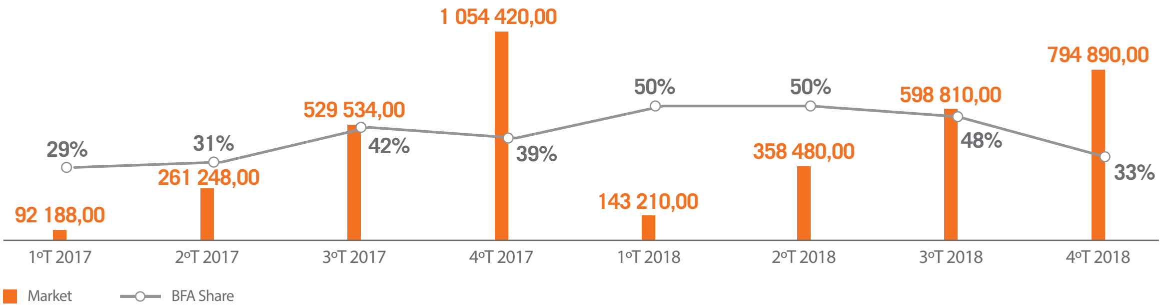
72.2% of 2018 trades were by BFA, reflecting the Bank's ability to provide its clients with access to the Angolan capital market and the importance it places on increasing the dynamism of that market. BFA trade numbers were around 125.1% up on 2017.

Total number of trades



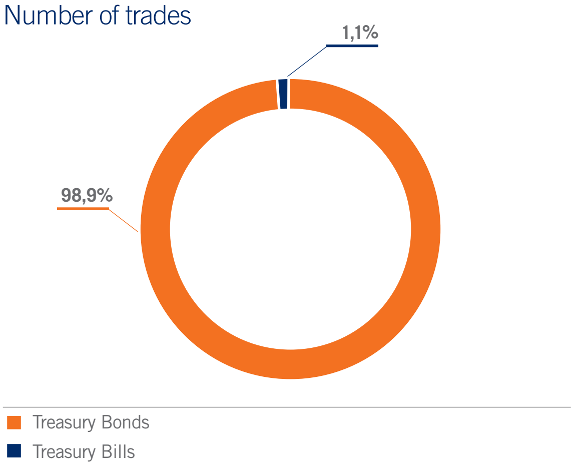
An analysis of the total value of trades on BODIVA markets in 2018 shows that BFA obtained a 45.3% share of the market that year, maintaining its leading position in the market, not only in terms of number of trades, but also of value traded.

Accumulated value of trades

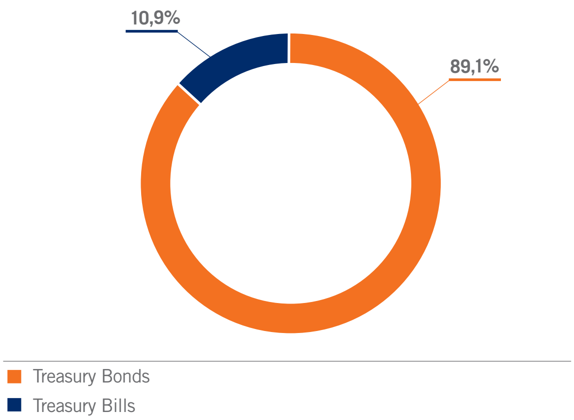


Business trends

Number of trades



Value of trades



Analysis of 2018 trades in number terms shows the clear predominance of trading in treasury bonds (98.9%) to the detriment of treasury bills (1.1%). In value terms, treasury bonds predominated (89.1%.).

BODIVA awarded BFA the Trading Member Certificate of Merit for 2018.

CEVAMA accounts

BODIVA is a regulated market management company responsible for creating the business environment that makes it possible to transact treasury bonds, corporate bonds, equities, investment fund shares and other securities on the secondary market.

Registration with BODIVA makes it possible for all market participants to have access to the same information, which allows full transparency of prices for those who wish to transact treasury bills. This factor has proved to be crucial in the implementation of a capital market, leveraging the transaction of securities between the different actors in the market.

Throughout 2018 the number of accounts opened by CEVAMA (the BODIVA Central Securities Exchange) increased significantly, from 3589 in 2017 to 4760 in 2018, providing clear evidence of the dynamism of Angola's capital market.

The analysis covers the portfolio accounts of members and issuers and individual client accounts.

At 31.12.2018 BFA had 4760 open and active accounts (68.65% of CEVAMA accounts).

Capital Market Commission

As part of the legislative groundwork for the creation of a Capital Market in Angola and since the enactment of Law no. 12/05 of 23 September 2005 (Securities Act), Angolan legislation has established a capital market approving a set of regulations for the purpose:

- Presidential Legislative Decree No. 4/13, which established the basis for the emergence of the national public debt;
- Presidential Legislative Decree No. 5/13, which established the legal regulations for securities distribution companies;
- Presidential Legislative Decree No. 6/13, which established the legal regulations for regulated market management companies and financial services on securities;
- Presidential Legislative Decree No. 6/13, which established the legal regulations for collective investment bodies.

The publication of these decrees created the conditions that allowed BFA to begin operating in sectors and to offer new services to its clients.

As a significant step in BFA's strategy with respect to the creation of a capital market in Angola, was its registration by the Capital Markets Commission as a financial intermediary, which made it able to:

- Receive orders from third parties;
- Execute orders on behalf of third parties on regulated and other markets;
- Trade for its own portfolio;
- Register, deposit and provide custody services;
- Take part in public offerings and advise on capital structure, industrial strategy, mergers and acquisitions;
- Make placements without firm commitments in public offerings;
- Underwrite and make placements with firm commitments in public offerings;
- Grant credit, including securities lending, in transactions in which it is the lender;
- Perform the foreign exchange services essential to the above services in accordance with foreign exchange legislation.

Since investment funds require a corporate structure, BFA created and began the operation of BFA Gestão de Activos – Sociedade Gestora de Organismos de Investimento Colectivo, S.A. (BFA GA) through which it markets and manages four collective investment bodies:

- BFA Oportunidades;
- BFA Oportunidades II.

In 2017 BFA made an application to be allowed to create a pension fund management company in order to be able to sell pension funds.

BFA – ASSETS MANAGEMENT

A COLLECTIVE INVESTMENT UNDERTAKING MANAGEMENT COMPANY

Registered with the Capital Markets Commission (CMC) since December 2016, BFA Gestão de Activos is one of Angola's asset management firms, offering investment fund creation, management and consultancy services to institutional investors, individuals and public and private institutions. BFA GA has AuM worth 19 billion kwanzas.

BFA GA's investment strategy covers all classes of assets, which are selected through the careful monitoring and examination of market opportunities and trends.

BFA GA has created 4 investment funds registered with CMC:

- BFA Oportunidades (liquidated);
- BFA Oportunidades II (active, AOA 18 billion);
- BFA Protecção (being marketed, AOA 10 billion);
- BFA Investidores Institucionais A (being marketed, AOA 6 billion).

BFA GA ended 2018 with a 71% share of the market in undertakings for collective investment in transferrable securities and was the top ranked management company in this sector.

This success has been achieved thanks to an extremely dynamic BFA GA team and to the high level of commitment, transparency, democracy and resilience they have shown and to the firm's ability to anticipate the needs of its business partners and to offer unique products.

The fact that BFA GA is part of a solid group with 25 years' experience that has always enjoyed a good reputation in Angola and abroad has also been a significant factor in its success.

The BFA Asset Management team

BFA GA has a team of financial market professionals:

- **7 staff**
- **Significant financial market knowhow**
- **86% of staff have higher education (first degree/Masters)**
- **Average age 33**
- **29% of staff is foreign**

Focus on 2019

The macroeconomic environment will pose a challenge to the asset management business. BFA GA will nevertheless focus on developing and offering differentiated and quality products and services that will also energise the Angolan capital market.

BFA GA has therefore produced a set of strategic aims for 2019:

- In order to diversify its product portfolio and increase revenue, BFA GA will create and launch new investment funds;
- The team must be trained and expanded to deal faster and more efficiently with a more challenging macroeconomic environment;
- To continue the improving BFA GA's organisation and practices, the internal control system must be upgraded to reflect best international practice.

Human Resources

Human capital strategy

BFA recognises that its employees are its most valuable asset and that they are the essential bedrock on which the Bank builds its success. BFA has therefore introduced processes for continuous improvement, upgrading skills and the promotion of a culture of excellence that is based on its 25 years of experience.

In order to further improve this extremely important asset and as part of its strategic plan, in 2018 BFA therefore introduced as set of initiatives aimed at deepening the Bank's culture through greater team spirit and a stronger BFA culture that will motivate staff and give them a feeling of belonging to the Bank.

A Communications unit was therefore created within HR to provide and improve communication with staff, promote the Bank's organisational culture and develop a communication plan that will make clear how important its employees are to the Bank, based on the following fundamental values:

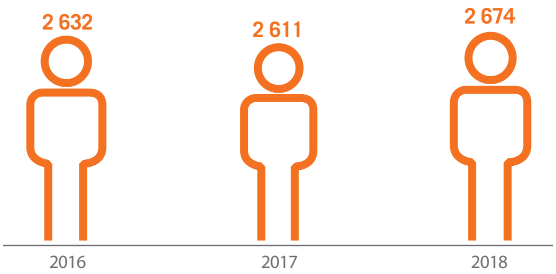
- Self esteem
- Empathy
- Sensitivity in interpersonal relations
- Transparency
- Commitment
- Initiative
- Creativity

In addition, with the new transformation programme introduced to align the Bank with new market requirements and to anticipate change and ensure business sustainability, BFA began to invest heavily in recruitment and selection to attract the best staff. At the same time, it continued to improve in-house skills through internal mobility, placing employees in positions where their skills can be best used to the best of their own and the Bank's advantage.

2018 in figures

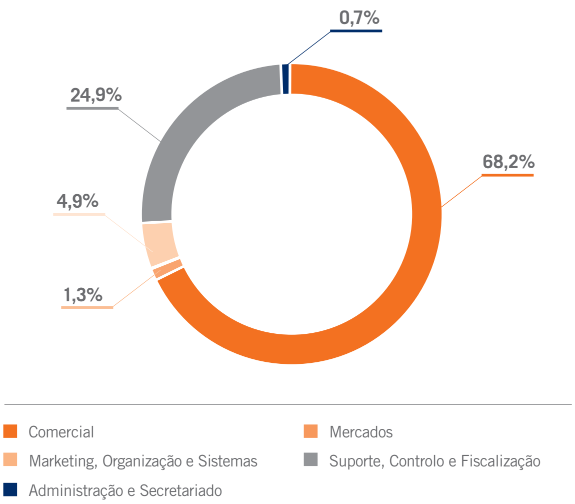
At the end of 2018 the Bank had 2674 employees (+2.4% on 2017) and had taken on 133 new employees.

Workforce



As expected, BFA's main driving force comes from its commercial areas, which accounted for 68.2% of total employees at the end of 2018. The remaining 24.9% work in support, control and supervision.

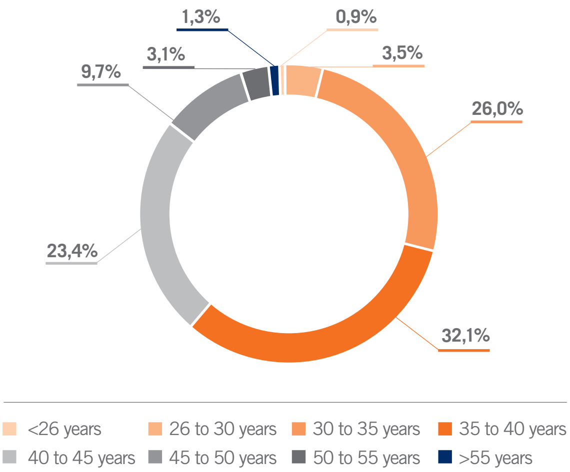
Workforce by area in 2018



A young organisation

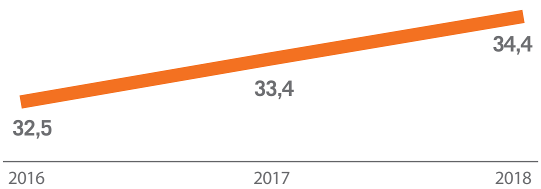
In addition to attracting human capital, BFA invests in training and growth and seeks to increase the potential for career progression and skill development within the Bank's structure. BFA policy thereby maintains its investment in a young team, where approximately 61.5% of employees are under 35 years old.

Workforce by age

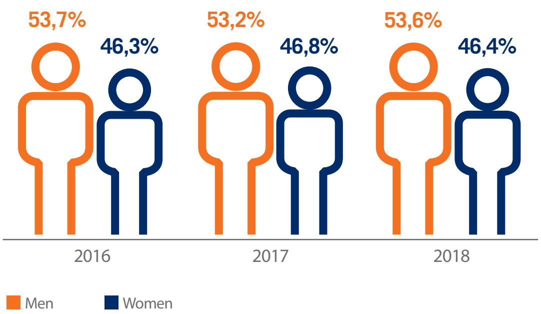


In 2018 the average age of employees was 34.4 years, higher than in 2017, reflecting the career progress of BFA employees within the Bank and their own investment in BFA in terms of their work and careers. BFA's expansion, professional enhancement, pay and culture policies therefore meet its employees' job security and stability expectations and contribute to the development of Angola and its economy.

Average age of employees



Workforce by gender

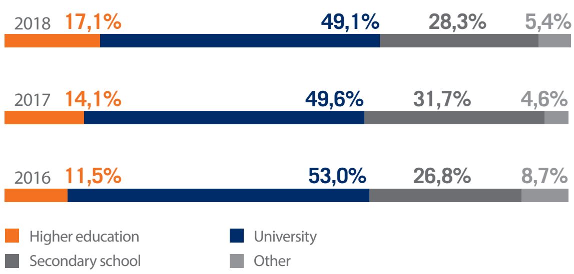


BFA maintains a balance with regard to the distribution of employees by gender: 53.6% of the workforce is male and 46.4% female. The balance reflects BFA's gender equality culture.

A healthy workforce

BFA absenteeism remained sustainable in 2018 at under 10%.

Employee qualifications



With regard to qualifications, in 2018 number of employees with a certificate of higher education rose to 17.1%. Overall, 66.2% of BFA employees are studying for or have a degree, evidence of BFA's continued investment in the improvement of its human capital.

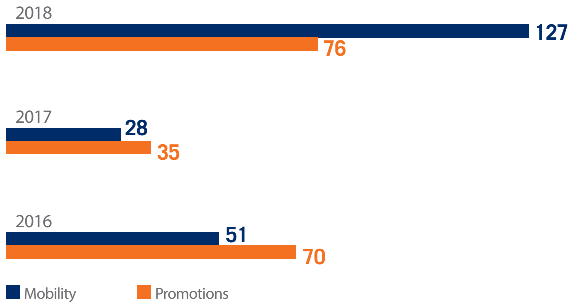
HR activities

Internal staff rotation, mobility and promotion

The slowdown in the economy has made recruitment sporadic and strategic. In order to boost existing staff, BFA has been meeting its needs for new employees through internal rotation, mobility and promotions. A total of 387 employees were affected by these processes between 2016 and 2018.

In 2018 BFA consequently promoted staff development through internal mobility (the right people in the right place) in order to retain staff by allowing them to develop and grow in the different Bank departments in which their contribution and skills are most needed.

BFA's continued investment in mobility, transfers and internal promotions has been accompanied by restructuring and creating several departments, which enhance employees' knowledge and skills thanks to cross-departmental insights into the organisation.



In 2018, 39 of the 76 promotions gave new team leaders the opportunity to develop behavioural skills and increased the responsibilities of employees who have been with BFA an average of 10 years.

New staff induction

2018 saw the introduction of a welcome day for new staff. At these fortnightly sessions new staff is given comprehensive information on the Bank and the departments in which they will work, providing them with a proper induction to their new jobs. The sessions also improve new employees' introduction to, and understanding of, the Bank's organisational culture.

83 employees took part in welcome days in 2018.

Training

2018 saw a big push to improve the training of Bank employees and the creation of the Training Academy to improve staff skills, development and qualifications, building on BFA's clear commitment to the continuous update of its professional staff.

In order to maximise the benefits of the training its employees receive, BFA uses a combination of different methods, which include:

- Theory sessions with a practical basis, to give trainees the ability to respond to client requirements;
- Training in BFA products and services for the commercial network;
- Training for organisational units based on client segmentation;
- Continuous, on-the-job training for investment centre teams - this follows the exclusive behavioural training sessions they receive on the focus on the increasingly demanding client in this segment.
- e-learning for operations.

In 2018 2581 employees attended training sessions (+23.7% on 2017). The big investment in staff training aims to improve service quality and also takes a big step towards acquiring the Bank's biggest asset - its clients.

The Client Focus Programme

BFA developed and introduced a new transverse behavioural training programme in 2018 to bring all staff into line with the quality of customer service it requires and to promote close trust relationships with clients. The programme has three bases:

- Identification of service culture
- Management alignment
- Skills development

The programme is interactive, balancing theory with practice and using activities that reflect real-life situations to give trainees the ability to cope with an increasingly complex market and an increasingly demanding client.

Since the programme is used for all Bank departments, it covers all business units, including support units and gives all staff the same understanding of our service culture.

The programme officially began in Huambo in May 2018 and in 6 months covered all personal and business banking (DPN) branches across the country plus the Corporate and the Investment Centre Departments, giving 1573 employees over
36 000 hours of training in total.

Our business partners also attended the courses on focus and culture but in their case the focus was on relations with the internal client to ensure that communications and relationships with the end client are consistent.

In the case of BFA's management, the training emphasis was on leadership skills (communication and culture) in order to change attitudes through better communication techniques. Over 202 participants from all departments, from Commercial to Support, attended the course, which consisted of a number of different actions.

The training improved professional performance thanks to the methods used and personal performance thanks to development strategies tailored to each participant.

It has enabled BFA's leaders to provide team support in a more participatory and involving manner.

Technical training

Since the quality of customer service is of prime importance to BFA, the Bank provides its staff with training in financial analysis.

It therefore developed a management accounting and credit risk analysis programme for Corporate Banking employees to teach them how to read clients' balance sheets and then produce solutions, identify problems and create strategies.

Trainees, mainly from the Corporate Banking, Business Partners and Risk Departments, were given the opportunity to improve their accounting and risk model and financial statement analysis skills for use when analysing loan applications.

The programme achieved its aims by providing consistent, structured content delivered by excellent technical specialists with an deep understanding of Angola's banking sector.

A course in project management basics was also run in 2018 to give staff involved in new projects training in the tools and skills they need to manage and successfully execute those projects.

On the job training

DPN staff were able to consolidate their knowledge through on-the-job training, which refreshed their knowledge of banking procedures. Over 80 managers from around the country supervised trainees in their own fields - in Payments in particular.

A total of over 500 hours' training brought staff up to date with processes and procedures, producing a significant improvement in customer service.

Emotional intelligence

BFA also improved leadership skills through emotional intelligence, a training course for the heads of the Bank's 3 commercial networks and for business partners' senior management. The course, attended by 67 participants, provided emotional team management tools with the aim of reducing the divide between teams and management and delivered personal action plans whose progress will be monitored.

Performance assessment

A new performance assessment method was introduced in 2018 with four main focuses:

- Talent management;
- Responsibility;
- Fairness;
- Simplification.

The new method will bring the Bank into line with international best practice in this area and is a key tool in staff motivation and development management.

Review of internal regulations

In 2018 HR also revised the BFA Code of Conduct to bring it into line with best international practice.

It additionally began to revise its own internal rules on job and skill descriptions across the Bank in order to improve BFA's efficiency and effectiveness and to prepare it for future challenges.

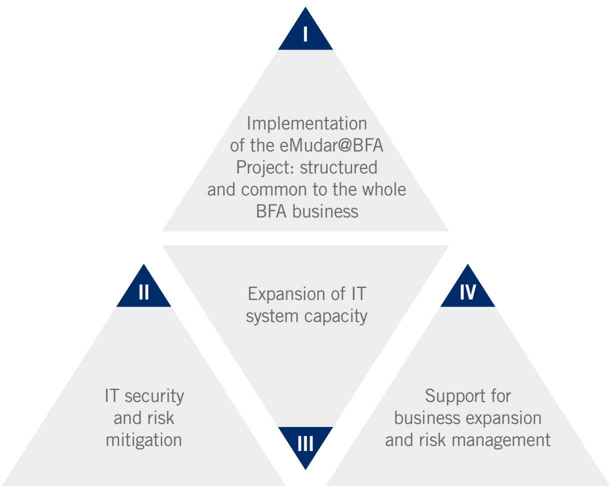
Innovation and Technology

FURTHER MODERNISATION OF BFA SYSTEMS

Continued investment in system modernisation

During 2018 BFA maintained its investment in information systems as a pillar of Bank innovation, modernisation and risk management and to prepare the Bank's infrastructure for new digital challenges. The continued implementation of initiatives and the launch of new technological development projects are intended to equip the Bank with information systems which reflect and will promote its sustainable growth. In this way, we aim to guarantee the reliability and availability of technological support, optimisation of the Bank's processes and procedures to enhance its growth and to optimise and continuously improve service quality to the customer.

To this end, BFA's investment in technology in 2018 was focused on:



I. Implementation of the eMudar@BFA Project: structured and common to the whole BFA business

The investment and development of the eMudar@BFA programme remained a priority for the Bank and was one of the pillars of its technological innovation. Throughout 2018, new features were developed under this programme.

eMudar@BFA consists of a front end that has been implemented in branches, business centres and investment centres, which have introduced mechanisms based on standardised workflow methodologies for processing their various banking activities, to make them paperless, increased efficiency and a reduction in operating risk.

The system is essential to the development of BFA's business, in that it:

- **significantly reduces operating risk**;
- **standardises procedures**, making processes simpler and more intuitive;
- ensures service levels and **reduces processing time**;
- **automates processes**, providing greater security and speed in regular approval channels;
- **makes physical processes and documents paperless**, replacing them whenever possible with digital documents for decentralised consultation, monitoring and auditing;
- ensures **process standardisation** regardless of channel (commercial network, central services, telephone, internet);
- ensures staff **applications are compatible with the database**, producing highly secure applications management;
- unquestionably improves the **quality of customer service**.

Several new features were introduced in 2018 that contributed to greater platform robustness and ergonomics, as well as to the continuous reduction in operational risk.

Of the features made available in 2018, the following stand out:

- Standalone insurance sold throughout the commercial network, plus separate funeral and travel insurance in partnership with Fidelidade Angola;
- Opening and amendment of business accounts - the internal processes for opening and amending these accounts were adjusted to allow beneficial owner identification in accordance with current legal requirements.

In addition to the digitisation of these processes, SMS controls at the purchase and activation of these products were increased, which made it possible to notify customers at different stages of the subscription and activation process. In 2018 an average of 109 200 SMSs were sent per month, with high response rates for activation processes.

eMudar@BFA processes in 2018
+ 2,8 million

SMSs sent
+ 1,3 million

Automatic activation of Cartões Multicaixa **83,0%**

Automatic activation of access to BFA Net **99,6%**

Automatic cheque activation **77,0%**

II. IT security and risk mitigation

BFA recognises that the security and availability of its systems directly affects the ability to conduct its business on a regular basis. During 2018 BFA's security components were strengthened with the adoption of several initiatives:

- **Infrastructure migration:** the migration of sensitive systems to the main data processing system (DPC), started in 2017, continued;
- **Alignment with international standards:** the Bank began the process of adopting a set of standards for the use of SWIFT: SWIFTCSP 2019, ISO/IEC 27001:2013 and ISO/IEC 22301:2012;
- **Disaster recovery:** a disaster recovery plan was developed for SWIFT systems to identify and plan recovery procedures for use in the event of system disaster;
- **Business continuity:** a business continuity programme was developed for the Bank with a governance model.

III. Expansion of IT system capacity

Given the importance of IT's ability to respond to business development, BFA's main IT components were strengthened:

- **Technological renovation of the datacenter**: The acquisition of the servers of the last generation were made in a manner that keeps an effective infrastructure in the supply of services, reducing risks in the outdated active maintenance costs, and the incapacity of accommodating new needs;
- **Storage Solutions**: the acquisition of storage equipment that allows a better database management, was made, allowing a larger speed and direction of connection, significally bettering the backup connections.

- **Communication equipment**: the acquisition of advanced connection equipment that allows larger bandwidth and transmission of connectivity as well as a big improvement in scalability.

IV. Support for business expansion and risk management

In 2018 BFA significantly improved its systems providing direct support for business and risk management direct in accordance with its current strategic plan and management policies. The main highlights in 2018 were:

- **Introduction of IFRS9:** the adjustment of the Bank's accounting systems to the new IFRS 9 continued;
- **BODIVA trading:** a solution was implemented that allows fully integrated electronic trading by BFA on the Angolan stock market. This will certainly ensure the Bank continues to be the market leader;
- **Risk management:** a risk management solution was introduced to support all Risk Management analyses and information processing;
- **Fight against money laundering:** a new solution was introduced to support the fight against money laundering and the financing of terrorism, which included a subscription to the Dow Jones Watchlist;
- **Cards:** in order to mitigate the risk of Multicaixa card fraud, BFA launched Multicaixa smartcards. At the same time, the Bank updated its systems to introduce new services allowing withdrawals without the use of Multicaixa cards;
- **Supplier payment:** the supplier payment management support solution was improved to centralise current payment data and automate payment analysis and approval;
- **Internal applications:** a new Bank intranet was launched with a new layout and better integration with the Bank's day to day work. The fixed telephony system was also migrated to a new platform;
- **Mobility:** staff mobility and communication remains an imperative to which the technology departments must respond by protecting the security and resilience of IT management. In 2018, BFA completed the installation of Skype for Business and then migrated and replaced its fixed telephony system.

Payment systems

BFA CONTINUES TO LEAD THE MARKET IN SERVICES AND MEANS OF PAYMENT

EMIS – PARTNERS IN IMPROVING FINANCIAL INCLUSION IN ANGOLA

EMIS (Empresa Interbancária de Serviços) manages all Angola's payment systems and has a duty to contribute to their general efficiency by ensuring their security, efficiency, convenience and innovation and to make a real contribution to improving financial inclusion in Angola.

EMIS was founded in 2002. BFA was one of its founding shareholders and is now its largest private shareholder (6.5%) and biggest client and services user. The leading shareholder is BNA (43.03%).

As a founding shareholder, BFA is a strong supporter of the initiatives launched by EMIS and is generally one of the first banks in the system to implement the new solutions and services provided.

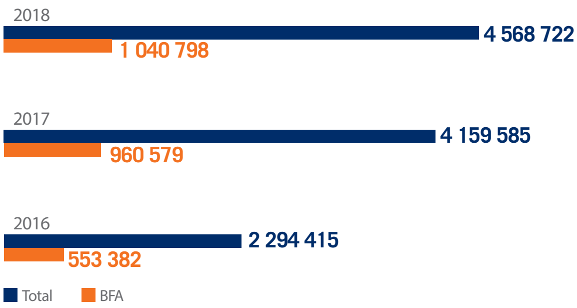
EMIS issues and manages cards for the Multicaixa (debit cards), Visa (credit and pre-paid cards) and transfer and cheque clearing systems. It also offers payment network members a host-to-host (h2h) channel that enables them to use BFA channels (BFA Net, BFA Net Corporate, BFA App and to make payments through the Multicaixa network.

In 2018 BFA became a leading payment system innovator alongside EMIS in Angola with ithe introduction of new Multicaixa card functionalities that include cardless withdrawals and more secure smartcards. BFA is also working with EMIS on a set of smartphone financial services and on tools that will allow Multicaixa cards to be used for e-commerce at home.

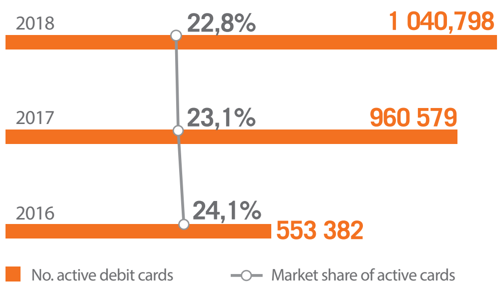
DEBIT CARDS

In 2018 the total number of active BFA debit cards rose 8.4% to 1 040 798, slightly below the market average (10%) but in line with the growth in Bank client numbers. The number of valid (active and inactive) Bank debit cards went up 16.5% from 1 342 194 to 1 563 348 (total debit cards on the market 6 390 610). BFA debit cards now represent 24.5% of all valid cards.

Active debit cards (no.)

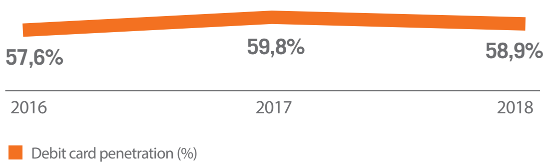


Number of BFA debit cards



Debit card penetration fell in 2018 to 58.9% from 59.8% in 2017.

Debit card penetration



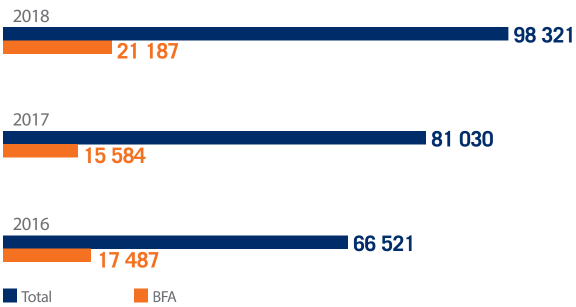
Rise in the number of APTs and ATMs

Contrary to previous years, the number of both active and proprietary APTs in Angola fell (-21.2% and -17.6% respectively). EMIS ended 2018 with 49 587 active APTs (-13 380 on 2017). The number of BFA APTs increased 36% to 21 187 thanks to more aggressive marketing, particularly in the second half of 2018.

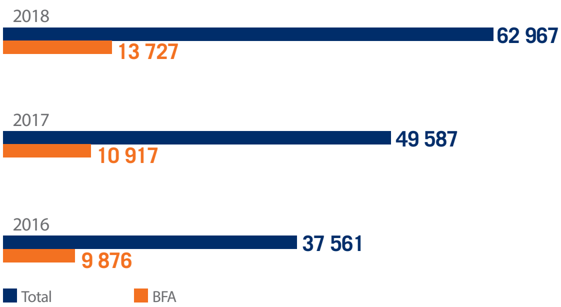
The number of active BFA APTs also went up 26% to 13 727 by the end of the year but this did not prevent BFA losing its pole position on the market for active APTs, which fell to 21.8% of the market total (vs 25.1% for the leading bank). The average daily value of BFA APT transactions rose however to AKZ 212 228 (vs AKZ 211 055 for the market leader).

APT and ATM profit simulators were developed in 2018 to enable faster and better decision-making with regard to shopping areas and districts.

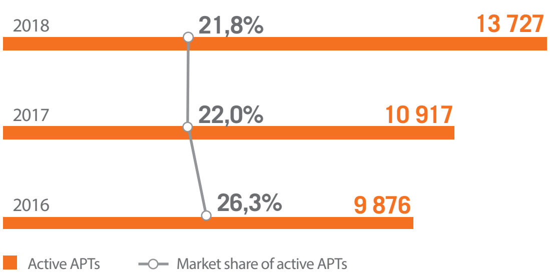
Proprietary APTs (no.)



Active APTs (no.)



Number of BFA APTs

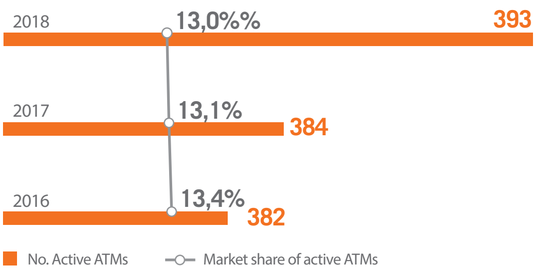


ATMs allow customers to carry out various transactions without the assistance of a banking agent (cash withdrawals, service payments, wire transfers, telephone account top-ups, mobile phone top-ups, IBAN inquiries, and so on). All Multicaixa system member banks are responsible for making these transactions available through their ATMs.

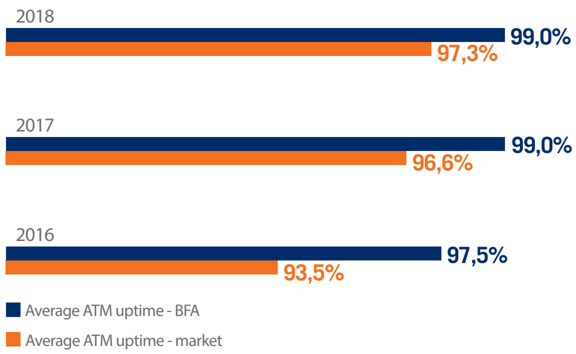
Active ATMs (no.)

In 2018 the number of active ATMs on the market rose 3.1%. The number of BFA active ATMs (393) rose 2.3%, reducing its market share by 0.1% to 13%. However BFA's network turned in the best average number of transactions and average transaction value per ATM (+5.7% and +3.6% respectively on 2017).

Number of BFA ATMs



Average annual ATM uptime (%)



Note: The uptime rate measures ATM use and is calculated as follows: where an ATM is down if it registers no transactions for a month.

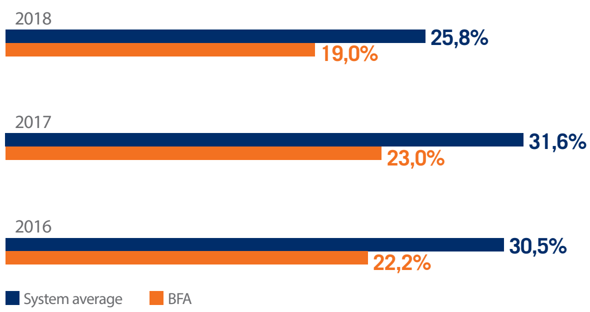
Following the trend of previous years, average annual ATM uptime in 2018 increased 0.7% on 2017 (i.e. 99% BFA uptime, 2.4% points above the market average).

Downtime caused by lack of banknotes

Downtime caused by lack of banknotes fell 5.8% in 2018.

In comparison with the market average, BFA continued significantly below the network average at under 6.8% with a 4% reduction in downtime since 2017.

Downtime caused by lack of banknotes

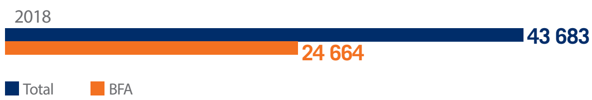


CREDIT CARDS

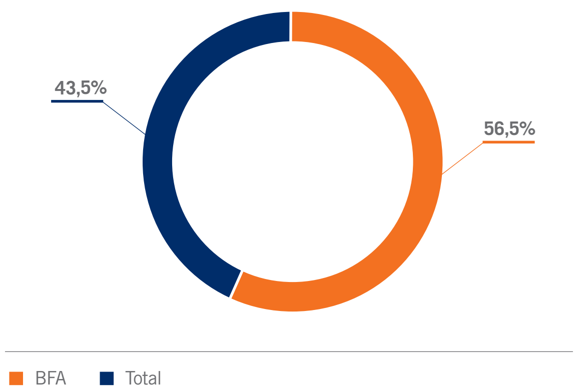
Number of active credit cards

At end 2018, 24 664 of the 43 683 active credit cards managed by EMIS belonged to BFA, giving it a 56.5% share of the market.

Active VISA credit cards (no.)



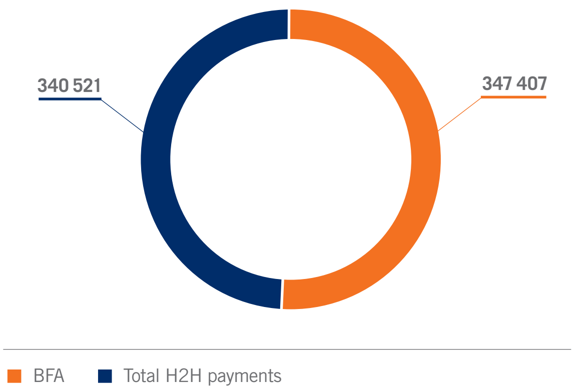
Market share of active credit cards



H2H payment

The H2H system is an EMIS subsystem that allows a bank's host to connect to the main EMIS host. This service allows banks to provide the payment features available in the Multicaixa system through their own channels including the payment of mobile phone top-ups, TV subscriptions, water bills or insurance premiums.

H2H payments



In 2018, payments through BFA (BFA Net, BFA Net Empresas and the BFA app) accounted for 12% of the market's total 2 894 633 payments, making BFA one of the leading banks providing this service to clients.

MULTICAIXA EXPRESS

In partnership with EMIS, BFA developed a pilot for a new set of financial services to be provided via smartphone and Multicaixa Express.

MULTICAIXA Express is an interbank payment, withdrawal and transfer system provided by EMIS, which thanks to Multicaixa card mobile telephony links will drive the massification of banking transactions in Angola.

BFA Digital

2018 saw the consolidation of BFA's digital presence, with particular emphasis on its new, two-pronged digital strategy:

- Positioning: an innovative local bank;
- Values: innovation, localness and transparency.

Three main targets were therefore set for 2018:

- Improving brand awareness;
- Improving relations with, and the loyalty of, current and future clients;
- Integration with other Bank communication channels.

PUBLIC BFA WEBSITE - A COMMUNICATION HUB

BFA's public website remains one of the Bank's main digital communication channels.

Visits from search engine results remained the main source of site traffic in 2018 (65% of all visits).

There was a 7% rise during the year in site access from mobile devices (smartphones and tablets), increasing to around 34% of all site visits in December 2018.

The personal banking Services page received the largest number of visits (66%) followed by the business banking Cash Management page (58%).

Most indicators were up on 2017: 1 258 998 visits, 521 833 single visits, 1 995 267 page views, for two main reasons:

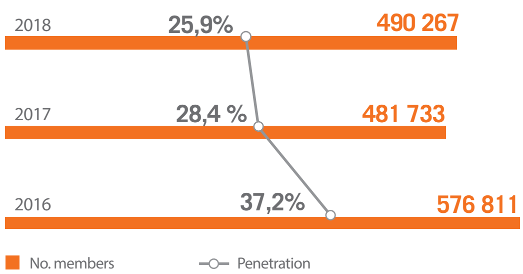
- Display campaigns;
- Google ranking of the website.

Compared with 2017 and of all measures of engagement, traffic generated by display campaigns performed best.

BFA NET – IMPROVED FUNCTIONALITIES AND CONTINUOUS DEVELOPMENT

By the end of 2018 BFA Net had 497 515 members and 26.2% penetration (+1.9% members).

Penetration vs number of members



BFA APP - A APLICAÇÃO MÓVEL DO BFA

BFA App, which was launched in 2015, is an application for home banking members and non-members that enables BFA access to any user from mobile Apple or Android phones or tablets.

The app allows BFA clients and members of BFA Net to check their account balance, operations, cards and perform wire transfers and payments.

Every App user, including non-home banking members, can simulate loan requests, check exchange rates, call the BFA helpline and find the nearest BFA branch.

In 2019 and in line with the +BFA strategic plan, the Bank intends to develop and launch a new app to give its clients even simpler access to its services, in line with best international practice.

BFA ON THE SOCIAL NETWORKS - CLOSER TO THE WORLD AND CLIENTS

Social networks are here to stay and have already revolutionised the way business relates to its clients. In today's connected world, distances are shrinking and clients want to be heard, understood and appreciated. This means relations have to be immediate, direct and transparent. Being part of this change means that BFA needs to maintain a strong, consistent image that is of mutual benefit, to become ever more available to its clients, listening to what they are saying through these channels.

BFA's digital ecosystem is based on four main approaches:

- Education: explaining how the Bank works;
- Information: showing who we are and what our products are;
- Dialogue: bringing the Bank ever closer to its current clients and attracting new clients;
- Inspiration: helping improve the community.

BFA has a strategic presence on all the main social networks: Facebook, LinkedIn, Instagram and YouTube.

Facebook

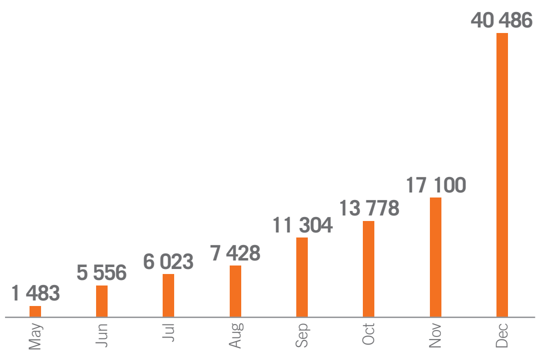
Facebook is the biggest social network in the world with 3.5 million active users in Angola. BFA has redefined its digital strategy and in May 2018 launched an official Facebook page.

Facebook has a diversified audience who therefore include all BFA's communication targets. It is also the essential network for building relationships with a community once a dialogue has been established. Engagement is one of the added values of this network. Shares, comments, likes and cliques are all measures of success, not forgetting reach, in all areas.

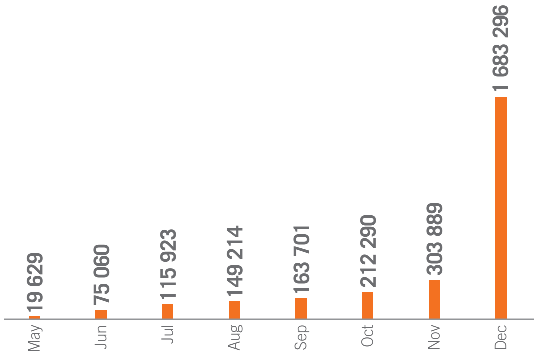
Between May and December 2018 1870 private messages were answered and around 1297 Wall posts, giving a 93% response rate.

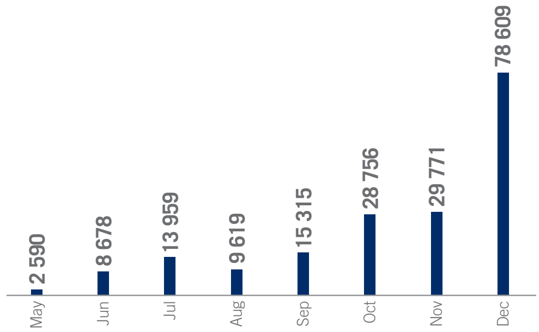
Through the year there was also a gradual and significant rise in the number of followers. The page closed the year with 40 486 fans and 1 683 296 people visited it in December.

Facebook followers



Reach and interaction





Reach

Interaction

In terms of reach (number of users who have viewed content at least once) and interaction (cliques, likes, comments and shares), the Bank enjoyed relatively constant growth throughout 2018, peaking in December.

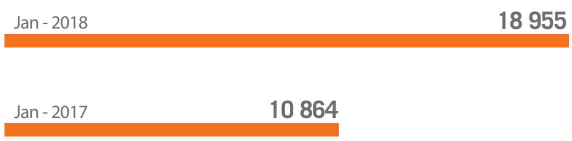
In 2018 LinkedIn was used to make 176 announcements and by the end of the year Banco de Fomento Angola's LinkedIn page had over 18 955 followers, 8 091 of whom new in 2018.

LinkedIn

LinkedIn offers inspiration through its Life pages, and its vision focuses on BFA's human capital. The network brings together specialists and non-specialists and is therefore the ideal place in which to communicate BFA's corporate image and job offers. The Bank is also seeking to make its page more relevant by sharing economic/financial education content and news.

BFA has more LinkedIn followers and updates than its competitors and therefore also has far more interactions than them.

LinkedIn followers



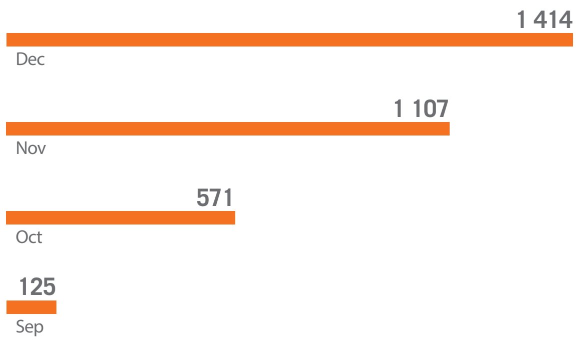
Instagram

Instagram is an online social network for sharing photographs and videos. As part of its digital strategy, BFA launched an Instagram page in 2018.

This social network has the youngest audience and therefore allows BFA to contact a more specific target population.

In 2018 BFA attracted 1414 followers.

Instagram followers



YouTube

In 2018 BFA uploaded 7 new videos onto YouTube, attracting around 3193 views. The video explaining how to make a term deposit (BFA Net) was the most watched video of the year (1085 views).

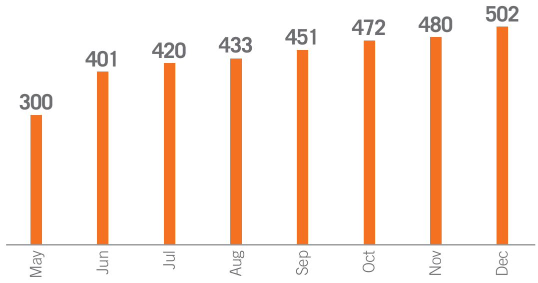
Video content receives significantly more views than any other format and is also the most effective form of message retention.

YouTube is especially popular among young people and is therefore an excellent way of capturing a population at the start of its banking life.

The aim has been to create regular content for the channel by uploading videos onto the site.

The number of followers grew consistently during the year to 502 in December.

YouTube followers



BFA HELPLINE – 923 120 120

Opened at the end of 2014, the BFA Helpline is available 24/7 on 923 120 120.

The Helpline has achieved its ambition of improving service, giving greater access to information on products and services, cutting waiting lines in branches and responding more promptly to client questions.

In 2018 there was a slight 0.3% drop in incoming calls but the number of answered calls increased 1.6%, carrying with it a 2% improvement in efficiency and 3% in SLA. The ratio of incoming to answered calls was 98.3%.

2019 OBJECTIVES

BFA's objectives for 2019 are to further expand its audience through brand awareness, increasing public interest through differentiating and relevant content and fast user engagement, and finally by making its website more attractive, engaging and accessible by clients.

Communications

CAMPAIGNS

BFA Exportação – Export promotion starts here

In order to improve Angola's current situation, the Government recently presented a macroeconomic stability plan intended to create an attractive environment in Angola and abroad for doing business and investment. BFA has a wide range of solutions for BFA clients who are exporters of goods.
For the BFA Exportação [BFA Export] campaign (slogan: Export promotion starts here), BFA has selected a set of solutions that can be adapted to any sector. The campaign aims to streamline foreign trade transactions and guarantee receipt of payments, making the entire process more efficient for exporters.

Crédito Pessoal – The dream loan

BFA's Crédito Pessoal [personal loan] offers clients a set of loans to meet all personal needs.
Loans come with a (fixed-rate) repayment plan in national currency and are given for small home extensions or refurbishments, the purchase of white goods, furniture, computer hardware, travel, study, medical expenses etc.
In May 2018 BFA launched the BFA Crédito Pessoal campaign (the dream loan) to promote the loan as the best short-term loan tailored to client needs.

BFA 25 Anos – Our biggest success is the trust of the nation

2018 was an important year for BFA, in which it celebrated 25 years of excellence and innovation on the Angolan market.
To celebrate this major event, a new seal was created, which formed the basis for an entire communication concept to mark this historic year and to promote the experience and solidity of the Bank and our ability to innovate products and services for our clients.
The BFA 25 Anos [25 Years] campaign (Our biggest success is the trust of the nation) aimed to consolidate the BFA brand on the market.

BFA Crédito à Industria – Industry promotion starts here

Following the launch of the Government's macroeconomic stability plan, BFA unveiled a package of products and services as part of its range of the best business solutions for simplifying the day to day business of industrial companies.
Through its BFA Crédito à Indústria [industry credit] campaign (Industry promotion starts here) BFA offered solutions for industry, including: foreign transfers and payment orders, short-term commercial credit, revolving credit facilities and medium to long-term investment credit.

CAMPAIGNS

BFA travel insurance – So simple you're already there

In October 2018 BFA launched BFA travel insurance in partnership with Fidelidade. This is personal accident insurance for persons habitually resident in Angola who are travelling abroad for periods of up to 90 days. The policy makes a capital payment and/or gives compensation for damage to property and personal injury when travelling and also offers additional cover (e.g. compensation in the event of death or permanent invalidity).

The Seguro de Viagem campaign (slogan: "So simple you're already there") promotes BFA's first insurance product and demonstrates the Bank's ability to grasp new challenges that can make its business and its interaction with its clients ever more unique as part of its commitment to the Angolan market.

Road tax – Buy your tax disk here

BFA is authorised to sell road tax disks. Road tax is a legal requirement for automotive vehicles.

Tax disks are sold in all BFA commercial branches to Bank clients and others.

The Buy your Tax Disk Here campaign promoted the sale of tax disks in BFA branches.

ORANGE JERSEY CAMPAIGN

The Orange Jersey campaign was run in 2018 in branches with a high client footfall to raise awareness, provide information on, and education in alternative banking channels (ATMs, BFA Net and BFA App) that do not require the client to visit a branch, and to increase financial inclusion.

SPONSORSHIP

JAANGO

BFA sponsored the 7th edition of Young Angolan Artists (Jaango Nacional 2018). JAANGO (Young Angolan Artists) is a modern Angolan art movement that showcases 5 artists working in different fields (e.g. painting, photography, decoration and sculpture). They are resident in Espaço Luanda Arte for 2 weeks in June, after which their work is presented to the public in July in a joint exhibition.
BFA sponsors this event to promote Angolan culture.

ESPAÇO ELA

Espaço Luanda Arte is a contemporary art gallery created by AM Internacional Lda, a company with which BFA has worked in recent years on projects such as JAANGO.

Each year the gallery showcases the work of contemporary Angolan artists in the through residencies, workshops, round tables and exhibitions.

LET'S MEET ANGOLA

Let's Meet Angola was a challenge laid down by Educartis and picked up by BFA. Let's Meet Angola is an event in which speakers with experience and know-how give the example to students wishing to improve their education. Educartis is a platform for training offered across Africa, making it much easier to select a course in Angola or abroad. Educartis and BFA share the same ambition of promoting education in Angola.

SPONSORSHIP

UCOLOR RUN

BFA sponsored the 2nd UCOLOR RUN 2018 in October. The event is promoted by UCALL as part of the "Together we are stronger" programme.
This is a social, non-profit event to raise money for children with various needs in Luanda's Paediatric Hospital.

PORTUGUESE CULTURAL CENTRE

The Portuguese Cultural Centre (CCP) is one of the biggest promoters of Portuguese culture in Angola, its particular emphasis being on exchanges between Angolan and Portuguese artists.
2018 was a very busy year for CCP in terms of its cultural programme, with over 20 events offering a very wide range of work by artists in the plastic arts, photography, literature, dance and music, to which BFA contributed.

INTERNATIONAL CARTOON AND ANIMATION FESTIVAL – LUANDA CARTOON

The International Cartoon and Animation Festival (15th edition in 2018) every year brings together professional and amateur cartoonists, illustrators and animators. Luanda Cartoon owes its success to the number of its visitors and its reputation.

The event came about when at the end of the 1990s a group of young people held occasional cartoon exhibitions in Luanda's galleries. They then decided to organise their meetings to exhibit, promote and develop cartoons, bring together established artists, professionals and amateurs to promote and develop this most ignored of all the art forms.

CARNIVAL OF LUANDA

The Carnival of Luanda is Angola's biggest cultural event, particularly in Luanda. Organised by the Provincial Government of Luanda, the Carnival promotes cultural values and is attended by 15 000 people over its 3-day duration.

II ANGOLA- PORTUGAL MEETING

The Portugal-Angola Chamber of Commerce and Industry organised the II Angola-Portugal Meeting: Relations with the Past and the Future in Luanda on 11 July as part of FILDA 2018 to present economic agents in both countries with its best services and to show them how partnerships can consolidate, strengthen, diversify and develop the Angolan economy to make it more independent of oil.

SPONSORSHIP

NATIONAL KIZOMBA AND SEMBA DANCE COMPETITION

The Kizomba and Semba Competition is a major national event that has created a place for itself in the music market by importing two new styles into Angola. Next year Mukanus Produções will be celebrating the 10th anniversary of this now global event.

Since this was a milestone year, the theme for the 2018 Competition was "Celebration". The event paid tribute to its sponsors, such as BFA -a sponsor since 2009, who have believed in the event and made it possible.

MODA LUANDA

Moda Luanda (ML) is one of the fashion highlights of the year and presents the new designer collections. ML has introduced new talents to Angolan and international catwalks, making Angola one of the leading global industries. 2018 saw the 21st edition of the event, one of the most prestigious on the fashion calendar, with a Go Green theme celebrating the beauties of nature and promoting stainable fashion and the harmonious and balanced protection of the environment.

LUANDA SONG FESTIVAL

The Luanda Song Festival is organised each year by Radio LAC (Luanda Antena Comercial) to disseminate and promote Angolan music. The festival has introduced new singers and launched the careers of Angolan artists such as Selda and Lípsia, both of whom have been Festival winners.

BENGUELA FASHION WEEK

Benguela Fashion Week (BFW) is a fashion event organised by Victoria Models during the Benguela Festival. BFW gives Angolan designers an opportunity to raise their profiles and present their collections. The theme of the 4th Fashion Week, during which Benguela will be celebrating its 401st anniversary, will be the sea.

PRIMERO DE AGOSTO FOOTBALL CLUB

BFA sponsors the Primero de Agosto Football Club. The sponsorship brings a return through match attendance (mainly via the TV) and merchandising (shirts), which is extremely extensive judging by the number of Club shirts on the market.

N´GOLA FESTIVAL

The N´Gola Festival is organised by the beer producer, N´gola, SA., the owner of Coca-Cola Bottling. This was the 5th N´Gola Live Festival, the biggest musical event in Huila. The event brings together and strengthens business relations between the organiser, sponsors and the biggest companies in Lubango.
The Festival has been extremely successful from the outset and attracts a number of Angolan singers. BFA has sponsored the event for the last two years.

SÃO SILVESTRE RACE

This takes place each year on 31 December in various cities around the world but the most prestigious race is the São Silvestre Luanda over 10km.
Athletes (professional and amateur) in the race ("a test for us all") come from both Angola and abroad.
There were 29 international competitors in the 2018 race, from Kenya, Ethiopia, Ghana and Eritrea. The race was followed by a concert in the Coqueiros Stadium with Angolan artists.
BFA has sponsored the São Silvestre Race for over 10 years.

ORDEM DE MÉRITO MANGAIS/ BFA 2018 GOLF TOURNAMENT

The Ordem de Mérito Mangais/BFA 2018 golf tournament is organised by the Mangais Golf Club and is sponsored by BFA. It has 11 monthly rounds.

SPONSORSHIP

UNITEL/ BFA GOLF CUP

BFA, in partnership with Unitel, organised the fifth Unitel/ BFA Golf Cup. The championship is played by teams of 2 players and is open only to companies operating in Angola. The championship has four qualifying rounds with 72 players per round. The winner of each round play in the final, which this year was held at West Cliffs golf course in Óbidos, Portugal.

PANDA & CARICAS SHOW

This is one of the few events for children in Angola. Over two days it gives the Bank an opportunity to communicate with parents and children of all ages. Up to 12 000 people (parents and children) attended the show, which holds an international record for ticket sales. BFA had 160 tickets, and gave 4 to each winner.

GLOBAL ENTREPRENEURSHIP MONITOR (GEM) ANGOLA 2018

GEM is an annual business survey covering a large number of countries and is currently considered the leading survey of business dynamism in the world. The latest GEM covered 70 countries.

BFA, which has provided financial support for GEM Angola since the start, is proud to be part of a project that investigates, monitors and profiles the entrepreneurship of economic and social agents in Angola.

If Angola is to reduce its dependence on oil and return to the levels of growth it enjoyed in the last 10 years, it must invest heavily in national policies that promote a business environment that encourages innovation, competitivity and self-sufficiency within the country. Encouraging entrepreneurship in Angola is a priority in which BFA intends to play an active role.

8TH BANKING FORUM 2018

Luanda's 8th Banking Forum is organised by Expansão magazine to debate banking topics. The 8th edition discussed "The best foreign exchange regime for Angola" and the many questions that still exist on this topic.
Expansão's conference on "The best foreign exchange regime for Angola" looked to identify ways forward by suggesting procedures, attitudes and behaviours that can help create both solid and sustainable banks able to finance the Angolan economy and jobs and also help generate wealth.

FEAST OF NOSSA SENHORA DO MONTE

The feast of Nossa Senhora do Monte [Our Lady of the Hill] takes place each August in Lubango to celebrate the anniversary of the town itself and its patron.
Festivities are mainly social, religious, cultural and sporting. BFA supports the food and livestock fair, the clay pigeon shooting contest, Expo Huíla, Huíla Fashion and the Huila 200 Km race.

INTERNAL COMMUNICATION EVENTS

VALENTINE'S DAY

To celebrate Valentine's day on 14 February, BFA organised an internal event in which staff sent love messages to BFA. The 25 most creative messages were selected and awarded a personalised mug. The most romantic day of the year was not just celebrated by mug winners: all BFA staff received a heart-shaped key ring as a memento of their relationship with the Bank.

INTERNATIONAL WOMEN'S DAY

March is women's month and was celebrated on 3 March by all the Bank's female employees. This year, as publicised on the intranet, the focus was on celebrating the contribution, commitment and dedication of our female talent. All female BFA employees therefore received a flower as a sign of our admiration and respect for them and to indicate the importance the Bank places on the role women play in its ranks.
To underline the importance of the day, all flowers were delivered by line managers.

WORLD HEPATITIS DAY

BFA celebrated World Hepatitis Day on 8 July by raising staff awareness of the various types of hepatitis and providing information on them through a banner publicising the importance of preventing, diagnosing and treating hepatitis.

WORLD HEALTH DAY

On 7 April (World Health Day) BFA organised a Healthy Living in-house event in partnership with the Sports and Cultural Group (GDC) to raise staff awareness of the importance of a healthy lifestyle. They were also encouraged to attend a Zumba fitness session combining dance to a range of different rhythms with cardiovascular exercises. The event was held at the Miramar Sports Centre (Hunters Club) and was attended by over 200 participants of different ages.

RED OCTOBER

The Red October campaign alerted BFA staff and society to the importance of the prevention and early diagnosis of breast and uterine cancer, Dr. Constança Gomes, a specialist at the Girassol Clinic gave a lecture on breast cancer for BFA staff at Jango Veleiro on 7 October. The lecture was well attended, mainly by female staff, who for one hour could put their cancer concerns to the doctor. The lecture was followed by recreation, leisure and dancing.

BANK EMPLOYEE DAY

To celebrate Bank Employee Day (14 August), in partnership with the Sports and Cultural Group (GDC) BFA organised a morning of recreation and leisure on 25 August at Ilha de Luanda, with sports and games including volleyball and sack races.
The event promoted staff integration, motivation, cooperation and sociability.

WORLD SAVINGS DAY

For World Savings Day on 31 October, BFA organised in-house action to make staff aware of the need to manage their expenses and avoid debt.

INTERNAL COMMUNICATION ACTIVITIES

BFA INNOVATION AWARD

To celebrate its 25th year of business, in August 2018 BFA gave its first BFA Innovation Award.
The award promotes and disseminates ideas and initiatives developed by Bank staff. Innovative ideas are judged by a multi-disciplinary jury that shortlists 20 finalists based on the innovation, creativity, feasibility and potential value of their ideas.

PRÉMIO BFA INOVAÇÃO

WORLD DIABETES DAY

On 14 November, in partnership with the Girassol Clinic BFA marked World Diabetes Day in the Bank with on-the-job capillary blood glucose testing for Central Services staff to check blood sugar levels.
The testing campaign ran 12-16 November in the head office, Coqueiros, Gika, Encisa and KN10 buildings and in the Morro Bento staff shop. Given the high number of Central Services staff, testing was supported by a team of HT volunteers.

BISCUIT DAY

Biscuit Day was organised for the first time by HR on 4 December this year to promote a good working and home environment. All staff received a biscuit and the recipe for it. In the days that followed staff shared photographs of how they celebrated Biscuit Day with their families. BFA believes the family provides all its staff with essential support.

WELCOME DAY

2018 saw the introduction of a welcome day for new staff. At these fortnightly sessions new staff are given comprehensive information on the Bank and the departments in which they will work. The sessions play an extremely important role in transmitting the Bank's organisational culture and in immediately creating a feeling of belonging and closeness to it.
In 2018, 83 employees attended "All on Board" sessions.

INTERNAL COMMUNICATION ACTIVITIES

CHRISTMAS 2018

BFA celebrated Christmas by inviting all staff to take part in Fit Christmas (an Exercise in Solidarity). This in-house communication action was based on other actions throughout the year in which staff were encouraged to adopt good eating habits and take exercise.
The event was organised at Jango Veleiro and was well attended in the morning of 15 December, offering staff an opportunity to socialise and exercise in an enjoyable, fun-filled way.

THEMED BLOGS

Various blogs were created on topics of interest to employees, such as:

- **Viva com saúde** [healthy living] - employee health, e.g. the importance of sport;
- **Perguntas frequentes** [FAQ] - the FAQs received by Staff Support, e.g. maternity leave;
- **Dicas** [Tips] - topics of professional interest, e.g. how to do personal marketing;
- **Frases inspiracionais** [Inspirational Words] - inspirational words;
- **Admissões, Promoções e Mobilidades** [Hirings, Promotions and Mobility] - All about the growing BFA family;
- **Vantagens do Colaborador BFA** [BFA Staff Benefits] - BFA staff benefits, e.g. the BFA pension fund;
- **Nota Informativa** [Information Note] - items of interest, e.g. future support during retirement, medical care, etc.;
- **Literacia Financeira** [Financial Literacy] - financial topics to further the continuing education of staff;
- **Parcerias** [Partnerships] - partnerships with other companies that provide staff benefits, e.g. the partnership between BFA and Imaginarium);
- **Formações** [Training] - training to improve service quality and obtain the Bank's biggest asset: the BFA client.

Social responsibility

In line with its objective of being perceived as a bank at the service of Angolan society that adds value to the community, BFA remains a concerned organisation that plays an active role in all areas of critical importance to the country.

MAIN 2018 PROJECTS

In 2018 BFA developed a large number of social responsibility projects, particularly in the areas of health, education and social inclusion.

+ SAÚDE HUAMBO

In December the Government officially declared a malaria epidemic in the centre and south of the country and in Huambo in particular.

BFA gave an undertaking to the Health Ministry that it would help combat the malaria and other epidemics.

BFA volunteers were crucial to ensuring the weekly delivery of medicines, diagnostic equipment and social support to patients and their families.

From the start of its involvement and through +Saúde Huambo, BFA delivered the following to the paediatric department of Huambo Central Hospital:

- 74.600 units of antibiotics;
- 120.000 malaria treatments;
- 12.000 fast test kits;
- 5.000 bags of blood;
- 100 haemo test kits;
- 100 debitometers;
- 100 aspirators;
- 100 hospital beds.

FOOD BANK AGAINST HUNGER: 8TH AND 9TH FOOD COLLECTION CAMPAIGN

Food bank against hunger (slogan: “moving the excess to where it is needed”), which BFA has partnered since 2013, organised its 8th and 9th food collection campaigns in 2018. 9 stores and 200 volunteers (including 80 Bank employees) collected 12 518.83 kg in the 8th campaign and 22 068.80 kg in the 9th food collection campaign. Collected food was donated to 12 charities.

GIORGIO ZULIANELLO CENTRE FOR THE ACCOMMODATION AND PROTECTION OF CHILDREN WITH SPECIAL NEEDS

In September 2018 BFA joined with the Giorgio Zulianello Centre and in partnership with it equipped the dormitories and part of the kitchen and laundry to provide greater comfort for the 60 children the Centre houses.

The Centre, which is in Nfumu on the outskirts of Mbanza Kongo, Zaire Province, provides a home for orphans and children who have been abandoned by their families who are aged between 2 months and 17 years.

In addition to offering protection to the children, the Giorgio Zulianello Centre also provides education to those who are of school age and directs adolescents from age 15 towards craft and professional courses to enable them later to enter society and the workforce.

PRIMARY SCHOOL 143 - ST TERESA CENTRE

School 143 in Bairro 4 de Fevereiro, Moxico Province, located in the St Teresa Centre run by the Teresian Sisters, helps children from the most deprived communities on the outskirts of Moxico.

Through its social fund, BFA provides the school with desks, blackboards and tables and chairs for its teachers to ensure pupils have properly equipped classrooms.

The assistance given by the Bank helps 280 children who attend the school in the morning or in the afternoon.

MASFAMU DAYS OF THE CHILD

The annual Days of the Child require child support and protection agencies to consider their commitments and the progress they have made in defending the rights of the child.

In 2018 BFA, in partnership with MASFAMU (Ministry of Social Action, the Family and the Promotion of Women), supported the initiative and took part in the opening of the Days of the Child on 1 June in Jamba, Huila Province.

INTERNATIONAL DAY OF THE CHILD

As part of the International Day of the Child on 1 June, BFA organised a social responsibility action by taking 200 children aged between 5 and 14 from the Kuzola Children's Home to the Panda e os Caricas show.

The action was supported by Macon Transportes, which took the children from the Home to the Belas Conference Centre and back again. The number of children involved and the size of the event meant that 30 volunteers from the Bank went with them to help during the show and to ensure the children enjoyed a different and memorable day out.

FIGHT AGAINST MALARIA – CAMPAIGN TO DISTRIBUTE IMPREGNATED MOSQUITO NETS

The USAID campaign to distribute mosquito nets via the President's Malaria Initiative (PMI) donated 600 000 mosquito nets to Luanda North Province which, if used correctly, will give over 900 000 improved protection against malaria. BFA was invited to take part in the initiative and is guaranteeing payment of on the ground activists and ensuring their inter-communication.

The initiative also contributes to the Health Ministry's objective of cutting malaria morbidity and deaths in Angola by one third.

SOCIAL ACTION CONFERENCE – MASFAMU

The first National Social Action Conference was held in 2018 entitled "Increasing social action in the community by building cohesion in the family".

The event was promoted by the Ministry of Social Action, the Family and the Promotion of Women and was attended by representatives of civil society, government ministries and MASFAMU partners from Brazil, Cabo Verde and South Africa.

The Government's strategy for increasing social action in communities and making it a municipal policy was presented during the conference. The representatives from South Africa, Brazil and Cabo Verde presented their own experience in this field.

BFA partnered MASFAMU in the organisation of the conference.

ANGOLA STUDY GRANTS

In partnership with the City of Lisbon Foundation, BFA supports Angolan students in Portugal studying for first and Masters degrees by giving help with their university fees and accommodation costs.

BFA also has an agreement with the Institute of Social Sciences at Lisbon University to provide support for its PhD programmes and is currently supporting an Angolan student studying at the Institute.

BLOOD DONOR DAY

On 28 and 29 June in Blood Donor Month, BFA organised a campaign to give blood to help with the significant problems public hospitals have in obtaining enough blood in Angola.

The National Blood Institute (INS) partnered the campaign in which a large number of staff meeting blood donation requirements took part. The campaign was organised in the head office and Gika buildings and was attended by staff from various departments, all of whom were prepared to give blood and change the lives of thousands of people.

By becoming regular donors we can offer a good example of solidarity and encourage others to do the same.

2018 SOLIDARITY CHRISTMAS – MASFAMU

The National Institute for the Child (INAC), which is supervised by the Ministry of Social Action, the Family and the Promotion of Women (MASFAMU), each year organises a solidarity Christmas for the most deprived children in the country.

BFA supports the INAC initiative, whose main event takes place in Malange Province.

DAVID BERNARDINO SOLIDARITY CHRISTMAS PARTY

In partnership with the Angola Rescue Association, BFA helped with the Christmas party organised at the David Bernardino Paediatric Hospital on 22 December for 400 children.

BFA contributed food, natural fruit juices and toys.

HUAMBO HOSPITAL SOLIDARITY CHRISTMAS PARTY

In partnership with Huambo Central Hospital, BFA helped organise a very happy Christmas party for the children in the Hospital on 21 December.

Toys and food were contributed to the party for 300 children in the Hospital.

The party was attended by local government representatives and by members of BFA's management and BFA volunteers who work with Huambo and Bié agencies.

OBJECTIVES FOR 2019

The BFA Solidário Programme recognises and rewards Angolan organisations that support the improvement of child health, education and wellbeing in Angola.

All other 2019 activities will be in areas such as education, health and social inclusion through projects that have a social impact, awards and volunteering.

BFA SOLIDÁRIO PROGRAMME

As part of its social responsibility activities and its community involvement, BFA has launched the BFA Solidário Programme.

BFA Solidário supports and recognises the work done by non-profit organisations in the fields of education, health and social and financial inclusion for children and young people.

Through the Programme, BFA seeks to promote the development of these organisations by distinguishing them, highlighting the best projects in these areas and involving society in their causes and problems.

BFA employees are the Programme's leading ambassadors.

The BFA Solidário Programme will have up to 157 500 000 kwanza to be distributed among up to 12 organisations operating in three fields:

- Education - organisations working to improve the education or qualifications of disadvantaged children and young people;
- Health - organisations working to improve the health of disadvantaged children and young people;
- Social Inclusion - organisations working to improve the qualifications and social and financial inclusion of children and young people at risk, especially through education and the prevention of risky behaviours, professional qualifications and basic help with living conditions.

Support will be given to up to four applicants per category to finance strategic projects for their work through the:

- Purchase or improvement of fixed assets;
- Purchase of current assets;
- Introduction or improvement of technologies;
- Training for managers and staff.

Applicants must submit budgets for their actual needs, not budgets in which they seek to obtain the largest possible amount of money.

Applications must be made between 14 January and 28 February 2019 on the social responsibility page on BFA's website.

Awards

BEST RETAIL BANK IN ANGOLA – World Finance

BFA won the World Finance Best Retail Bank in Angola award. The 2018 World Finance banking awards were given to banks that held their nerve during a period of uncertainty and are now preparing tools with which to face the future.

BEST CORPORATE MANAGEMENT – World Finance

For the fifth consecutive year BFA has won the World Finance Best Corporate Management Award, which is given to the bank that has best consolidated its operations, made the biggest contribution to the expansion of the Angolan economy and has created specific solutions for its clients.

BEST BANK IN ANGOLA – Global Brands Magazine

Global Brands Magazine has named BFA Best Bank In Angola. This is the 5th year of these awards by the British magazine, which are given to recognise excellent performance by companies in different sectors.

BEST BANK FOR CUSTOMER SERVICE – Global Brands Magazine

Global Brands Magazine voted BFA Best Bank for Customer Service in Angola in the 5th year of its awards. The nomination highlights and points to the importance of exceptional service and is a general recognition of BFA's performance in this field.

BEST COMMERCIAL BANK – Global Banking and Finance Review

For the sixth consecutive year BFA has won Global Banking and Finance Review's Best Commercial Bank in Angola award for its wide range of products and services, big branch network and its social responsibility programme focusing on education, health and social solidarity.

BANK OF THE YEAR – The Banker

BFA has been named Bank of the Year in Angola for 2018 by The Banker (Financial Times group), The award recognises the solidity, innovation and investment in the future of a bank with 25 years' experience.

The Banker is a British financial markets review that is generally considered one of the main sources of global financial information.

BEST MANAGEMENT REPORT AND ACCOUNTS – SIRIUS Awards

For the second consecutive year BFA has been voted the winner in the category Best Management Report and Accounts in the Financial Sector by a jury that examined the quality of the management and financial information given by the Bank on its business and performance over the year.

The SIRIUS Awards are now in their 8th year and are given for excellence, talent and best practice in the management of Angolan businesses.

04

RISK MANAGEMENT

Governance and Organisation of Risk Management

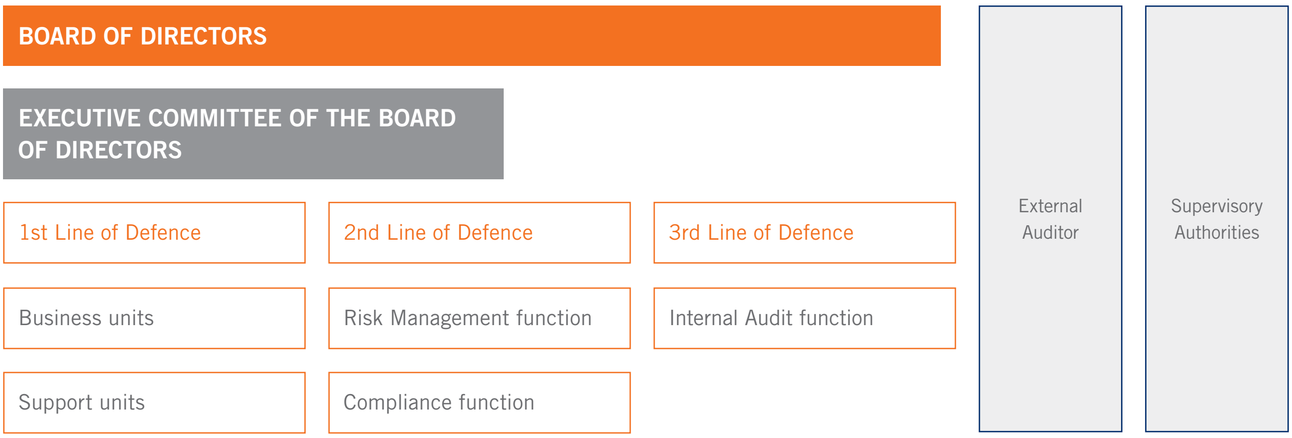
The BNA has published various Notices and Instructions in recent years that have established a broad set of requirements for the governance of the risk management system. Under the rules introduced by the BNA in 2013, banks must formally establish an independent Risk Management Function to identify, assess, monitor, control and report on all the relevant risks of their activity.

Accordingly, in 2017 BFA's Board of Directors launched an action plan to reinforce the supervision and monitoring of the Bank's risk management system by reformulating the approach to the Risk Management Function, a plan that was continued in 2018. This plan is duly supported by an exhaustive schedule of targets and strategic initiatives, which will result in effective implementation of the Risk Management Function in BFA and bring the Bank's risk management activity into line with international best practice.

Throughout 2018, besides implementing the new risk management governance system, BFA also built up the IT capacity, methodologies and human resources of the Risk Management Department, so as to align its operations with international best practice.

In addition, it reviewed its overall risk management policy, which assigns overall responsibility for the governance of the Bank's risk management system to the Board of Directors.

BFA's risk management system is based on an appropriate separation of functions and is consistent with the three-lines-of-defence model, so as to ensure a clear distribution of responsibilities between business and support areas, supervision and control areas, and independent review.



1st Line of Defence

Business and Support Units

The units that make up the business and support areas are responsible for identifying and managing any risks that arise from their activities or that are inherent in the Bank's business strategy; for regulatory risk reporting; and therefore also for implementing adequate internal controls to manage and mitigate identified risks.

2nd Line of Defence

Risk Management Function and Compliance Function

The Risk Management Function and the Compliance Function form the second line of defence. They play a proactive role, contributing to the overall functioning and performance of the risk management system, the management of the Bank, and informed decision making, and supporting the activities of the first-line units. They also play a reactive role, independently ensuring that the Bank's activities are monitored and controlled, and detecting any deviations from the agreed strategy, policies and limits.

3rd Line of Defence

Internal Audit Function

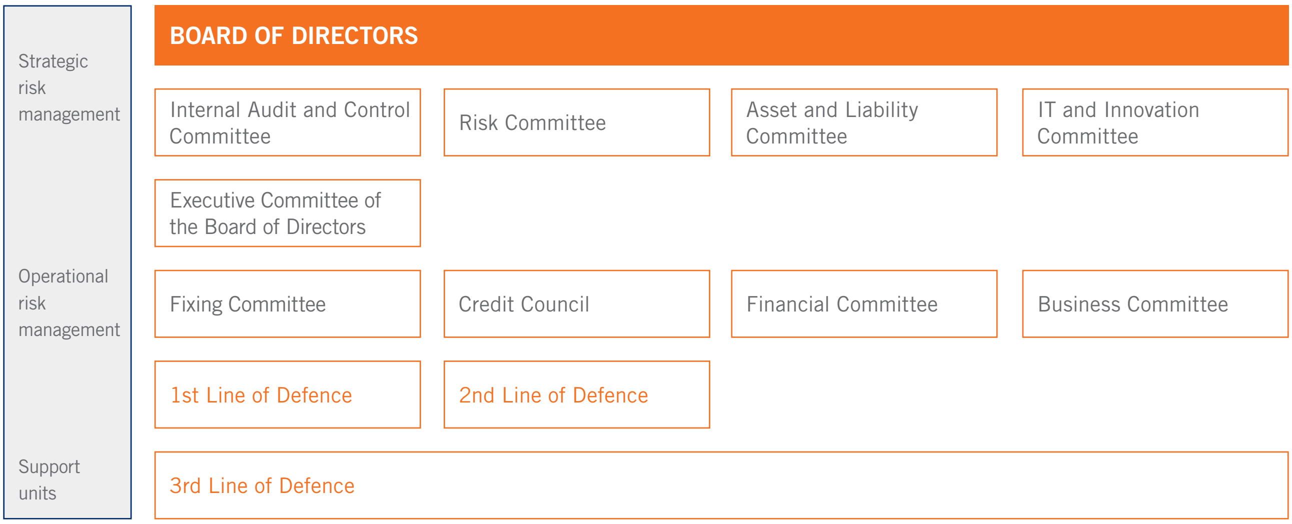
The third line of defence is the Internal Audit Function, which evaluates the efficiency and effectiveness of the Bank's internal control and risk management systems.

The External Auditor and the Supervisory Authorities are also part of BFA's risk management model. The External Auditor contributes to the effectiveness of the Bank's risk management system through objective, independent analysis of the system's functioning; and the Supervisory Authorities contribute by overseeing internal practices.

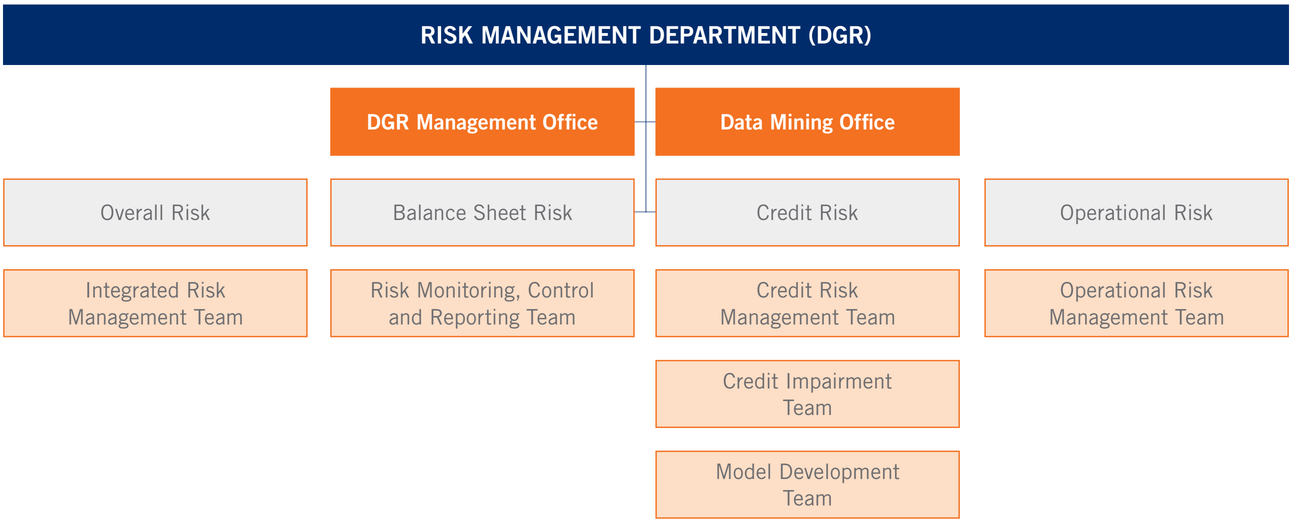
BFA's risk governance bodies

In BFA's governance model, the Board of Directors has ultimate responsibility for defining the Bank's overall risk strategy. It sets guidelines, targets and limits for the Bank's day-to-day management by the Executive Committee and is supported in this task by the Risks Committee, the Assets and Liabilities Committee, the Audit and Internal Control Committee and the Informatics and Innovation Committee.

The Risk Management Department supports the Board of Directors in defining the risk management policy and ensuring timely reporting.



To make the Risk Management Department's activity more efficient and ensure the necessary specialisation and control over the different types of risk, the department is organised as follows:



Risk Management Principles

BFA aims to continuously achieve and maintain a balance of risk and return appropriate to its size, complexity and risk profile. BFA therefore has a prudent risk management model aligned with best practice, based on the following guiding principles:

- The Board of Directors is the Bank's most senior management body;
- Autonomy and independence of the Risk Management Function;
- Continuous adaptation of risk management to market circumstances;
- The risk appetite framework is the core element in BFA's risk management;
- Solvency, liquidity and profitability are the primary objectives of BFA's risk management;
- A risk culture is the basis of BFA's activities .

Risk Management Model

Consistent with the risk management principles, the Bank organises its overall risk management processes along the strategic and operational dimensions. The strategic dimension concerns all the transversal processes that consolidate the contributions of the management of each material risk and thus form the link between business strategy and risk management. The operational dimension of risk management involves identifying, assessing, quantifying, monitoring, controlling and reporting on each material risk.

The risk management processes are shown in the following figure:

1 Strategic processes

Enterprise-wide processes that provide an overview of the Bank's various risks and aggregate their impacts on capital and liquidity

2 Operational processes

Operational processes, defined by material risk category, which support ongoing management and control of each risk

3 Contingency planning

Contingency planning, which allows the Bank to continue operating in stressed scenarios.

Strategic Risk Management Processes

The strategic risk management processes provide a general view of the Bank's overall risk profile and set the risk appetite and risk limits. They include risk monitoring, using normal and adverse scenarios, which are also used to assess the Bank's capital adequacy and liquidity and, based on that assessment, plan economic capital and liquidity.

1 Strategic processes	Risk profile self-assessment	Risk appetite framework	Internal stress-testing programme	ICAAP & ILAAP
2 Operational processes	Identification	Assessment/ Quantification	Monitoring and control	Reporting
3 Contingency planning	Capital and liquidity	Business continuity		

Risk profile self-assessment

Self-assessment of the Bank's risk profile is a strategic risk management process aimed at identifying the categories of risk to which the Bank is materially exposed. The self-assessment results inform the approaches to risk management and control: all material risk categories are assessed (or quantified) as to their impact on economic capital or liquidity and management of these risk categories is supported by specific policies.

The Risk Management Function has overall responsibility for activating and conducting the self-assessment process, in which the governing bodies and all the Bank's employees must be allowed to participate (directly or represented by the head of each organisational unit).

Risk Appetite Framework

The risk appetite framework (RAF) is a core element of the Bank's risk management system. It defines (i) the Bank's Risk Appetite Statement (RAS); (ii) its Governance Model; (iii) the Limit System that supports it and the mechanisms for monitoring and responding to any breakdown of the defined tolerances; and (iv) the model for integrating the Risk Appetite in the Bank's management practices.

The DGR is responsible for documenting the components described in the previous paragraph and the supporting procedures (RAF/RAS Governance Regulations).

Stress Test Programme

Strategic risk management involves stress testing, which is designed to: (i) identify new or emerging risks; (ii) assess or reassess the exposure to material risks; and (iii) support the assessment of economic capital adequacy and the liquidity position, based on adverse but plausible scenarios.

The stress test programme is comprehensive, covers all risks and risk factors, and provides an assessment of the Bank's economic capital adequacy and liquidity position. Stress testing involves defining and simulating adverse but plausible scenarios to which the Bank is (or could be) exposed.

The targets and limits for the stress test results, consistent with the risk appetite, are set by the Board of Directors, at the proposal of the DGR. The results are formally reported and discussed by the governing bodies, which, where necessary and in accordance with the established hierarchy/ escalation procedures, must give their approval to any mitigation or remediation plans proposed by the DGR.

Capital Adequacy and Liquidity Assessment

The risk absorption capacity is controlled based on the Bank's economic capital adequacy and internal liquidity. The Bank implements capital and liquidity planning processes that are consistent over time, based on (i) the short and long-term objectives of the Bank's business strategy; (ii) the risk appetite limits; and (iii) an assessment of the Bank's capital adequacy and liquidity position.

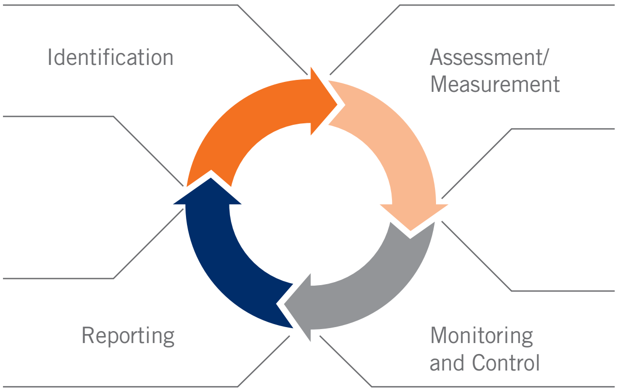
Monitoring and controlling the risk appetite limits and assessing the Bank's economic capital adequacy and liquidity position is the responsibility of the DGR, using internal methodologies and procedures for measuring economic capital, material risks and the Bank's liquidity position.

Operational Management of Risk

In the operational dimension, risk management processes are informed by the results of the risk profile self-assessment: all material risk categories are supported by specific and documented approaches (risk management policies), which determine how each of the Bank's risks is regularly identified, measured, controlled and reported.

The DGR is responsible for defining and proposing the policies referred to in the previous paragraph for approval by the Board of Directors and for continuously driving and monitoring their implementation.

The operational dimension of BFA's risk management model has four phases:



Identification

The actual and potential risks to which BFA is subject are identified based on up-to-date, timely and reliable information from the various areas. The main activities in this phase are as follows:

- Gather reliable and timely information from the different areas;
- Define the strategy for identifying risks;
- Identify existing and new risks;
- Define and review risk indicators and limits;
- Implement recommendations from the risk reports.

Assessment/ Measurement

Assess all the information collected from the different areas, which is then subjected to consistent and auditable qualitative and quantitative assessment mechanisms. The main activities in this phase are as follows:

- Gather reliable and timely data from the different areas;
- Define risk measurement assumptions and models;
- Develop risk measurement models;
- Calculate and analyse the impact of the identified risks;
- Validate, update and adapt the risk measurement models;
- Subject the measurement models to periodic audits and implement any improvement recommendations.

Monitoring and Control

Risk management is subject to continuous monitoring. For this purpose, risk limits and control mechanisms are established. The main activities in this phase are as follows:

- Monitor risk indicators;
- Monitor the limits set in the risk contingency plan;
- Update and adapt the indicators and limits to the different economic cycles;
- Develop risk control mechanisms and alerts;
- Perform stress testing based on defined risk scenarios;
- Monitor the suitability of the Risk Management System.

Reporting

Reports on risk management results and the mechanisms used must be delivered whenever required or at the intervals specified by regulatory bodies or internal rules. The main activities in this phase are as follows:

- Prepare reports based on the available information;
- Prepare recommendations for risk mitigation;
- Submit reports to the Board of Directors and the Executive Committee of the Board of Directors;
- Prepare action plans and assign responsibilities for risk mitigation;
- Disseminate the risk reports in a structured manner to the various areas of the Bank;
- Monitor implementation of the activities defined in the action plan.

Contingency Planning

To respond to exceptional risk circumstances, based on the results of the strategic and operational control of each risk, the Bank formulates a contingency plan, triggered by certain indicators and thresholds, to ensure business continuity.

To ensure that the appropriate organisational resources and measures are in place to allow the Bank to continue its activities in the event of a significant deterioration in its capital and liquidity, the risk management system includes a response plan and contingency mechanisms. It is the DGR's task, in coordination with the organisational units responsible for financial planning, control and management, to advise and support the Board of Directors in defining and approving the capital and liquidity contingency plan.

Additionally, to ensure the continued functioning of the Bank's activities in contingency situations and mitigate any resulting losses, the Bank prepares a business continuity management framework, which includes a Business Continuity Plan, in line with National Bank of Angola requirements.

Material Risks

In 2018 BFA established the Risk Appetite Framework (RAF) and the Risk Appetite Statement (RAS), which, among other things, identify the material risks and define the metrics for managing each one of them. The risks considered material are:

- Business and Strategy Risk;
- Solvency Risk;
- Liquidity and Funding Risk;
- Credit Risk;
- Concentration Risk;
- Market Risk (which includes Interest Rate Risk and Exchange Rate Risk);
- Operational Risk;
- Compliance Risk;

Responsibility for identifying, assessing, monitoring and controlling material risks is shared between the areas belonging to the Three Lines of Defence and the competent bodies of the DGR:

DGR Management Office

- Support the operational and administrative management of the DGR;
- Centralise and maintain risk management system information and documentation.

Data Mining Office

- Manage and control the quality of risk data and information.

Overall Risk Area

Integrated Risk Analysis Team

- Provide support for defining BFA's risk appetite and risk management strategy;
- Identify and assess the risks associated with related-party transactions;
- Identify and assess the risks of BFA's new products, services and markets;
- Implement an overall stress testing programme for BFA's main risks;
- Assess and monitor BFA's capital adequacy and execute the regulatory capital management processes;
- Develop and maintain methodologies, processes and activities for integrated risk monitoring and control.

Balance Sheet Risk Area

Monitoring Team

- Propose risk management policies and limits consistent with the risk management strategy and oversee their implementation;
- Implement methodologies, processes and activities for monitoring and controlling balance sheet risk;
- Prepare and provide specialised information about balance sheet risks.

Control and Reporting Team

- Oversee the balance sheet risk management systems and the activities of the trading areas;
- Monitor and report trading results and the exposures managed by the trading areas.

Operational Risk Area

Operational Risk Management Team

- Propose operational risk management policies and limits consistent with the risk management strategy and oversee their implementation;
- Promote the mapping and documentation of BFA's processes;
- Ensure that operational risk events are collected, analysed and assessed;
- Carry out BFA's operational risk self-assessment exercises;
- Promote human resource management practices consistent with the operational risk management strategy;
- Monitor the management and control of outsourcing risk
- Participate in the planning and management of BFA's business continuity;
- Monitor the management and control of reputational risk;
- Assess and monitor the Bank's operational risks, coordinate the preparation of response plans and oversee their implementation;
- Prepare and provide specialised information on operational risk and reputational risk.

Credit Risk Area

Credit Risk Management and Models Team

- Propose credit risk management policies and limits consistent with the risk management strategy and oversee their implementation;
- Define and implement concepts and indicators to support the identification and assessment of credit risk;
- Develop internal credit risk management models;
- Monitor and control BFA's credit assessment and approval activities;
- Monitor and control BFA's credit monitoring and recovery activities;
- Monitor and provide information about the quality of BFA's loan portfolio.

Credit Impairment Team

- Develop and maintain BFA's credit loss model;
- Drive and oversee the assessment of BFA's individually assessed credit losses.

Solvency Risk

WHAT IS SOLVENCY RISK AND HOW DOES IT ARISE?

Solvency Risk is understood as the possibility that the financial institution does not have a sufficient level of capital to cope with unexpected future losses from its business.

HOW IS SOLVENCY RISK MANAGED?

In order to ascertain whether it has sufficient capital to cover unexpected losses arising from its activity, BFA calculates its Capital Adequacy Ratio, Regulatory Capital and Regulatory Capital Requirements.

Solvency Risk is managed by the Risk Management Department – Overall Risks Area by complying with the provisions and regulatory requirements stipulated by the Banco Nacional de Angola (BNA), which aim to establish the minimum value for the capital adequacy ratio (CAR) and define the scope and characteristics of the components of Regulatory Capital (RC), which are presented below for the various metrics:

Capital Adequacy Ratio and Regulatory Capital:

- Notice 02/2016 - Regulatory Capital;
- Instruction 18/2016 - Provision of Information on the Composition of Regulatory Capital and the Capital Adequacy Ratio.

Regulatory Capital Requirements for Credit Risk:

- Notice 03/2016 - Regulatory Capital Requirements for Credit Risk and Counterparty Credit Risk;
- Instruction 12/2016 - Calculation and Regulatory Capital Requirements for Credit Risk and Counterparty Credit Risk;
- Instruction 13/2016 - Provision of Information on Regulatory Capital Requirements for Credit Risk and Counterparty Credit Risk.

Regulatory Capital Requirements for Market Risk:

- Notice 04/2016 - Regulatory Capital Requirements for Market Risk and Counterparty Credit Risk in the Trading Portfolio;
- Instruction 14/2016 - Calculations and Regulatory Capital Requirements for Market Risk and Counterparty Credit Risk in the Trading Portfolio;
- Instruction 15/2016 - Provision of Information on Regulatory Capital Requirements for Market Risk and Counterparty Credit Risk in the Trading Portfolio.

Regulatory Capital Requirements for Operational Risk:

- Notice 05/2016 - Regulatory Capital Requirements for Operational Risk;
- Instruction 16/2016 - Calculation and Regulatory Capital Requirements for Operational Risk;
- Instruction 17/2016 - Provision of Information on Regulatory Capital Requirements for Operational Risk.

In addition, the Risk Management Department is responsible for carrying out the internal capital adequacy assessment process (ICAAP) and stress tests.

BFA therefore prepares a set of reports for the BNA on a monthly basis, calculating the Capital Adequacy Ratio (within the scope of applicable legislation), which includes the submission of information reporting Regulatory Capital and Capital Requirements for Credit, Market and Operational Risk.

Under the supervision of the Banco Nacional de Angola, BFA must maintain regulatory capital compatible with its nature and scale of operations, ensuring at all times a regulatory capital adequacy ratio of not less than ten percent (10%).

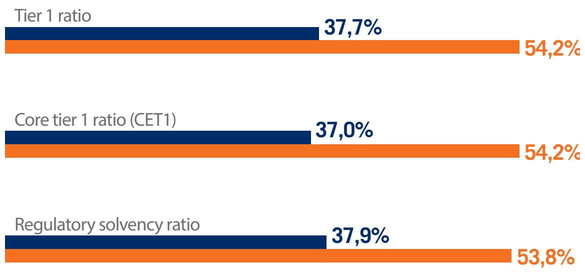
In addition, BFA defines the risk appetite (Risk Appetite Framework and Risk Appetite Statement) for Solvency Risk, incorporating, whenever applicable, the metrics, internal limits and tolerance levels appropriate to the Bank's strategy. This is where the material risks and the relevant risk metrics for assessing and monitoring those risks are defined.

WHAT WERE THE MAIN DEVELOPMENTS IN 2018?

In accordance with the regulations published by the BNA in 2016, in order to bring capital adequacy and capital requirements methodologies closer to international practices, in 2017 BFA updated the methodology for calculating the Regulatory Capital Ratio and introduced the additional limits stipulated.

The new methodology, applied from June 2017, entailed calculating new capital requirements for market risk and operational risk and included changes to the method for calculating regulatory capital requirements for credit risk and to the methodology for measuring regulatory capital.

In 2018, the trend in the Capital Adequacy Ratio was very positive compared to the same period of the previous year, driven by the increase in regulatory capital, as shown below:



(Unit: AOA)

	Dec-17	Dec-18
Regulatory Capital	192 253 839 110	325 215 815 923
Total Requirements	50 671 816 952	60 408 499 375
Capital Requirements for Credit Risk - RFPRC	16 918 658 625	28 157 280 694
Capital Requirements for Market Risk - RFPRM	18 779 001 163	6 633 860 847
Capital Requirements for Operational Risk - RFPRO	14 974 157 164	25 617 357 834
Regulatory Capital Ratio	37,9%	53,8%
Regulatory Minimum	10,00%	10,00%

	Regulatory Minimum [31-12-2018]	BFA
Regulatory Capital Ratio *Total Capital Ratio*	10,0%	53,8%
Tier 1 Ratio *Rácio de Fundos Próprios de Base*	8,5%	54,2%
Core Equity Tier 1 Ratio *Rácio de Capital Base*	7,0%	54,2%

Credit Risk

WHAT IS CREDIT RISK AND HOW DOES IT ARISE?

Credit Risk is the risk of loss associated with the failure of customers to meet their obligations under credit agreements. It can arise not only from a loss event and subsequent default by a counterparty but also from concentration in a particular counterparty, industry, product, geography or maturity.

Loan Refusals Due to Default or Material Incidents

The Bank does not lend to customers who have a record of material incidents or who have failed to perform their obligations to the Bank, nor to customers that are in any of the following situations:

- Payments of principal or interest to a financial institution more than 45 days past due;
- Improper use of cards or payment systems for which the person or entity is responsible;
- Legal action has been taken against the person or entity that may have a material adverse impact on their economic or financial situation.

HOW IS CREDIT RISK MANAGED?

The DGR's Credit Risk Area is responsible for the overall monitoring of BFA's exposure to credit risk, through the monitoring of risk indicators and risk limits. It oversees the credit monitoring and recovery model. It is also responsible for developing and maintaining credit risk models, namely the risk analysis and impairment models.

The areas responsible for credit risk assessment and control are as follows:

Individual and Business Loan Department: responsible for assessing credit transactions in the Individuals and Businesses segments;

Corporate Credit Risk Department: responsible for assessing corporate credit transactions;

Structured Finance and Investment Department: responsible for structuring complex, high-value financings and all investment loan applications, including those covered by the Angola Investe programme;

Risk Management Department - Credit Risk Area (DGR-ARC): comprising three teams (Credit Risk Management Team, Credit impairment Team, Model Development Team), its main focus in 2018 was the implementation of IFRS 9, BFA being the first Angolan bank to report impairment in accordance with international accounting standards;

The activities of DGR-ARC started in the first quarter, with the implementation of IFRS 9 and the development of a SAS solution to automate the calculation of impairment losses under the new standard.

Credit Monitoring, Recovery and Litigation Department: responsible for the monitoring and recovery of loans more than 60 days past due. This department is also responsible for the recovery of past-due loans through negotiation or legal action. In addition, it is responsible for managing the collateral received in credit recovery processes.

All these departments report to the same director, who has no responsibilities in the commercial areas.

Lending limits and loan procedures are laid out in the General Lending Regulations, the Lending Procedures Manual and the Product Specifications.

Loan application assessment requires a rigorous analysis, within the framework of the parameters summarised below:

Credit Risk Analysis Procedures

- No credit transaction can be approved without prior collection, verification and critical analysis of relevant information on the borrower, the borrower's economic and financial situation, the transaction to be financed and any guarantees provided;
- Any loan proposals or guarantees to be submitted to the competent bodies for approval must be:

- Adequately described in a loan proposal form, which must include all essential and accessory information needed in order to complete the transaction;
- Consistent, where applicable, with the product specifications;
- Accompanied by a properly documented credit risk analysis;
- Signed by the persons submitting the proposal.

- In the case of companies or corporate groups with accounts spread across several Corporate Centres or BFA branches, transaction proposals will be examined by the body responsible for managing the relationship with the company or group in question;
- Credit risk analysis includes the Bank's total exposure to the client or group to which the client belongs, in accordance with the applicable legislation.

Analysis and appraisal of guarantees

- All credit transactions are secured with guarantees appropriate to the borrower's risk and the nature and term of the loan. The documentation should provide assurance as to the adequacy and liquidity of the guarantees;
- Property collateral is appraised before the loan approval decision is taken.
- The Collateral Management area of the Monitoring, Recovery and Litigation Department promotes and monitors the entire process of registering, updating and cancelling mortgages, as well as the appraisals of properties pledged as collateral for credit transactions.

Based on BNA Notice 11/2014, BFA has defined the following criteria for classifying new loans at the different risk levels:

- Level A (Lowest Risk) – Loans granted to the Angolan State, including central and provincial governments, by central banks, international organisations or multilateral development banks, or loans backed by captive bank accounts held at BFA or government securities (Treasury bonds or bills or central bank securities) in an amount equal to or greater than the value of the liability;
- Level B: (Very Low Risk) - Other loans.

Exceptionally, other loans may be classified at risk levels A or B, depending on the characteristics of the borrower and the nature of the transaction. These exceptional cases will require the approval of the Board of Directors or the Executive Committee of the Board of Directors.

BFA does not grant loans with a risk level higher than B. For loans to individuals, BFA requires the signature of more than one income earner, with the exception of the protocols signed with companies.

Review of risk classifications

A review of the classification of outstanding loans and the associated provisions is carried out at least once a month, in accordance with BNA Notice 11/2014.

Proceedings of Decision-making Bodies

- The resolutions of each decision-making body are approved as collective decisions of the body's respective members and are recorded in minutes, which are signed by all participants;
- Decisions are taken on a unanimous basis. Where there is no unanimity, a proposal is submitted to the immediately higher decision-making body;
- Members of a decision-making body who have a direct or indirect interest in a transaction are prohibited from taking part in debate or decision making in respect of that transaction, which must be submitted to the next higher decision-making body.

Validity of Decisions

- Loan approval decisions remain valid for 90 days and this term of validity is notified to customers;
- All decisions specify a deadline by which the loan must be drawn or the guarantee issued; otherwise, the deadline is 30 days from the signing of the agreement.

In the last quarter of 2018, a project was started to review the corporate credit risk assessment model, affecting mainly the risk areas' tools, methodologies, processes and structures. The project timetable was extended into 2019 and includes training for employees in the commercial networks and the risk areas through a specific programme covering all the stages of the lending process, from information gathering and the preparation of proposals to risk analysis, approval and monitoring.

The consolidation of Banco Nacional de Angola's Information and Credit Risk Unit was a very important factor during this period in allowing a more comprehensive assessment of customers' existing bank borrowings. Once the BNA data became an integral part of loan assessment, this has helped BFA make more informed decisions.

Impairment loss calculation model

BFA implemented the impairment loss calculation model in June 2013 to meet the challenges arising from timely adoption of international best practices. From June 2018, the Bank made the transition from IAS 39, "Financial instruments: Recognition and measurement", to IFRS 9, "Financial Instruments", issued by the International Accounting Standards Board (IASB) in July 2015 but mandatory for the Angolan financial system only from December 31, 2018, as agreed by the BNA.

The model was implemented with the collaboration of various areas of the Bank, ensuring independence and division of tasks:

- IT Systems area, responsible for extracting information from IT systems, and Distributed Systems area, responsible for maintaining the support solution;
- Risk Management Department – Credit Risk Area, responsible for monitoring the periodic calculation process and also for model governance. The Individual and Business Loans, Corporate Credit Risk, Investment and Structured Finance, and Monitoring, Recovery and Litigation departments also play a role in carrying out, supervising and validating individual customer assessments;
- Executive Committee, responsible for final validation and approval of the results..

Expected credit losses are measured for the following portfolios:

- Loans;
- Debt instruments (securities);
- Balances held at other credit institutions;
- Off-balance-sheet exposures (including revocable and irrevocable limits);
- Credit limits associated with revolving credit facilities, overdrafts and cards;
- Bank guarantees;
- Documentary credits.

Impairment losses are measured using calculation methods defined by BFA, based on historical series and the characteristics of the Bank's loan portfolio. For impairment loss calculation purposes, the Bank classifies its portfolio in stages, based on evidence of impairment. Loans up to 30 days past due are considered to show no evidence of impairment and are classified in Stage 1. Loans between 30 and 90 days past due are considered to be impaired and are classified in Stage 2. And loans more than 90 days past due are considered to be in default and are classified in Stage 3.

Besides days past due, the Bank's definition of default also takes other criteria into account, including the following:

- Customer with at least one loan in litigation in the last five years;
- Credit with a material (more than 20%) decrease in the value of the collateral when this results in a loan-to-collateral ratio of more than 80%;
- Customers with unauthorised overdrafts, authorised overdrafts above the contractual limit, or revolving credit facilities used permanently at 95% or more of the initial contractual limit in the last 12 months;
- Customers with one or more restructured loans in the last 12 months;
- Customers with debts to the Tax Department or Social Security;
- Bank pledges or likelihood of insolvency or subject to a recovery or financial or operational reorganisation process;
- Significant change in the (corporate) customer's operating results, for customers subject to individual assessment;
- Customers in bankruptcy or insolvency proceedings or expected to enter bankruptcy or insolvency.

For the purpose of assigning risk factors and calculating impairment losses, the portfolio is segmented according to homogeneous risk profiles, taking the following categories into account: home loans, consumer loans, overdrafts, credit cards, car loans, corporates (significant exposures), corporates (less significant exposures), and public sector and financial institutions.

Restructured loans are treated differently: they are classified in Stage 2 until they complete the cure period (12 months), provided there are no arrears of more than 30 days after the restructuring; or in Stage 3 if they are restructured with a significant loss or a grace period for principal, or if there are arrears of more than 30 days.

Loans may be subject to two types of assessment, based on the size of the loan: individual or collective.

Individual assessment

Loans to the following customers are subject to individual assessment:

- In the Individuals segment, all customers with exposure of more than AOA 100 million, or with loans more than 30 days past due and exposure of more than AOA 50 million;
- In the Corporates segment, all customers with exposure of more than AOA 50 million, or with loans more than 30 days past due and exposure of more than AOA 25 million;
- All customers with restructured or reclassified loans are also subject to individual assessment, as well as ad hoc customers (individuals or corporates) which do not meet the above criteria for individual assessment but which the Bank considers should nevertheless be assessed individually, regardless of the segment to which they belong.

Collective assessment

For the purpose of collective assessment, the following risk factors for each risk segment are taken into consideration, based on an analysis of historical default rates in the portfolio over the last five years:

- **Probability of Default (PD)** - The probability of default measures the risk that a given transaction will default within a specified time horizon. This parameter is used directly to calculate the expected credit losses (ECLs) of Stage 1 and Stage 2 loans. For Stage 1 the time horizon is 12 months and for Stage 2, the remaining life of the loan. Under IFRS 9, all PD estimates must be adjusted to include forward-looking information. The final estimates of the model used to calculate ECLs are forward-looking lifetime PDs;
- **Loss Given Default (LGD)** - represents an estimate of the loss on a given loan after it enters default. This parameter is used directly to calculate the ECLs of loans in Stages 1,

2 and 3. LGD includes a "collateral" component (which takes account of amounts expected to be recovered through enforcement of collateral) and a "cash" component (which takes account of amounts expected to be recovered by other means, e.g., payments made by the debtor, restructurings, among others).

- **Credit Conversion Factors (CCF)** - the percentage of the unused amount of the facility that is expected to be used between the chosen reference date and the time of default. In other words, the CCF measures the percentage of an off-balance-sheet exposure that may be converted into an on-balance-sheet exposure in the event of default.

- **Prepaid In Full** - Prepaid In Full is a measure of the probability that a loan will be settled in full before its contractual maturity date.

- **Behavioural Maturity (WB)** - period of time for which the Bank is exposed to the credit risk. This parameter is typically calculated for transactions with no specified maturity (e.g. revolving loans).

The impairment charge is calculated as the difference between the carrying value and the net present value of the loan, This is calculated as the discounted value of the expected future cash flows from the loan.

The provisions recorded at December 31, 2018 comfortably cover the losses estimated by the model.

WHAT WERE THE MAIN DEVELOPMENTS IN 2018?

Impairment Loss Calculation Model

The impairment loss model has been adapted to make it more rigorous and bring it into line with the new legislation published by Banco Nacional de Angola and with international best practices.

A major change to the model resulting from adoption of IFRS 9 was the transition from calculating incurred losses to calculating expected losses over a 12-month period or over the lifetime of the loan if there has been a significant increase in credit risk. Credit losses must be estimated taking all available supporting information into account, including a forward-looking component. From June 2018 BFA started to recognise impairment on Securities (in foreign currency) and Balances held at financial institutions.

Under BNA Notice 02/2015, financial institutions may calculate their loan loss provisions using their own internal methodologies developed for that purpose, once the methodologies have been approved by Banco Nacional de Angola. The rules set out in this BNA regulation are identical and totally consistent with those already adopted by BFA for internal use. On June 30, 2015, BFA submitted the new impairment loss calculation methodology (which replaces the previous direct methodologies) to BNA for approval, thus meeting the deadline stipulated by the regulator.

Assessment of Collateral and Other Securities

In 2018, in relation to BFA's impairment loss calculation model and BNA Notice 10/14, work continued on the action plan launched in 2014 by the Monitoring, Recovery and Litigation Department – Collateral Office to assess real estate loan collateral. In summary, properties held as collateral were reappraised by expert valuers where the following circumstances obtained:

- Properties associated with loans more than 90 days past due, if the previous appraisal was more than two years old;

- At least every two years, where the positions at risk amount to more than 1% of the total loan portfolio at the previous year-end or to more than AOA 100 million;

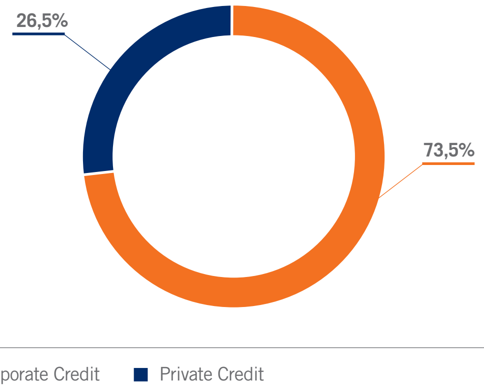
- Other evidence of impairment, in particular, market events or changes that could directly affect the value of real estate assets in general, depending on geographical location, purpose and proximity.

This work will continue in 2019, assisted by the launch of a new database specifically developed for processing data on real estate loan collateral.

Structure of the Loan Portfolio

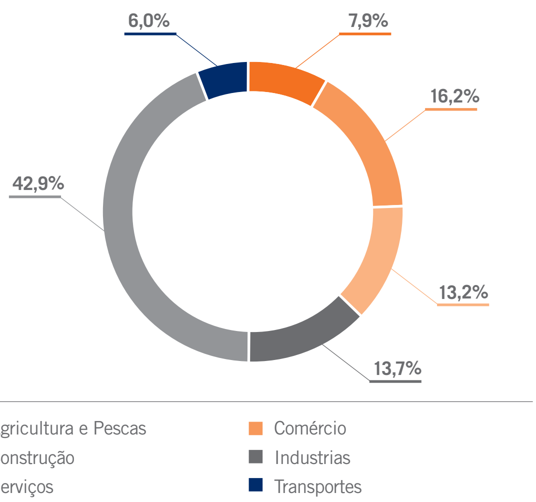
In 2018 the overall loan portfolio grew by 47% compared to 2017. This change was caused by an increase in loans in all customer segments, most notably a 41% increase in loans to Individuals and Businesses, a 67.3% increase in loans to Corporates and a 34.3% increase in credit granted through the Investment Centres network, mainly due to the effect of the depreciation of the kwanza.

Loan Portfolio by Customer Type: Corporates and Individuals



The corporate loan portfolio is fairly balanced across sectors, with notable concentrations in Services and Construction, representing around 56% of the portfolio.

Diversification of Corporate Loan Portfolio by Economic Sector



Note: Total loans not excluding guarantees and letters of credit.

This distribution is the result of BFA's lending policy, aimed at diversifying exposure to the risks of the different sectors.

In terms of risk, the loan portfolio is concentrated, as in previous years, in the lower risk classes defined in BNA Notice 11/2014 and Instruction 9/2015. Nearly 94.38% of total loans and advances are classified in levels A to C. The exposure of the BFA loan portfolio in the higher risk classes (risk greater than "Moderate") decreased by 2.98 percentage points.

LOANS BY RISK CLASS

Total Credit Transactions

Class	2016	2017	2017
A - Zero	34,30%	34,70%	40,45%
B - Very Low	58,70%	49,20%	46,15%
C - Low	1,10%	7,50%	7,78%
D - Moderate	0,20%	0,70%	0,17%
E - High	0,90%	1,20%	0,67%
F - Very High	1,60%	1,00%	0,41%
G - Loss	3,10%	5,70%	4,38%
Total	**100%**	**100%**	**100%**

However, after adoption of IFRS 9, the risk level of the portfolio is divided between the three stages of impairment as follows:

Stage	2018
1	84,02%
2	11,43%
3	4,55%
Total	**100%**

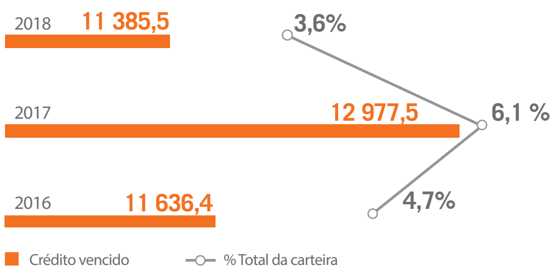
Note: Total loans includes performing and non-performing loans and does not exclude guarantees and letters of credit.

Past-Due Loans Ratio

The volume of past-due loans and the past-due loans ratio decreased in 2018 as a result of the risk analysis and management policies pursued by BFA with a view to continuously improving the quality of its credit portfolio. The amount of past-due loans decreased by approximately

13% compared to the previous year, partly due to write-offs totalling AOA 7,962 million.

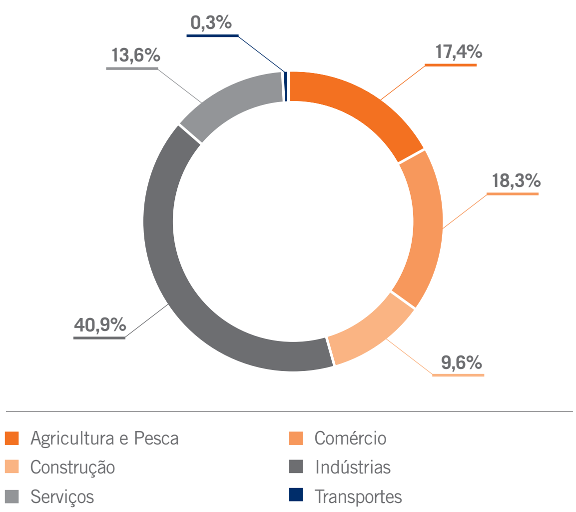
Past-Due Loans (% Total Loans)



Note: Total loans excluding guarantees and letters of credit.

Analysing the past-due loans in the corporate segment by sector, Manufacturing accounts for the largest proportion (approximately 40.9%), followed by Retail trade (18.3%). Transport has the smallest proportion of past-due loans (just 6% of the total).

Concentration of Past-Due Loans by Sector



In December 2018, the impairment coverage ratio was a comfortable 179.2%, reflecting a particularly prudent risk management policy.

Impairment Provisions and Coverage Ratio

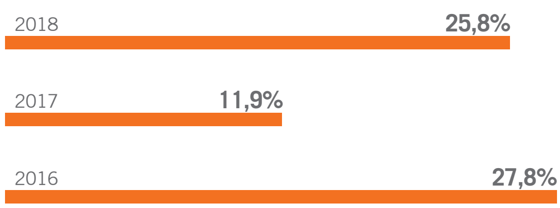
The impairment provisions recorded on the Bank's balance sheet at December 2018 are as follows:

AOA Millions

Classe	2018
Impairment provisions	20 398,3
Provision coverage, total loans	5,1%
Provision coverage, past-due loans	179,2%

The volume of loans written off was influenced by the lack of success in renegotiating a number of past-due loans, which BFA therefore had to write off as a loss. In the last three years, the Bank has succeeded in keeping the volume of write-offs low compared to previous years, demonstrating the strong focus on loan recovery by appropriate legal means, especially through the courts.

Crédito abatido *(Write Off)*



Recovery of Past-Due Loans Through Litigation

Since last year, the Monitoring, Recovery and Litigation Department has taken more vigorous steps to recover loans through the courts.

As of year-end 2018, a total of 1 071 legal proceedings had been started to recover past-due loans, with a total of USD 289.7 million claimed.

NUMBER OF COURT PROCEEDINGS

Un: m USD

	2012 to 2016		2017		2017		Total	
	N.º	Valor	N.º	Valor	N.º	Valor	N.º	Valor
Private	476	24 422	70	17 803	375	20 188	921	62 413
Companies	132	205 705	18	10 280	43	11 287	150	227 272
Total	808	230 127	88	28 083	418	31 475	1071	289 685

In some cases, claims through the judicial system result in settlements (partial or total).

In 2018, property was attached in a total of four proceedings against individuals and companies and approximately AOA 3 364 million of written-off and past-due loans was recovered.

Liquidity Risk

WHAT IS LIQUIDITY RISK AND HOW DOES IT ARISE?

Liquidity risk is the probability of adverse impacts resulting from an inability of the Bank to obtain sufficient liquid funds to meet its financial obligations.

HOW IS LIQUIDITY RISK MANAGED?

Liquidity risk is managed, in the first line of defence, by the Financial and International Department (DFI) and, in the second line of defence, by the Risk Management Department – Balance Sheet Risk Area (DGR-ARG).

Thanks to its extremely prudent approach to liquidity management, BFA is in a privileged position as regards the funding of its activities.

The Bank ensures a stable, safe and sufficient liquidity position, based on an adequate level of liquidity reserve, maintaining high liquidity and liquidity compliance ratios.

The DFI is responsible for ensuring compliance with the daily liquidity gap limit in local currency. The daily liquidity gap is the difference between inflows and outflows of funds in local currency on any given day, while maintaining compliance with mandatory reserves.

The Risk Management Department – Balance Sheet Risk Area is responsible for implementing the methodologies, processes and activities for monitoring and controlling balance sheet risk, assessing the main liquidity risk indicators, overseeing the stress tests and carrying out the internal liquidity adequacy assessment process (ILAAP).

The financial management of BFA's liquidity risk is supported by a set of documents that are distributed to various management bodies, namely:

- Daily report: summarises key information from the domestic and international markets, the day's most important movements and transactions (in particular in the foreign exchange and money markets) and compliance with mandatory reserves;

- Documentation for the Finance Committee, with a retrospective weekly summary of the main national and international markets;

- Daily report on the regulatory foreign exchange position, indicating the accumulated gap by currency foreign, sent to the Directors with responsibility for finance and risks;

- Integrated Risk Management Report: a document covering the main liquidity risk indicators and limits which is analysed each month by the Risks Committee and the Board of Directors.

The Bank's organisational and decision-making model comprises:

- The Board of Directors, which after considering proposals from the Risk Committee, the Executive Committee and the Assets and Liabilities Committee, takes the key decisions on transactions in Angolan sovereign debt, counterparty limits, and interest rates on loans and deposits;

- The Risks Committee, which is responsible for supporting and advising the Board of Directors in risk management matters, particularly in relation to liquidity risk;

- The Executive Committee, which considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits;

- The Assets and Liabilities Committee, which advises the Board of Directors on strategy and the Bank's asset and liability management policy, especially as regards balance sheet risks (market, liquidity, interest rate and exchange rate risk);

- The Financial Committee meets on a weekly basis and puts the Board of Directors' decisions into effect, submitting proposals to the Assets and Liabilities Committee if this proves necessary.

WHAT WERE THE MAIN DEVELOPMENTS IN 2018?

Instruction 19/2016, which was published by the BNA on August 30, established the specifics for sending information on liquidity risk management. Financial institutions began to submit their liquidity statements fortnightly. These covered cash flows in local and foreign currencies that are material for the institution on a standalone basis. At monthly intervals they also submit a liquidity statement showing cash flows in all currencies on an aggregate basis.

From August 31, 2019 to August 31, 2020, financial institutions must maintain liquidity and compliance ratios greater than 100% for reports in local currency and aggregate reports of all currencies and 150% for reports on material foreign currencies.

The transitional minimum liquidity and liquidity compliance ratios are as follows:

Liquidity Ratio	Local Currency	Material Foreign Currency	All Currencies
Phasing in August-18	75,0%	112,5%	75,0%
Phasing in August-19	100,0%	150,0%	100,0%
Phasing in August-20	100,0%	150,0%	100,0%

Liquidity Compliance Ratio (1 to 3 months band)	Local Currency	Material Foreign Currency	All Currencies
Phasing in August-18	50,0%	75,0%	50,0%
Phasing in August-19	75,0%	112,5%	75,0%
Phasing in August-20	100,0%	150,0%	100,0%

At December 31, 2018, BFA had the following ratios, which already met the minimum levels required by the regulator from August 31, 2019:

All Currencies

Unit: AOA Millions	Dec-17	Dec-18
Liquid assets	1 044 992	977 654
Cash outflows	257 159	206 445
Cash inflows	37 345	36 112

	Dec-17	Dec-18
Liquidity ratio	475%	574%
Regulatory Minimum [1]	50%	75%

[1] The ratios are being phased in, with full compliance from August 2019

	Dec-17	Dec-18
Liquidity Compliance Ratio (1 to 3 months band)	1590%	1230%
Liquidity Compliance Ratio (3 to 6 months band)	1486%	1787%
Liquidity Compliance Ratio (6 to 12 months band)	11703%	4852%
Regulatory Minimum [1 2]	50%	75%

[1] The ratios are being phased in, with full compliance from August 2019
[2] Limit applicable only to the 1 to 3 months band

Local Currency

Unit: AOA Millions	Dec-17	Dec-18
Liquid assets	914 826	719 565
Cash outflows	213 985	138 924
Cash inflows	37 331	33 041

	Dec-17	Dec-18
Liquidity ratio	518%	680%
Regulatory Minimum [1]	50%	75%

[1] The ratios are being phased in, with full compliance from August 2019

	Dec-17	Dec-18
Liquidity Compliance Ratio (1 to 3 months band)	2217%	1974%
Liquidity Compliance Ratio (3 to 6 months band)	1794%	3169%
Liquidity Compliance Ratio (6 to 12 months band)	43427%	14738%
Regulatory Minimum [1] [2]	50%	75%

[1] The ratios are being phased in, with full compliance from August 2019
[2] Limit applicable only to the 1 to 3 months band

Material Foreign Currency

Unit: AOA Millions	Dec-17	Dec-18
Liquid assets	88 659	174 212
Cash outflows	33 103	52 806
Cash inflows	2	386

	Dec-17	Dec-18
Liquidity ratio	268%	332%
Regulatory Minimum [1]	75%	113%

[1] The ratios are being phased in, with full compliance from August 2019

	Dec-17	Dec-18
Liquidity Compliance Ratio (1 to 3 months band)	390%	487%
Liquidity Compliance Ratio (3 to 6 months band)	412%	501%
Liquidity Compliance Ratio (6 to 12 months band)	718%	858%
Regulatory Minimum [1] [2]	75%	113%

[1] The ratios are being phased in, with full compliance from August 2019
[2] Limit applicable only to the 1 to 3 months band

MANDATORY RESERVES

Instruction 06/2017 on Mandatory Reserves, published on December 1, 2017, with effective date December 4, 2017, updates and streamlines the rules on the recording and calculation of mandatory reserves in view of the country's macroeconomic context.

The main changes to the mandatory reserves ratio to be applied to the reserve base are as follows:

- The ratio to be applied to the daily balances of the items that make up the mandatory reserve base in local currency is now 21%, down from the previous 30%.

The possibility of covering 2/3 of the local currency reserve requirement with Angolan public debt has been removed.

This change has a material impact on the Bank to the extent that it met part of the local currency reserve requirement with Treasury Bonds, with an effective rate of 10%, which after the abovementioned changes rises to 21%.

Foreign Exchange Risk

WHAT IS FOREIGN EXCHANGE RISK AND HOW DOES IT ARISE?

Foreign Exchange risk results from adverse fluctuations in the exchange rates between currencies and arises from the difference between asset and liability positions in each foreign currency or positions linked to an exchange rate.

HOW IS FOREIGN EXCHANGE RISK MANAGED?

Foreign exchange risk is managed by the Financial and International Department (DFI) and, in the second line of defence, by the Risk Management Department – Balance Sheet Risk Area (DGR-ARG).

BFA takes a particularly rigorous approach to managing its overall foreign exchange exposure, aiming to actively control the associated risk by keeping asset and liability positions in each currency within the approved limits.

The DFI is responsible for ensuring that the difference between assets and liabilities in each foreign currency or indexed to a foreign currency is residual, with the exception of the positions in USD and EUR, for which a foreign exchange exposure limit is established.

The task of the Balance Sheet Risks Area of the Risk Management Department is to:

- Implement methodologies, processes and activities for monitoring and controlling balance sheet risks;
- Assess the main foreign exchange risk indicators;
- Ensure that stress tests are carried out for foreign exchange risk.

BFA's foreign exchange risk management is supported by a set of documentation, which is distributed to various management bodies, namely:

- Daily report: summarises key information from the domestic and international markets and the day's most important movements and transactions in the foreign exchange market;
- Documentation for the Financial Committee, with a weekly overview of the domestic foreign exchange market and the main internal markets;
- Documentation for the Risks Committee and for the Board of Directors - the Integrated Risk Management Report (RGIR), which covers the main indicators and limits for material risks, including foreign exchange risk, is analysed monthly;
- Documentation for the Board of Directors, which includes the monthly foreign exchange market summary.

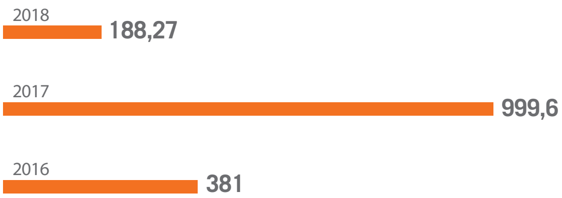
The Bank's organisational and decision-making model in this area comprises:

- The Board of Directors considers proposals from its Executive Committee and the Assets and Liabilities Committee takes the key decisions on transactions with Angolan sovereign risk, counterparty limits and interest rates for loans and deposits;
- The Executive Committee considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits;
- The Assets and Liabilities Committee meets monthly with its own dossier of documentation and information and submits proposals for action to the Board of Directors;
- The Financial Committee meets at least once a month and puts the Board of Directors' decisions into effect, submitting proposals to the Assets and Liabilities Committee where necessary.

WHAT WERE THE MAIN DEVELOPMENTS IN 2018?

With the publication of BNA Notice 6/2016 (setting the new capital requirements for market risk, which includes foreign exchange risk) and Notice 9/2016 (setting the new prudential limits for large exposures), there are no longer any set limits on banks' foreign exchange exposure ratio.

Change in Foreign Exchange Position (USDM)



At December 31, 2018, BFA's foreign exchange position was valued at approximately USD 188 million, a significant decrease compared to previous years.

BFA operates primarily in USD and EUR and keeps its position in other currencies to residual levels, which simplifies the management of its foreign exchange position.

BFA acquires foreign currency on the primary market through BNA's foreign exchange auctions and direct placements and through purchases from customers. In 2018, total purchases of foreign currency increased by around 19.6%, to reach USD 2,165 million. This increase is due to the sharp increase of around of 33.8% in purchases from BNA, which reached USD 2,047 million, offsetting the 57% decrease in foreign currency purchases by customers, which amounted to EUR 118 million.

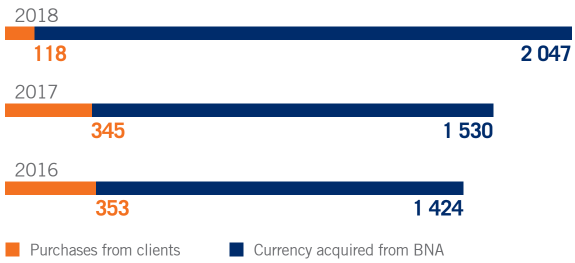
On January 17, 2018, in Notice 01/2018, BNA set the limit and calculation basis for commercial banks' overall foreign exchange position. The Notice states that a bank's overall foreign exchange position must not exceed 10% (ten per cent) of its Regulatory Capital, regardless of whether the position is long or short.

On August 15, 2018, further changes were made to the calculation basis of the regulatory foreign exchange position, while maintaining the regulatory minimum. Thus, the ratio of the foreign exchange position to Regulatory Capital at December 31, 2018 is as follows:

- Regulatory Foreign Exchange Position / Regulatory Capital: 5.02% (upper limit: 10%);
- Regulatory Foreign Exchange Position: USD 40.4 million.

From 2019, according to Notice 12/2018, the limit on the foreign exchange position drops from 10% to 5% of capital.

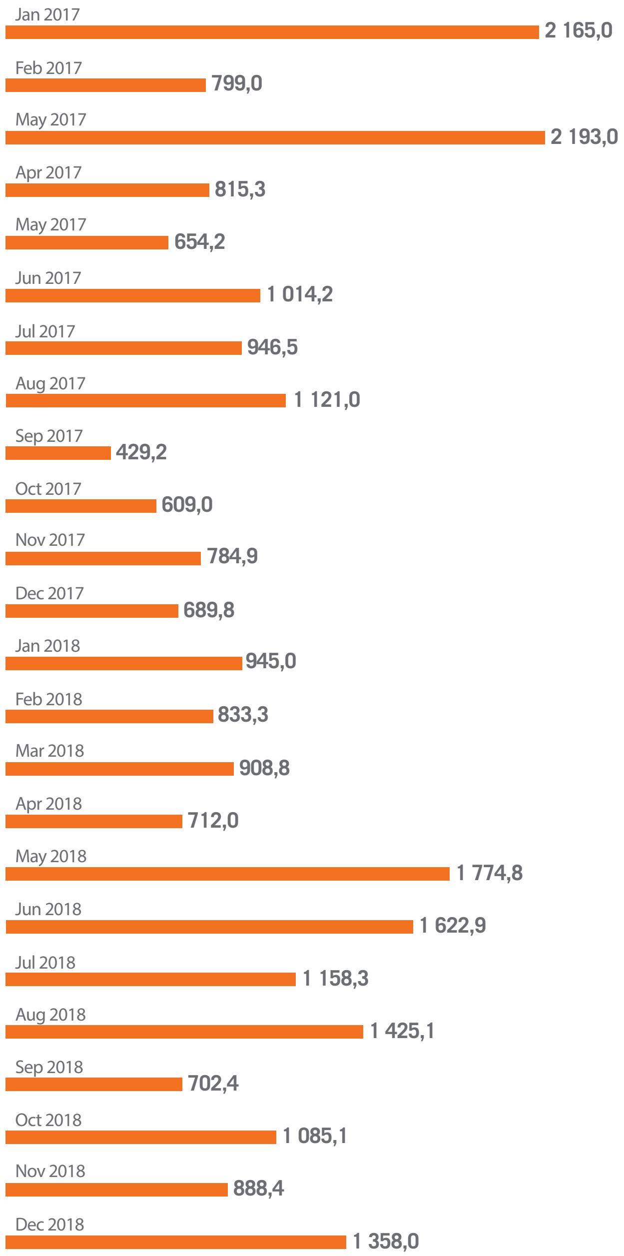
Change in Foreign Exchange Position (USDM)



Sales of currency by BFA recovered in 2018 compared to the previous year, reaching USD 1 826 million.

Sales of Foreign Exchange (USDM)

Aggregate Sales of Foreign Exchange by BNA to Customers (USDM)



Interest Rate Risk

WHAT IS INTEREST RATE RISK AND HOW DOES IT ARISE?

Interest rate risk is the risk that adverse movements in interest rates will lead to mismatches in the amount, maturity or interest rate reset (repricing) dates of financial instruments with interest receivable and payable.

HOW IS INTEREST RATE RISK MANAGED?

Interest rate risk is managed, in the first line of defence, by the Financial and International Department (DFI) and, in the second line of defence, by the Risk Management Department – Balance Sheet Risk Area (DGR-ARG).

BFA manages interest rate risk by identifying interest-rate-sensitive assets, liabilities and off-balance-sheet items, seeking to actively control repricing mismatches between them.

In order to reduce the variability of revenue and its capital base, BFA manages its exposure to shocks and movements in interest rates and the value of the securities portfolio within set limits.

Interest rate risk on the balance sheet is managed by controlling the aggregate interest rate risk on the balance sheet. This is the sum of the impact of a parallel shift in the yield curve of the different currencies on the valuation of the assets and liabilities on BFA's balance sheet. The DFI is responsible for ensuring that this risk is kept within the set limit in relation to regulatory capital.

Interest rate risk in the securities portfolio is managed by controlling the aggregate interest rate risk, which is the sum of the impact of a parallel shift in the yield curve on the valuation of the Bank's portfolio of securities with a residual maturity of more than one year.

The Financial and International Department is responsible for ensuring that this risk remains within the set limit in relation to regulatory capital.

The financial management of BFA's interest rate risk is supported by a set of documents that are distributed to various management bodies, namely:

- Daily report: summarises key information from the domestic and international markets and the day's most important movements and transactions (in particular in the money market and the public debt market);

- Documentation for the Finance Committee, with a retrospective weekly summary of the main national and international markets;

- Documentation for the Risks Committee and for the Board of Directors: the Integrated Risk Management Report (RGIR), which covers the main indicators and limits for material risks, including foreign exchange risk, is analysed monthly.

The Bank's organisational and decision-making model in this area comprises:

- The Board of Directors, at the proposal of the Risks Committee, approves the risk appetite and limits set for interest rate risk;

- The Board of Directors considers proposals from its Executive Committee and the Assets and Liabilities Committee takes the key decisions on transactions with Angolan sovereign risk, counterparty limits and interest rates for loans and deposits;

- The Executive Committee considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits;

- The Assets and Liabilities Committee meets monthly with its own dossier of documentation and information and submits proposals for action to the Board of Directors;

- The Financial Committee meets on a weekly basis and operationalises the decisions of the Board of Directors, putting proposals to the Assets and Liabilities Committee if this proves necessary.

Interest Rate Risk Analysis

On June 22, 2016, BNA published Notice 8/2016, which sets out the analyses to be conducted by financial institutions in relation to interest rate risk in the banking book.

Accordingly, financial institutions are required to submit to BNA detailed information about their interest rate risk exposure in the banking book, estimating the impact on the present value of cash flows and net interest income of a hypothetical instantaneous 2% increase or decrease in interest rates as a result of an equivalent parallel movement of the yield curve.

Institutions must provide BNA with information about the increases or decreases in interest rates that the most adverse scenario entails for their balance sheets.

Financial institutions must assess their exposure to interest rate risk in the banking book continuously. Whenever the scenario analysis indicates the possibility of a reduction in an institution's economic value equal to 20% or more of its regulatory capital, the institution must inform the BNA within one business day.

At December 31, 2018, BFA observed the following values for interest rate risk:

- Impact on economic value: (2,93)%
- Impact on net interest income: (4,56)%

The impact on economic value is within the regulatory limit, i.e., no more than 20% of Regulatory Capital.

Operational Risk

WHAT IS OPERATIONAL RISK AND HOW DOES IT ARISE?

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and is inherent in any activity.

Inappropriate management of operational risk can lead to irreparable damage to a bank's reputation. BFA therefore recognises the importance of having an adequate operational risk management structure and of investing in employee training to identify and mitigate possible risks arising from inadequate or failed internal processes, people and systems or from external events, or from inappropriate behaviour by employees in the performance of their duties.

HOW IS OPERATIONAL RISK MANAGED?

New operational risk management methodology

The DGR's Operational Risk Area has overall responsibility for monitoring BFA's operational risk exposure. It does this by monitoring indicators and risk limits and, as part of the action plan to implement the risk function in BFA, is currently implementing measures to bring the area's operations more into line with international best practice.

In 2018, the DGR's Operational Risk Area started a review of the methodologies used to identify, measure, manage and mitigate operational risk, to ensure they are aligned with international best practice. The new methodology is founded on a set of operational processes aimed at ensuring:

- Identification of risks and controls associated with the Bank's processes;
- Qualitative assessment of the identified risks and controls associated with each process;
- Centralised recording of operational risk events;
- Measurement of BFA's exposure to operational risk;
- Definition and monitoring of key risk indicators;
- Monitoring of action plans to mitigate operational risk;
- Reporting to BFA's various stakeholders, especially the Executive Committee of the Board of Directors and the Audit and Internal Control Committee.

Besides ensuring total alignment with international best practice, the new methodology builds on an important principle, namely, the involvement of all the Bank's employees in the effective management of operational risk, thus contributing to the dissemination of a risk culture. As a result, under the new methodology the Bank's employees will be responsible for supporting the Operational Risk Area in assessing the risks incurred in their activities and for identifying and promptly reporting any operational risk events they encounter.

Internal regulations and Documented and published processes

At the same time, via the corporate intranet, BFA has made available a set of internal regulations that specify the operational procedures to be followed and the authorities assigned in relation to operational risk management. These regulations are numbered, dated and organised, according to their nature, in a hierarchy of rules and are grouped by thematic area. Formulating these rules and making them known throughout the organisation is the responsibility of the Organisation and Quality Department, which monitors the organisation's internal needs and ensures that new legal or regulatory provisions are incorporated in internal regulations.

Important role of the Third Line of Defence

As third line of defence in risk management, the Internal Audit Department also plays an important role, which is to assess the effectiveness and efficiency of the internal control system, taking into account the risks associated with the various activities, so as to ensure and safeguard the integrity and security of the assets of the Bank and of its customers and to add value to the institution.

Operational risk is inherent in various processes and activities managed by the Bank and has received special attention from the Internal Audit department. The control processes designed to mitigate operational risk are assessed continuously. The aim is to check the efficiency levels implemented by different agents in the process of monitoring the internal control system, evaluate the quality of control processes and identify weaknesses and deficiencies in their use or design.

Systematic control programmes have been implemented, with audit and inspection of the Bank's different departments. They cover the various bodies that make up the internal control system's first and second lines of defence, and report the weaknesses and risks identified to the management body. This monitoring focuses not only on risk processes, policies and categories but also on the conduct and ethical and professional values of all those involved in the internal control system.

Internal Audit acts independently of the units that it audits and in accordance with internationally recognised and accepted principles of internal audit. The activities of the commercial units and central services are subject to periodic analyses aimed at determining their effectiveness and compliance with the rules governing their activities and the extent to which the rules are communicated to and known by employees. The appropriateness of the various control processes in relation to emerging risks and their compliance with applicable law in relation to each audited process is also analysed.

Internal Audit organises its audit work through an annual schedule of control activities to be carried out in the different company bodies. The audits may be performed onsite or offsite and vary in depth and complexity:

- **Organisational Audits**: Their purpose is to analyse the functioning of the audited unit and evaluate the effectiveness of the controls under its responsibility;

- **Limited Audits**: Audits that focus on activities carried out within one particular organisational unit. Activities may be audited across more than one unit in order to assess the effectiveness and efficiency of the control system for these processes and the extent to which the processes comply with relevant internal and external regulations;

- **Offsite Audits**: Control process aimed at assessing compliance with and knowledge of the Bank's rules concerning various activities carried out in the Bank. This assessment is carried out through analysis of documents and computer records, without the physical presence of the Internal Audit teams;

- **Computer Incident Audits**: Analysis of a set of files with information in respect of transactions carried out the previous day, aimed essentially at mitigating fraud risks and, at the same time, monitoring compliance with internal regulations.

As regards Inspection, Internal Audit conducts investigations based on resolutions of the Bank's decision-making bodies to analyse evidence of fraud and irregularities, identifying their origins, risks and implications and submitting recommendations aimed at mitigating the risks identified.

Inspection reports are analysed at a meeting of the Executive Committee of the Board of Directors, which deliberates on the facts reported.

The Inspection team prepares a Loss Report on a quarterly basis that reports all operational risk events identified in this period, as well as the financial impact of their occurrence, and classifies their operational risk according to type.

In addition, Internal Audit monitors the use of the provisions recorded to cover general risks and the amount of the losses in respect of newly identified general risks, calculating the details for each risk class, so as to ensure greater control in managing the general risks to which BFA is exposed and effective provisioning for those risks. This semi-annual report is submitted to the Executive Committee of the Board of Directors, the Board of Directors and the Audit and Internal Control Committee.

In addition to the above reports, Internal Audit prepares an internal control report on an annual basis, which includes all the control activities processed during the year, the risks identified, the conclusions of the audits and the corrective action recommended for implementation by the bodies audited. This report is reviewed by the Board of Directors, the Audit and Internal Control Committee and the Executive Committee of the Board of Directors.

WHAT WERE THE MAIN DEVELOPMENTS IN 2018?

Complaints Handling – Efficiency and Quality in Service Provision

In 2012, in response to the new rules under BNA Notice 2/11, the Bank created a Complaints Handling team. At the end of 2014, when the BFA Customer Support line (923 120 120) came into service, this complaints handling area was transferred to the Bank's Marketing Department, giving rise to a new Customer Support area (DMK SAC). This area is divided into two teams:

- DMK SAC Complaints – A team devoted exclusively to complaints handling; and

- DMK SAC BackOffice – A team that functions as a first line of support to the BFA Customer Support line and, whenever necessary, coordinates interactions with other areas of the Bank aimed at clarifying doubts about products and services and analysing suggestions and continuous improvement processes.

Customer complaints are an important indicator for detecting non-compliance and operational risk incidents. Complaints are received, processed and monitored in accordance with internal regulations.

Efficient and diligent handling of customer complaints is an effective tool of operational risk management.

In 2018, a total of 4,359 complaints were received, which represents a decrease of 2,823 compared to 2017. This decrease is attributable to an improvement in the Bank's operational processes, especially the processes for topping up, activating and using the Kandandu prepaid VISA card, which were the main source of complaints in 2017.

The average response time was 17 days (compared with 9.3 days in 2017) and 79% of the complaints were dealt with in less than two weeks.

Compliance Risk

Adaptation of the internal control structure to ensure regulatory compliance and application of anti-money laundering and anti-terrorist financing policies

WHAT IS COMPLIANCE RISK AND HOW DOES IT ARISE?

Compliance risk is the risk that infringements or breaches of laws, rules, regulations, codes of conduct, established practices or ethical principles regulating the Bank's activity will lead to the imposition of legal or regulatory penalties and have an adverse impact on the institution's reputation, results or capital.

Compliance risk is inherent in any banking organisation and in the banking business itself, given that banking is governed by laws and regulations, oversight and supervisory bodies, and contracts entered into with business partners and customers.

Effective detection, management and mitigation of compliance risks are vital tools for the management of reputational risk, as they represent one of the main pillars guiding the Bank's activities.

With the growing demand from BNA and regulators to control and monitor customers and transactions, BFA has viewed Compliance as one of its top priorities, focusing on the development of appropriate processes and procedures, implementing tools to support them and training its employees for this purpose.

HOW IS COMPLIANCE RISK MANAGED?

Strengthening of Internal Control in Risk Detection and Risk Management

The Compliance Department was created in July 2012 and ever since then has been developing compliance practices and policies and actively creating processes and procedures to mitigate the risks of non-compliance, money laundering and terrorist financing. The following list identifies the functions of the Compliance Department:

- Monitoring compliance with anti-money laundering and anti-terrorist financing policies;
- Managing and monitoring the implementation of an internal control system to prevent and combat money laundering and the financing of terrorism;
- Reporting transactions that may involve money laundering and terrorist financing to the relevant authorities;
- Acting as a liaison between BFA and the supervisory authorities in all anti-money laundering and anti-terrorist financing matters;
- Centralising, examining and managing any communications received by BFA on anti-money laundering and anti-terrorist financing matters;
- Monitoring compliance with the Foreign Account Tax Compliance Act (FATCA).

BFA's Legal Department also plays an important role in this field as the body responsible for analysing and building awareness within the organisation of any external regulations that affect the Bank's activities.

Compliance With FATCA Legislation

The Foreign Account Tax Compliance Act (FATCA) is a United States federal law aimed at preventing tax evasion by entities (individuals and companies) subject to taxation in the United States ("US Persons"), in relation to income obtained outside the United States.

In 2015, to ensure compliance with FATCA, the Angolan government signed an intergovernmental agreement (IGA) with the United States. Under this agreement, in short, Angolan financial institutions undertake to identify customers who are US Persons, that is to say, US citizens or residents, and to report on these customers' financial assets and liabilities to the Angolan tax authority each year, so that it can pass this information on to the US tax authorities, in accordance with Presidential Decree 162/16 of August 29, 2016.

In July 2014, BFA made changes to its systems in order to be able to identify customers who are US Persons and so join the first list of FATCA-compliant institutions.

Internal Anti-money Laundering and Anti-terrorist Financing Policies and Procedures

Within the scope of the anti-money laundering and anti-terrorist financing policies, promulgated in Law 34/11 and BNA Notice 22/2012, the Bank has developed mechanisms to ensure compliance with regulations, notably through:

- Publication of a Service Order, setting out internal anti-money laundering and anti-terrorist financing policies which:
  - clarify concepts and introduce procedures that will allow closer, stricter control of the Bank's economic activities and minimise the risk that the Bank is used for money laundering or terrorist financing purposes; and
  - Help the Bank fully comply with its obligations under applicable laws and regulations and so protect the Bank's reputation through the prevention and detection of transactions suspected of being involved in the offences of money laundering and terrorist financing.
- Define processes and procedures for customer identification through automatic screening of the database of new and existing customers against international sanctions lists, refusing to open accounts for entities that appear in the lists or whenever the Bank considers it appropriate, with a particular focus on the opening of accounts by non-governmental and not-for-profit entities, non-bank financial institutions, designated non-financial activities and professions, politically exposed persons and high-risk persons, for whom enhanced due diligence is mandatory at account opening and for account maintenance and modification;
- Give the Compliance Department the task of verifying compliance with the anti-money laundering and anti-terrorist financing procedures adopted by the Bank.

Compliance Department Reports

The Compliance Department produces two main types of reports; the Annual Report and Monthly Reports. As a rule, these reports contain the following:

- Functions of the Compliance Department;
- Regulatory Framework: Reference to the main Laws, Notices, Instructions, Directives and internal rules and procedures that support the work of the Board;
- Activities undertaken in the period under review;
- Filtering the Bank's customer database against international sanctions lists;
- Swift Transaction Screening;
- Analysis and response to inquiries from other Financial Institutions about BFA clients and/or transactions carried out abroad;
- Analysis and response to questionnaires from banks and other institutions on money laundering prevention policies and instruments implemented;
- Analysis of cash transactions duly defined in the applicable legislation;
- Registration of legislation, with the main emphasis on legislation related to Combating Money Laundering and Terrorism Financing and/or impacting the banking financial system;
- Processes and procedures related to Reinforced Diligence criteria;
- Cooperation with authorities and other regulatory bodies, such as the FIU and the BNA;
- Training courses on Money Laundering held;
- FATCA analysis;

- Proposals and recommendations for any action taken by the Board;
- Drafting of annual activity plan.

As a complement to the Annual Report and Monthly Reports, other timely reports on topics such as the Code of Conduct, Ethics, Non-compliance, or other matters that are relevant.

WHAT WERE THE MAIN DEVELOPMENTS IN 2018?

In compliance with the know-your-customer and enhanced due diligence duties and to prevent any involvement in money laundering or terrorist financing, BFA carried out the following activities during 2018:

I. Money Laundering and terrorist financing - profiling tool

Following the plan drawn up in 2017, at the start of 2018 work began on implementing the DCS (Dixitor Compliance Solution), a profiling and filtering tool that will help the Bank manage its money laundering and terrorist financing risk more effectively.

DCS allows the Bank to control and monitor customer transactions and customers' behavioural risk in real time, while also running checks against international sanctions lists.

Implementation of this tool is an important step in demonstrating that BFA is focused on and committed to combating money laundering and the financing of terrorism. For 2019, the Bank plans to finish implementing the tool, put it into operation and start training the Compliance team to use it.

II. Compliance auditing

The first cross-enterprise compliance audit started in October 2017 and ended, as planned, in March 2018. The focus was on analysing the compliance function's policies, processes, procedures and controls, including associated systems. The following processes were audited:

- Compliance risk management, including the associated regulatory supervision;
- Anti-money laundering and anti-terrorist financing policy, and sanctions management;
- Effective implementation and management practices associated with FATCA legislation;
- Compliance programmes carried out;
- Internal reporting.

III. Cross-enterprise audit

In 2018 the Compliance Department also took part in a cross-enterprise audit of BFA's policies, procedures and operations as a preliminary step to the signing of an agreement with American Express (AMEX) to license BFA's POS terminals to use Mastercard cards.

The audit covered the following matters, among others:

- Organisation of the Bank and of the Compliance Function;
- Review of the requirements, policies and procedures implemented by BFA for the management of money laundering and terrorist financing risk;
- Account opening process for retailers;
- Analysis and verification of customers holding POS terminals;
- Analysis of BFA's programmes and procedures for transaction monitoring;
- Analysis of the Bank's procedures and operations for screening customers against international sanctions lists;
- Analysis of the Bank's anti-corruption policy.

IV. Anti-money laundering and anti-terrorist financing training

As regards compliance training, BFA continued its strategy of investing in the skills and competences of its human resources through specific anti-money laundering training courses. Throughout 2018, BFA continued to carry out the AML eLearning training programme started in 2017.

V. Foreign exchange policy

As foreign exchange authority, BNA is responsible for regulating and ensuring the smooth functioning of the foreign exchange market. In light of the existing limitations on the availability of foreign currency and the new foreign exchange framework, various laws and regulations have been issued that place greater responsibilities on banks and directly affect the Compliance Function.

The Compliance Department seeks to ensure that its procedures for analysing and processing transfers are appropriate and consistent with the new laws and to monitor and control the associated money laundering and terrorist financing risk.

This page intentionally left blank.

05

FINANCIAL REVIEW

Financial Review[3]

Increased financial strength

Assets
AOA 1 703 727,8 million
+ 18,1%
vs 2017

Customer Funds
AOA 1 232 128,2 million
+ 16,4%
vs 2017

Net Operating Revenue
AOA 280 168,9 million
+ 102,6%
vs 2017

Total Loans
AOA 417 397,7 million
+ 60%
vs 2017

Net Profit
AOA 174 258,7 million
+ 152,2%
vs 2017

Regulatory Capital Adequacy Ratio
53,8%
+ 30,5 p.p.
vs 2017

BFA once again delivered a positive financial performance, with overall asset growth of 18.1%, 8.1 percentage points higher than the previous year, reaching AOA 1 703 727.8 million (USD 5 520.7 million).

On the liabilities side, Customer deposits also posted an increase compared to the previous year, in this case an increase of 16.4%, from AOA 1 058 241.4 million to AOA 1 232 128.2 million at the end of 2018. In USD terms, however, the downward trend seen in 2017 continued, with a decline from USD 6 377.9 million to USD 3 992.5 million in 2018.

In 2018, as in 2017, net operating revenue increased significantly, by 102.6%, driven by an increase in net interest income, especially income from investments, which grew 1 310.7%.

On the assets side, BFA's total loan portfolio grew, in contrast to the previous year, with an increase of 47% compared to 2017. This growth was driven mainly by the increase in Local currency loans, which were up 48.6%, or AOA 59 020.6 AOA million in absolute terms, compared to the previous year.

Even so, throughout 2018 the Bank's activity was affected by the depreciation of the local currency, which explains part of the change in these items, especially Customer funds and Loans and advances to customers.

As a result of the more rapid increase in loans than in deposits, the loan-to-deposit ratio rose slightly in 2018, ending the year at 24%, up 5.6 percentage points compared to the previous year.

Although the result before taxes is a profit of AOA 212 329.8 million, most of the income contributing to this result is subject to capital gains tax (CGT), rather than Industrial tax. At December 31, 2018, the Bank posted CGT expense of AOA 8 148.2 million, compared to AOA 9,478 million at December 31, 2017 (a decrease of 14%).

The regulatory capital adequacy ratio, calculated in accordance with BNA regulations, reached 53.8%, comfortably above the required minimum of 10%.

A sound, highly liquid balance sheet

BFA's total assets net of provisions grew 18.1% in 2018, reflecting an increase of AOA 260 663.38 million between December 2017 and December 2018. This growth was driven mainly by the growth of Funds deposited at credit institutions,

Note: Given the tight links between the Angolan market and the US dollar, the financial review is presented in both currencies: AOA and USD. It should be noted, however, that sometimes, due to a significant devaluation of the local currency, an item may increase in value in AOA and at the same time decrease in value in USD. That is because, in such cases, the devaluation of the local currency against the USD outweighs the increase in the amount in local currency. The opposite may also occur.

which increased by AOA 123,026 million. However, the largest component of assets, at AOA 805 934.2 million, is Investments in securities, which, despite a decrease of 2.5% compared to the previous year, still accounts for 47.3% of total assets net of provisions. The volume of Loans and advances to customers increased 51.9% compared to the previous year, accounting for nearly 17.4% of total assets, or AOA 295 842.5 million. Compared to total assets net of provisions in USD, however, the volume of Loans and advances to customers fell by nearly 36.5%, owing to the depreciation of the AOA against the USD during 2018, which, as indicated above, must be taken into account when analysing the results.

BFA BALANCE SHEET FROM 2016 TO 2018

(Millions)

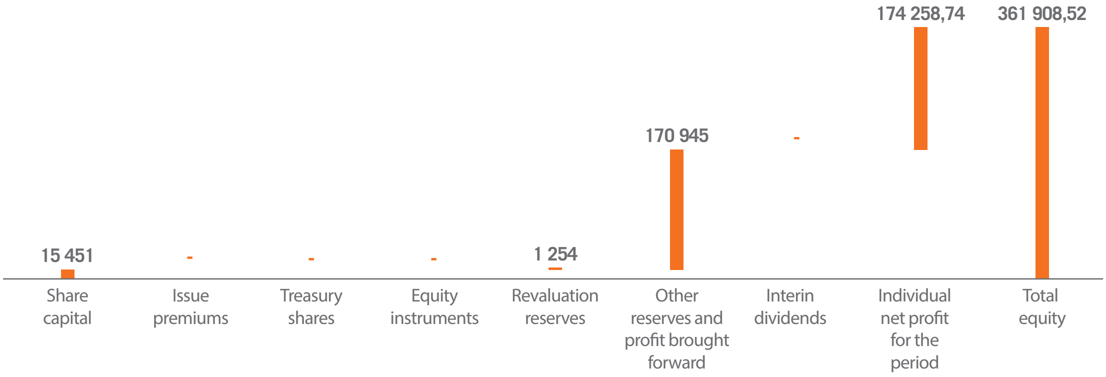
	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Net assets								
Cash and cash equivalent	317 185,8	1 911,9	256 637,4	1 546,7	302 839,9	981,3	18,0%	(36,6)%
Total investment	937 849,0	5 653,0	1 154 924,1	6 960,6	1 358 151,1	4 400,9	17,6%	(36,8)%
Banks	107 211,7	646,2	133 348,8	803,7	256 374,3	830,7	92,3%	3,4%
Loans and advances to clients	235 310,9	1 418,4	194 808,9	1 174,1	295 842,5	958,6	51,9%	(18,4)%
Securities	595 326,4	3 588,4	826 766,4	4 982,8	805 934,2	2 611,5	(2,5)%	(47,6)%
Net non-current assets	21 073,3	127,0	20 130,5	121,3	24 140,2	78,2	20,8%	(35,0)%
Other assets	36 771,5	221,6	11 372,4	68,5	18 596,7	60,3	61,9%	(13,0)%
Total assets	**1 312 879,6**	**7 913,5**	**1 443 064,4**	**8 697,1**	**1 703 727,8**	**5 520,7**	**18,1%**	**(36,5)%**
Liabilities								
Bank funds	10,9	0,1	113 641,5	684.9	5 062,9	16,4	(95,5)%	(97,6)%
Client deposits	1 079 702,0	6 508,0	1 058 241,4	6 377,9	1 232 128,2	3 992,5	16,4%	(37,4)%
Other liabilities	55 270,0	333,1	27 490,0	165,7	64 033,2	204,8	129,9%	23,6%
Provisions for risks and charges	4 675,6	28,2	26 269,8	158,3	40 595,0	131,5	54,5%	(16,9)%
Equity and equivalent	173 221,1	1 044,1	217 421,7	1 310,4	361 908,5	1 175,4	66,8%	(10,3)%
Total equity and liabilities	**1 312 879,6**	**7 913,5**	**1 443 064,4**	**8 697,1**	**1 703 727,8**	**5 520,7**	**18,1%**	**(36,5)%**

The growth on the liabilities side was attributable mainly to customer deposits, which account for nearly 72.3% of Total liabilities and equity. Funds from credit institutions, which had the greatest impact on total liabilities in the reporting period, decreased by 95.5% this year, reaching a total of AOA 5 062.9 million.

Shareholders' equity and equivalents, consisting of the Net profit for the period (48.1%), is up 66.5% in 2018 compared to 2017, at a total of AOA 361 908.5 million (USD 1 175.4 million).

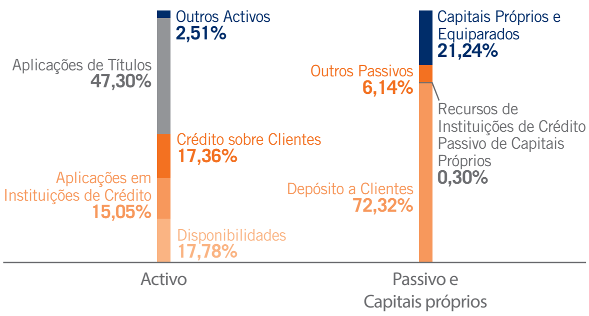
As with the Assets, the total value of Liabilities and equity in USD decreased compared to 2017 and the difference compared to the increase in value in AOA is explained by the depreciation of the AOA during 2018.

Shareholders' equity



An analysis of the structure of BFA's balance sheet in December 2018 shows a high level of liquidity, sufficient to finance 93.6% of the structural assets through a combination of customer deposits and shareholders' equity.

BFA balance sheet structure in December 2018



Increase in proportion of local currency Treasury bonds

The total volume of securities held by the Bank fell by nearly 2.5% in 2018, reaching a total of AOA 805 934.2 million.

This fall was driven by a decrease of 66.4% in the trading book, due to a 75.4% decrease in the volume of Treasury bills and a 58.1% decrease in USD-linked Treasury bonds compared to 2017.

On the other hand, the Held-to-maturity portfolio grew 121.5%, offsetting the decrease in the trading book. This growth was supported mainly by the 672.9% growth in USD-linked Treasury bonds (which represents an increase of AOA 167 811.5 million) and the 192.5% increase in local currency Treasury bonds (representing an increase of AOA 285 170.6 million), although it was also affected by the impact of the depreciation of the local currency on the value of the Treasury bonds (linked to the USD).

In addition, the Treasury bonds (USD) were sold.

Impairment losses were estimated at AOA 2 796.8 million, using the model developed under IFRS 9.

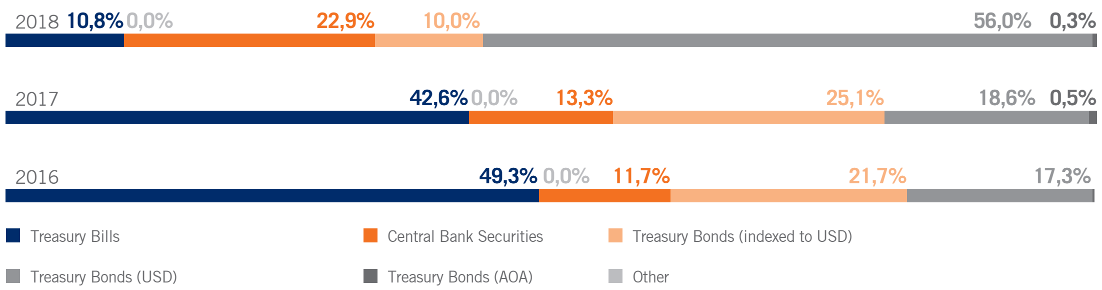
In 2018, BFA increased the volume of USD-indexed Treasury bonds in its securities portfolio, as a proportion of the total, by 15 percentage points. The investment in local currency securities represented nearly 66.8% of BFA's securities portfolio at the end of the reporting period.

SECURITIES PORTFOLIO

(Millions)

	2016		2017		2018		Δ 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Trading portfolio	**336 586,4**	**2 028,8**	**544 104,5**	**3 279,2**	**182 693,0**	**592,0**	**(66)%**	**(82)%**
Treasury bills	293 454,3	1 768,8	352 531,0	2 124,7	86 856,2	281,4	(75)%	(87)%
Treasury bonds (USD)	-	-	-	-	45,9	0,1	-	-
Treasury bonds (USD- indexed)	42 952,2	258,9	182 216,5	1 098,2	75 432,7	244,4	(59)%	(78)%
Treasury bonds (AKZ)	-	-	5 623,7	33,9	18 323,3	59,4	226%	75%
Other	179,9	1,1	3 733,2	22,5	2 034,9	6,6	(45)%	(71)%
Held to maturity securities portfolio	**258 740,1**	**1 559,6**	**282 661,9**	**1 703,6**	**623 241,2**	**2 019,5**	**120%**	**19%**
Treasury bills	-	-	-	-	-	-	-	-
Treasury bonds (USD)	69 778,2	420,6	109 606,1	660,6	187 371,0	607,2	71%	(8)%
Treasury bonds (USD- indexed)	86 204,6	519,6	24 939,8	150,3	5 380,4	17,4	(78)%	(88)%
Treasury bonds (AKZ)	102 757,2	619,4	148 116,0	892,7	433 286,6	1 404,0	193%	57%
Impairment (IFRS9)					(2 796,8)	(9,1)	-	-
Total	**595 326,4**	**3 588,4**	**826 766,4**	**4 982,8**	**805 934,2**	**2 611,5**	**(2,5)%**	**(47,6)%**

Securities portfolio structure in December 2018



SECURITIES PORTFOLIO BY CONTRACTUAL MATURITY

(Millions)

	< 1 year		1 - 3 years		> 3 years		Total	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Treasury bonds IKZ [1]	-	-	80457,32	260,71	726,19	2,35	81183,51	263,06
Treasury bonds AKZ	-	-	433224,23	1403,81	17461,62	56,58	450685,85	1460,39
Treasury bonds USD	-	-	69572,66	225,44	117845,37	381,86	187418,03	607,30
Treasury bills	86856,21	281,45	-	-	-	-	86856,21	281,45
Other							(209,38)	(0,68)
Total	**86 856,2**	**281,4**	**583 254,2**	**1 890,0**	**136 033,2**	**440,8**	**805 934,2**	**2 611,5**

[1] Domestic currency securities indexed to foreign currency (USD) securities

As regards the contractual maturity of the securities portfolio, at December 31, 2018, 10.8% of the portfolio consists of securities maturing in less than 1 year and 72.4% of securities maturing in 1 to 3 years. Securities maturing in more than 3 years account for 16.9% of the portfolio, an increase of 15.6 percentage points compared to December 31, 2017.

Local currency loans as a proportion of total loans and advances to customers

Total loans and advances to customers grew AOA 122 581.5 million in 2018, an increase of 47% compared to 2017. This growth was driven mainly by the increase in Local currency loans, which grew 48.6%, or AOA 59 020.6 AOA million in absolute terms, compared to the previous year. In USD, however, Total loans and advances to customers decreased by 21%, or USD 329.6 million, compared to 2017.

LOANS AND ADVANCES TO CUSTOMERS

(Millions)

	2016		2017		2018		Δ 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
1. Total loans and advances	**288 201,4**	**1 737,2**	**260 850,9**	**1 572,1**	**383 432,5**	**1 242,5**	**47,0%**	**(21,0)%**
1.1 Loans and advances to clients	237 911,6	1 434,0	200 562,2	1 208,8	304 153,1	985,6	51,7%	(18,5)%
National currency	143 255,4	863,5	121 433,9	731,9	180 454,5	584,7	48,6%	(20,1)%
Foreign currency	94 656,2	570,6	79 128,2	476,9	123 698,5	400,8	56,3%	(16,0)%
1.2 Overdue loans and interest	11 636,4	70,1	12 977,5	78,2	11 385,5	36,9	(12,3)%	(52,8)%
1.3 Unsecured loans	38 653,4	233,0	47 311,3	285,1	67 893,9	220,0	43,5%	(22,8)%
2. Total provisions for loans	**14 591,6**	**88,0**	**19 447,2**	**117,2**	**20 398,3**	**66,1**	**4,9%**	**(43,6)%**
2.1 Specific provisions	14 237,1	85,8	18 730,7	112,9	19 696,1	63,8	5,2%	(43,5)%
Overdue loans and interest	8 542,1	51,5	13 827,2	83,3	14 172,5	45,9	2,5%	(44,9)%
2.2 General credit risk	354,5	2,1	716,4	4,3	702,3	2,3	(2,0)%	(47,3)%
3. Net provisions for loans	**235 310,9**	**1 418,4**	**194 808,9**	**1 174,1**	**295 842,5**	**958,6**	**51,9%**	**(18,4)%**
of which: overdue loans and interest	3 094,3	18,6	(849,7)	(5,1)	2 073,1	36,9	(1439,9)%	(820,4)%
4. Loan quality								
Non-performing loans (% total loans)	4,7%	4,7%	6,1%	6,1%	3,6%	3,6%	-2,5 p.p.	-2,5 p.p.
Provision coverage for non-performing loans (% of total loans)	122,3%	122,3%	144,3%	144,3%	173,0%	179,2%	+34,9 p.p	+34,9 p.p

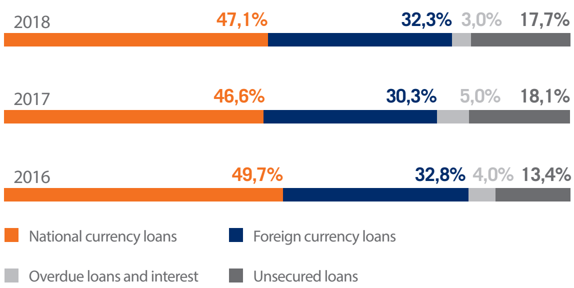
Note: The method for calculating impairment was changed in 2018 in accordance with IFRS 9

In contrast to 2017, Foreign currency loans increased by approximately 56.3%, or AOA 44 570.3 million.

A closer analysis of the loan portfolio shows that part of this increase is attributable to the effect of the depreciation of the local currency. Although the portfolio of foreign currency loans increased, the decrease of nearly 16% when considered in USD indicates that there was in fact a contraction in this segment. However, this effect was offset by the overall increase in local currency loans.

Moreover, the increase (in AOA) in Guarantees and letters of credit is a clear sign of BFA's contribution to economic growth.

Loan portfolio structure



Though insignificant as a proportion of the Bank's total loans, past-due loans decreased in 2018, unlike in previous periods. The decrease in past-due loans amounted to AOA 1 591.9 million, equivalent to 2.0 percentage points.

As a result of this decrease in past-due loans, combined with the growth in the loan portfolio as a whole, the ratio of loans more than 30 days past due to total loans (excluding guarantees, letters of credit and performance bonds) fell 2.5 percentage points, reaching 3.6% in December 2018.

The provision coverage ratio (including both generic and specific provisions) of past-due loans and past-due interest rose 34.9 percentage points compared to 2017.

Funds deposited in credit institutions

During 2018, the volume of Funds deposited in credit institutions increased considerably, by approximately 58.3%, to a total of AOA 211 119.1 million (USD 684.1 million). The whole of this increase came from an increase in the volume of Loans and advances to credit institutions abroad, which grew 112.5% compared to 2017.

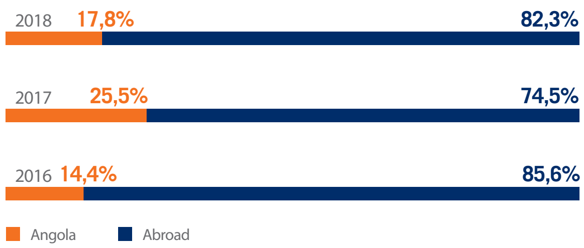
FUNDS DEPOSITED IN CREDIT INSTITUTIONS

(Millions)

	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Investment in banks	**107 211,7**	**646,2**	**133 348,8**	**803,7**	**256 374,3**	**830,7**	**92,3%**	**3,4%**
Angola	15 457,8	93,2	34 004,7	204,9	45 734,3	148,2	34,5%	(27,7)%
Abroad	91 753,9	553,1	99 344,1	598,7	211 119,1	684,1	112,5%	14,3%
Impairment (IFRS9)					(479,0)	(1,6)		
Total	**107 211,7**	**646,2**	**133 348,8**	**803,7**	**256 374,3**	**830,7**	**92,3%**	**3,4%**

Note: Excludes repos

Composition of Funds Deposited in Credit Institutions



Customer funds

In 2018, Customer funds decreased by 16.4% compared to 2017, reaching a total of AOA 1 232 128.2 million (USD 3 992.5 million).

CUSTOMER FUNDS

(Millions)

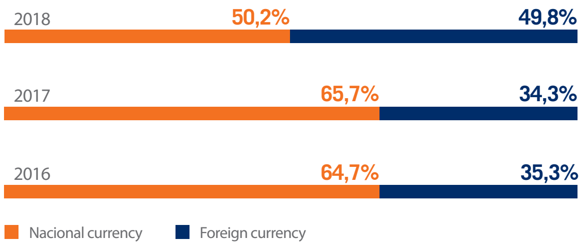
	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Sight deposits	**614 869,1**	**3 706,2**	**541 240,5**	**3 262,0**	**579 544,7**	**1 877,9**	**7,1%**	**(42,4%)**
National currency	505 031,6	3 044,1	427 996,9	2 579,5	405 366,1	1 313,5	(5,3%)	(49,1%)
Foreign currency	109 837,4	662,1	113 243,5	682,5	174 178,6	564,4	53,8%	(17,3%)
Term deposits	**464 832,9**	**2 801,8**	**517 001,0**	**3 115,9**	**652 583,5**	**2 114,6**	**26,2%**	**(32,1%)**
National currency	193 589,7	1 166,9	267 667,9	1 613,2	213 313,7	691,2	(20,3%)	(57,2%)
Foreign currency	271 243,2	1 635,0	249 333,1	1 502,7	439 269,9	1 423,4	76,2%	(5,3%)
Total	**1079 702,0**	**6 508,0**	**1058 241,4**	**6 377,9**	**1232 128,2**	**3 992,5**	**16,4%**	**(37,4%)**

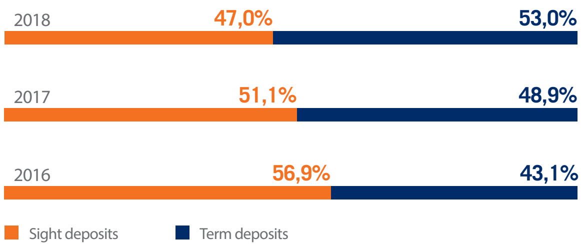
In 2018, as in 2017, local currency deposits decreased (by 5.3%), while foreign currency deposits increased (by 53.8%).

Term deposits increased by nearly AOA 135 582.6 million in 2018, with a 20.3% decrease in local currency deposits and a 76.2% increase in foreign currency deposits.

However, this increase in the overall amount of customer funds is strongly influenced by the depreciation of the local currency, as the increase in Demand deposits and Term deposits, measured in AOA, becomes a decrease of 17.3% and 5.3%, respectively, when measured in USD. The change in funding in 2018 was also affected by an increase in supply of foreign currency by the BNA and, therefore, more transfers abroad, which was not seen previously.

Customer deposits by product and currency

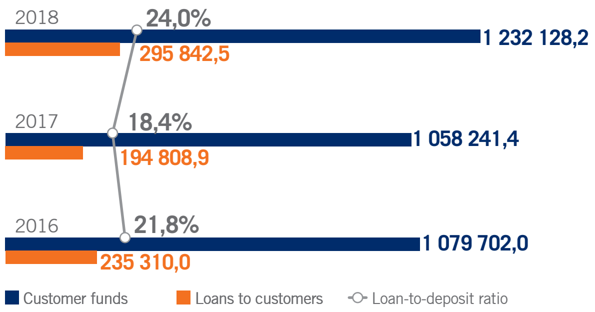




In contrast to the previous year, funds in local currency decreased as a proportion of total funds held in the form of deposits, accounting for 50.2% of Customer deposits, 15.5 percentage points less than in 2017, though still slightly outweighing funds in foreign currency.

In contrast to the downward trend observed in 2017, in 2018 the loan-to-deposit ratio increased to 24%. This 5.6 percentage point rise is attributable to the fact that the increase in loans net of provisions (51.9%) was greater than the increase in customer deposits (16.4%).

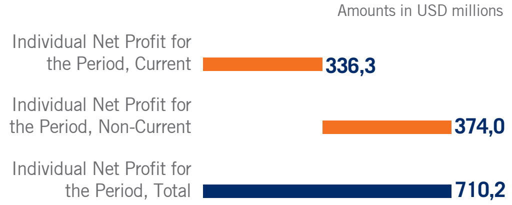
Loan-to-deposit ratio



Income statement and increased profitability

BFA's net profit for 2018 was AOA 174 258.7 million (USD 710.2 million), marking an increase of 152.2% in AOA (70.6% in USD) compared to the net profit for 2017.

Breakdown of individual Net profit



However, this significant increase in Net profit for the year was very much influenced by the foreign exchange gains resulting from the foreign currency revaluation of the balance sheet.

OPERATING STATEMENT

(Millions)

	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Net interest income [NIC]=[P-C]	66 945,3	407,2	107 822,5	649,9	117 732,9	457,7	9,2%	(29,6%)
Other income [OI]	32 626,3	200,4	30 472,8	183,7	162 435,9	671,1	433,1%	265,4%
Banking income [BI]=[NIC+OI]	**99 571,6**	**607,6**	**138 295,3**	**833,5**	**280 168,9**	**1 128,8**	**102,6%**	**35,4%**
Administration charges [AC]	31 313,0	190,7	30 954,9	186,6	54 461,7	209,7	75,9%	12,4%
Operating cash flow [BI-AC]	**68 258,6**	**417,0**	**107 340,5**	**646,9**	**225 707,2**	**919,1**	**110,3%**	**42,1%**
Extraordinary income [EI]=[G-P']	120,9	0,7	-	-	-	-	0,0%	0,0%
Operating income [OIN]=[BI-AC+EI]	68 379,5	417,7	107 340,5	646,9	225 707,2	919,1	110,3%	42,1%
Provisions, amortisation and depreciation [PAD]	6 023,8	37,2	31 316,8	188,7	13 377,4	48,2	(57,3%)	(74,5%)
Pre-tax profit [PTP]=[OIN-PAD]	62 355,7	380,5	76 023,6	458,2	212 329,8	871,0	179,3%	90,1%
Profits tax [PT]	(443,6)	(3,2)	(6 938,6)	(41,8)	(38 071,0)	(160,8)	448,7%	284,5%
Profit for the period [OIN]=[PTP-PT]	61 912,1	377,2	69 085,0	416,4	174 258,7	710,2	152,2%	70,6%
Cash Flow for the period [CF]=[OIN+PAD]	**67 935,9**	**414,4**	**100 401,9**	**605,1**	**187 636,2**	**758,4**	**86,9%**	**25,3%**

P - Income from financial instruments C - Cost of financial instruments G - Other operating gains P' - Other operating loss

The operating statement breakdown shows that Net interest income increased in 2018 (by 9.2%), as it did the previous year. Even so, the highlight is the change in Net non-interest income, which in 2018 reversed the downward trend seen in 2017, posting growth of 433.1%. These increases resulted in growth of 102.6% in Net operating revenue, which reached AOA 280 168.9 million (USD 1 128.8 million).

Administrative expenses grew 75.9%, to AIA 54 461.7 million. The increase in administrative expenses is explained by the fact that they are incurred mainly in foreign currency. In contrast to 2017, Provisions and depreciation and amortisation expense, measured in AOA, decreased by 57.3% in the reporting period.

Tax expense also increased significantly in 2018, by AOA 31 132.4 million (USD 119 million). This increase is due to the fact that the Net profit for 2018 came mainly from foreign exchange gains, which are subject to Industrial Tax, rather than Capital Gains Tax.

BREAKDOWN OF EARNINGS

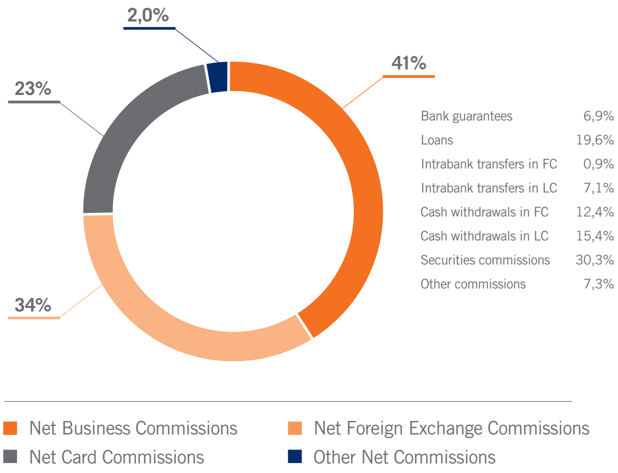
(% of total average assets)

ROA and ROE	2016	2017	2018
Net interest income	4,7%	7,8%	6,7%
Profit on financial transactions	1,2%	0,7%	8,2%
Comission and other income	0,9%	1,5%	1,1%
Banking income	**6,8%**	**10,0%**	**16,1%**
Administration charges	2,2%	2,2%	3,1%
Operating profit	**4,6%**	**7,8%**	**12,9%**
Provisions, amortisation and depreciation	0,3%	2,3%	0,8%
Extraordinary income	-	-	-
Pre-tax profit	**4,4%**	**5,5%**	**12,2%**
Profits tax	-	0,5%	2,2%
ROA	**4,4%**	**5,0%**	**10,0%**
Multiplier (total average assets/average own funds)	8,5	7,1	5,7
ROE	**38,1%**	**35,4%**	**57,4%**

The Bank's return on equity (ROE) increased in 2018, to 57.4%, a gain of 22 percentage points compared to the previous year.

Fee income and other income is made up mainly of Net banking fees (mainly Securities fees and Credit fees), accounting for 40.5% of the total, and Foreign currency fees, which account for 34.5%.

Breakdown of Fee Income and Other Income



NET INTEREST INCOME

(Millions)

	2016		2017		2018		Δ 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Income from financial instruments [P]	84 020,8	511,2	133 456,2	804,4	147 900,0	577,8	14 443,8	(226,5)
Cost of financial instruments [C]	17 075,5	104,0	25 633,8	154,5	30 167,0	120,1	4 533,3	(34,4)
Net interest income	**66 945,3**	**407,2**	**107 822,5**	**649,9**	**117 732,9**	**457,7**	**9 910,5**	**(192,1)**

In 2018, BFA's net interest income increased by AOA 9 910.5 million, or 9.2%, compared to the previous year. Because of exchange rate depreciation, however, the amount in USD fell 29.6%, or USD 192.1 million.

The increase is due mainly to the increase in Interest income, especially from Treasury bonds, Funds deposited in credit institutions abroad and Loans and advances, which together account for 77.3% of interest income and pushed the total up by 10.8% compared to the previous year.

On the other hand, the growth of Customer deposits led to an increase of 17.7% in Interest expense, which reached AOA 6 543.7 million, up 27.7% on the previous year.

In a breakdown by business volume (volume effect) and spread (rate effect), the increase in net interest income is the result of a considerable increase in volume and a decrease in spread. Moreover, as in previous years, income from loans exceeded the cost of customer funds.

BREAKDOWN OF CHANGE IN NET INTEREST INCOME

(Millions)

	Efeito Volume	Efeito Taxa	Δ
Income-earning assets	16 866,5	(2 422,7)	14 443,8
Income-earning liabilities	622,9	3 910,4	4 533,3
Δ Net interest income	**16 243,6**	**(6 333,1)**	**9 910,5**

Growth of net non-interest income

In 2018, BFA's net non-interest income increased significantly, by nearly 433.1%, as against a 6.6% decrease in 2017, to reach a total of AOA 162 435.9 million (USD 671.1 million). This change was driven by a significant increase in Trading income, which rose 1310.7%. Net fee and commission income rose 9.5%, while Other net income fell 22.8%. Overall, as a percentage of total net operating revenue, net non-interest income grew from 22% in 2017 to 58%, becoming the largest component of net operating revenue.

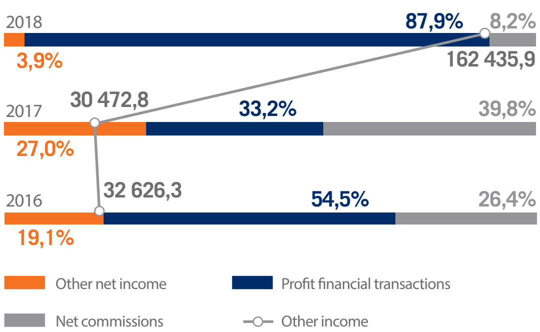
NET NON-INTEREST INCOME

(Millions)

	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Profit on financial transactions	17 774,9	110,0	10 124,2	61,0	142 816,7	603,2	1 310,7%	888,6%
Net commission	8 613,0	52,4	12 115,8	73,0	13 264,1	52,3	9,5%	(28,4%)
Other net income	6 238,4	38,1	8 232,8	49,6	6 355,1	15,6	(22,8%)	(68,7%)
Other income	**32 626,3**	**200,4**	**30 472,8**	**183,7**	**162 435,9**	**671,1**	**433,1%**	**265,4%**

Thus, the largest component of Net non-interest income is no longer Net fee and commission income but Trading income, which accounted for nearly 87.9% of the total, rising from AOA 10124 million in 2017 to AOA 142 816.7 million in 2018, an increase of 1 310.7%. In USD, the increase was 888.6%, or USD 542.2 million.

Composition and Trend of Net Non-Interest Income



Note: Net non-interest income in AOA millions on the right axis, the other items as percentages on the left axis.

In 2018, the growth of Net fee and commission income slowed compared to the previous year, posting a year-on-year increase of 9.5%, to reach a total of AOA 13 264.1 million at year-end.

Other net non-interest income was AOA 6 355.1 million (USD 15.6 million), representing 3.9% of total net non-interest income, down 23.1 percentage points compared to 2017.

A considerable part of operating expenses are denominated in foreign currency. The value of operating expenses thus remains high, especially after rising 72.2% compared to 2017, from AOA 33 794.7 million to AOA 58 197.2 million, partly due to the sharp depreciation of the local currency.

The largest component of operating expenses is Staff costs, accounting for 53.4% of the total in 2018, very similar to the 2017 figure of 53.1%.

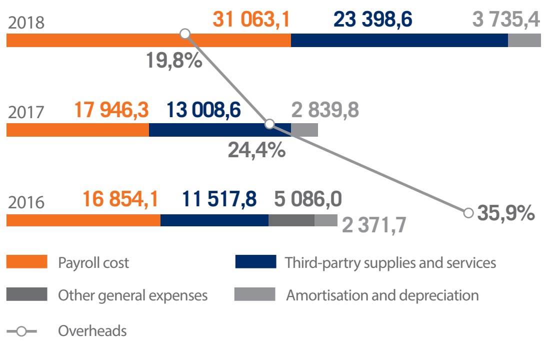
OPERATING EXPENSES

(Millions)

	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Payroll costs (I)	16 854,1	102,7	17 946,3	108,2	31 063,1	119,2	73,1%	10,2%
Third-party supplies and services (II)	11 517,8	70,2	13 008,6	78,4	23 398,6	90,5	79,9%	15,4%
Other general expenses (III)	5 086,0	30,8	-	-	-	-	-	-
Operating costs (IV = I+II+III)	33 457,9	203,7	30 954,9	186,6	54 461,7	209,7	75,9%	12,4%
Amortisation and depreciation (V)	2 371,7	14,5	2 839,8	17,1	3 735,4	14,3	31,5%	(16,5)%
Overheads (VI = IV+V)	**35 829,6**	**218,2**	**33 794,7**	**203,7**	**58 197,2**	**224,0**	**72,2%**	**10,0%**
Cost recovery (VII)	2 144,9	13,1	-	-	-	-	-	-
Administration charges (VI-V-VII)	**31 313,0**	**190,7**	**30 954,9**	**186,6**	**54 461,7**	**209,7**	**75,9%**	**12,4%**
Extraordinary income	120,9	0,7	-	-	-	-	-	-
Cost-to-income	**35,9%**	**35,9%**	**24,4%**	**24,4%**	**19,8%**	**19,8%**	**(4,7) p.p**	**(4,7) p.p.**

In 2018, the cost-to-income ratio improved from 24.4% to 19.8%, thanks to a considerable increase (102.6%) in net operating revenue, which grew faster than expenses (72.2%), following the trend set in recent years, which demonstrates control and concern for operational efficiency.

Cost-to-income ratio



Note: Operating expenses in AOA millions on the left axis, the other items as percentages on the right axis.

Framework of financial stability and soundness

At the end of December 2018, total shareholders' equity reached AOA 361 908.5 million, an increase of AOA 144 486.8 million, or 66.5%, compared to the previous year. In USD, the figure is up 137.7 million compared to 2017, reaching a total of USD 1 172.7 million in 2018.

SHAREHOLDERS' EQUITY AND EQUIVALENTS

(Millions)

	2016		2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Capital	3 522,0	21,2	3 972,7	23,9	15 450,7	50,1	288,9%	109,1%
Funds	-	-	-	-	-	-	0,0%	0,0%
Reserves	107 787,0	645,7	144 364,0	870,0	172 199,1	412,4	19,3%	(52,6)%
Profit/loss brought forward	0,0	0,0	-	-	-	-	0,0%	0,0%
Profit for period	61 912,1	377,2	69 085,0	416,4	174 258,7	710,2	152,2%	70,6%
Total	**173 221,1**	**1 044,1**	**217 421,7**	**1 310,4**	**361 908,5**	**1 172,7**	**66,5%**	**(10,5)%**

Regulatory capital grew 69.2% in 2018, compared to the previous year, reaching AOA 325 215.8 million (USD 1 053.8 million). This growth is attributable mainly to the increase in Core capital, which rose 70.8% compared to 2017.

The regulatory capital adequacy ratio reached 53.8%, comfortably above the required minimum of 10%.

CAPITAL ADEQUACY RATIO

(Millions)

	2017		2018		Δ% 17-18	
	AKZ	USD	AKZ	USD	AKZ	USD
Original own funds	191 000,2	1 151,1	326 150,3	1 056,8	70,8%	(8,2)%
Ancillary own funds	1 253,8	7,6	(884,1)	(2,9)	(170,5)%	(137,9)%
Regulatory own funds	192 253,8	1 158,7	325 215,8	1 053,8	69,2%	(9,1)%
Total capital requirements	50 671,8	305,4	60 408,5	195,7	19,2%	(35,9)%
Requirements for credit risk - CRCR	16 918,7	102,0	28 157,3	91,2	66,4%	(10,5)%
Requirements for market risk - CRMR	18 779,0	113,2	6 633,9	21,5	(64,7)%	(81,0)%
Requirements for market risk - CROR	14 974,2	90,2	25 617,4	83,0	71,1%	(8,0)%
Regulatory solvency ratio	**37,9%**	**37,9%**	**53,8%**	**53,8%**	**+15,9 p.p.**	**+15,9 p.p.**
Regulatory limit	**10,0%**	**10,0%**	**10,0%**	**10,0%**	**-**	**-**

Proposed Appropriation of Profit

The Board of Directors proposes the following appropriation of profit for 2018, in the amount of AOA 174 258 742 801.35:

- To unrestricted reserves: AOA 138 929 786 802.83; and
- To dividends: AOA 35 328 955 998.52.

At the Board of Directors' proposal, the appropriation of results is based on the distribution as dividends of 40% of the net profit for the year from BFA's banking activity, amounting to AOA 88 322 389 996.31, excluding the extraordinary foreign exchange gains resulting from the depreciation of the kwanza.

The Board of Directors

This page intentionally left blank.

06

FINANCIAL STATEMENTS

Financial Statements

BALANCE SHEETS AT DECEMBER 31, 2018 & 2017

(Amounts expressed in thousands of kwanzas)

	Notes	31/12/18 Gross assets	31/12/18 Depr. / Amort. & impairment	31/12/18 Assets net of provisions	31/12/2017
ASSETS					
Cash and balances at central banks	5	212 053 562	-	212 053 562	221 639 382
Balances held at other credit institutions	6	91 035 833	(249 511)	90 786 322	34 998 048
Funds deposited in central banks and other credit institutions	7	256 853 327	(478 994)	256 374 333	133 348 784
Financial assets at fair value through profit or loss	8	182 693 035	-	182 693 035	544 104 508
Investments at amortised cost	9	626 037 969	(2 796 778)	623 241 191	282 661 928
Loans and advances to Customers	10	315 538 584	(19 696 090)	295 842 494	194 808 868
Non-current assets held for sale	11	136 362	-	136 362	73 316
Investments in subsidiaries, associates and joint ventures	12	50 375	-	50 375	50 375
Other tangible assets	13	42 051 961	(19 225 103)	22 826 858	18 974 986
Intangible assets	13	5 039 160	(3 725 787)	1 313 373	1 155 500
Current tax assets	14	4 913	-	4 913	4 524
Deferred tax assets	14	5 921 900	-	5 921 900	3 763 050
Other assets	15	12 483 105	-	12 483 105	7 481 172
Total assets		**1 749 900 086**	**(46 172 263)**	**1 703 727 823**	**1 443 064 441**

	Notes	31/12/18	31/12/17
LIABILITIES AND EQUITY			
Funds of central banks and other credit institutions	16	5 062 879	113 641 459
Customer funds and other borrowings	17	1 232 128 249	1 058 241 434
Financial liabilities at fair value through profit or loss	8	3 234 284	670 628
Provisions	18	40 594 961	26 269 826
Current tax liabilities	14	32 416 796	5 164 788
Other liabilities	19	28 382 134	21 654 574
Total Liabilities		**1 341 819 303**	**1 225 642 709**
Share capital	20	15 450 717	3 972 713
Revaluation reserves	20	1 253 828	1 253 828
Other reserves and retained earnings	20	170 945 232	143 110 167
Net profit for the year	20	174 258 743	69 085 024
Total equity		**361 908 520**	**217 421 732**
Total liabilities and equity		**1 703 727 823**	**1 443 064 441**

STATEMENTS OF INCOME AND OF OTHER COMPREHENSIVE INCOME AT DECEMBER 31, 2018 & 2017

(Amounts expressed in thousands of kwanzas)

	Notes	31/12/18	31/12/17
Interest income and similar income	21	147 899 982	133 456 228
Interest expense and similar charges	21	30 166 995	25 633 773
Net interest income		**117 732 987**	**107 822 455**
Fee and commission income	22	16 480 300	14 485 114
Fee and commission expense	22	3 216 188	2 369 283
Net gains/(losses) on financial assets & liabilities at fair value through profit or loss	8	5 841 212	4 671 855
Net gains/(losses) on investments at amortised cost	-	30	93
Foreign exchange gains/(losses)	23	142 816 744	10 124 169
Gains/(losses) on disposal of other assets	24	96 451	109 475
Other operating income/(expense)	25	417 368	3 451 424
Net operating revenue		**280 168 904**	**138 295 302**
Staff costs	26	31 063 077	17 946 267
Third-party supplies and services	27	23 398 637	13 008 584
Depreciation and amortisation for the period	13	3 735 442	2 839 832
Provisions net of cancellations	18	9 787 018	21 810 976
Impairment losses on loans and advances to customers net of reversals & recoveries	18	287 832	6 666 035
Impairment losses on other financial assets net of reversals & recoveries		(432 874)	-
PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS		**212 329 772**	**76 023 608**
Taxes on profit			
Current	14	(38 961 478)	(9 523 358)
Deferred	14	890 449	2 584 774
NET PROFIT FOR THE PERIOD		**174 258 743**	**69 085 024**
PROFIT/(LOSS) RECOGNISED DIRECTLY IN EQUITY		**-**	**-**
COMPREHENSIVE INCOME FOR THE PERIOD		**174 258 743**	**69 085 024**
Average number of ordinary shares issued		2 618 726	2 618 726
Basic earnings per share (in kwanzas)		66 543	26 381

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts expressed in thousands of kwanzas)

	Notes	Share capital	Share capital monetary revaluation reserve	Revaluation reserves	Legal reserve	Other reserves and retained earnings	Profit/(loss) for the year	Total
Balance at 31 December 2016		3 521 996	450 717	1 253 828	5 161 890	100 920 542	61 712 892	173 021 865
Allocation of earnings for 2016								
Transfers to reserves and funds	20	-	-	-	-	37 027 735	(37 027 735)	-
Dividend distribution	20	-	-	-	-	-	(24 685 157)	(24 685 157)
Net profit/(loss) for the period	20	-	-	-	-	-	69 085 024	69 085 024
Balance at 31 December 2017		**3 521 996**	**450 717**	**1 253 828**	**5 161 890**	**137 948 277**	**69 085 024**	**217 421 732**
Impact of first-time adoption of IFRS 9	4	-	-	-	-	(2 137 945)	-	(2 137 945)
Balance restated at 1January 2018		**3 521 996**	**450 717**	**1 253 828**	**5 161 890**	**135 810 332**	**69 085 024**	**215 283 787**
Allocation of earnings for 2017								
Transfers to reserves and funds	20	-	-	-	-	41 451 014	(41 451 014)	-
Dividend distribution	20	-	-	-	-	-	(27 634 010)	(27 634 010)
Share capital increase		**11 478 004**	-	-	-	(11 478 004)	-	-
Net profit/(lo ss) fo r the period	20	-	-	-	-	-	174 258 743	174 258 743
Balance at 31December 2018		**15 000 000**	**450 717**	**1 253 828**	**5 161 890**	**165 783 342**	**174 258 743**	**361 908 520**

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts expressed in thousands of kwanzas)

	31/12/18	31/12/17
CASH FLOW FROM OPERATING ACTIVITIES		
Interest income, fee income and other similar income received	183 399 907	120 641 031
Interest expense, fee expense and other similar expenses paid	(30 484 601)	(23 285 356)
Payments to Employees and suppliers	(38 464 486)	(27 487 787)
Payments and contributions to pension funds and other benefits	(1 521 448)	(627 036)
Recovery of loans written off from assets	316 701	372 116
Other income received/(expenses paid)	1 626 431	12 123 482
Cash flows before changes in operating assets and liabilities	**114 872 504**	**81 736 450**
Increases/Decreases in operating assets:		
Funds deposited in central banks and other credit institutions	58 435 476	(25 453 922)
Financial assets at fair value through profit or loss	464 908 124	(184 912 438)
Investments held to maturity	(158 151 192)	(18 656 373)
Loans and advances to Customers	(10 705 271)	45 074 531
Non-current assets held for sale	(8)	(9)
Other assets	3 610 718	(1 269 533)
Net cash flow from operating assets	**358 097 847**	**(185 217 744)**
Increases/Decreases in operating liabilities:		
Funds of central banks and other credit institutions	(115 627 571)	107 417 857
Customer funds and other borrowings	(334 234 156)	(32 294 730)
Other liabilities	(68 086)	(160 505)
Net cash flow from operating liabilities	**(449 929 813)**	**74 962 622**
Net cash flow from operating activities before income taxes	23 040 539	(28 518 672)
Income taxes paid	(11 709 470)	(10 815 880)
Net cash flow from operating activities	**11 331 069**	**(39 334 552)**
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisitions of other tangible assets, net of disposals	(6 571 723)	(770 985)
Acquisitions of intangible assets, net of disposals	(2 671 199)	(571 938)
Acquisitions of interests in affiliates, associates and joint ventures, net of disposals	-	50 000
Net cash flow from investing activities	**(9 242 922)**	**(1 292 923)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend distribution	(38 270 844)	(20 844 821)
Net cash flow from financing activities	**(38 270 844)**	**(20 844 821)**
Change in cash & cash equivalents	(36 182 697)	(61 472 295)
Cash & cash equivalents at the beginning of the period	256 637 430	317 185 779
Effects of changes in foreign exchange rates on cash & cash equivalents	82 385 151	923 946
Cash & cash equivalents at the end of the period	**302 839 884**	**256 637 430**

07

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018 AND 2017

(Montantes expressos em milhares de Kwanzas – mAKZ, excepto quando expressamente indicado)

1. INTRODUCTORY NOTE

Banco de Fomento Angola, S.A. (hereinafter also the "Bank" or "BFA") was incorporated by public deed on August 26, 2002 as a result of the transformation of the Angolan branch of Banco BPI, S.A. into a bank under local law.

As indicated in Note 20, on January 5, 2017, in execution of an agreement for the purchase and sale of shares entered into in 2016, Banco BPI completed the sale of 2% of the share capital of BFA to Unitel. Thus, at December 31, 2018, BFA's majority shareholder was Unitel, S.A.

At the General Meeting of October 4, 2018, the shareholders decided unanimously to increase BFA's capital through the capitalisation of "Other reserves" totalling mAOA 11 478 003. This capital increase was carried out pursuant to Banco Nacional de Angola Notice 02/2018, which sets the minimum amount of fully paid-up share capital in local currency at mAOA 7 500 000.

The Bank is engaged in taking funds from third parties in the form of deposits or otherwise, which it applies, along with its own funds, in granting loans, in deposits at Banco Nacional de Angola (BNA), in deposits at credit institutions and in the acquisition of securities or other assets for which it is duly authorised. The Bank also provides other banking services and carries out various types of transactions in foreign currency, for which purpose at December 31, 2018 it has a national network of 161 branches, 5 service points, 10 investment centres and 16 corporate centres.

2. BASIS OF PRESENTATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1. BASES OF PRESENTATION

The Bank's financial statements were prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), pursuant to Banco Nacional de Angola Notice 6/2016 of 22 June. IFRS include the standards issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The Bank adopted IFRS for the first time in the period ended December 31, 2016.

The financial statements presented here relate to the period ended December 31, 2018.

The accounting policies used by the Bank in the preparation of its financial statements for the year ended December 31, 2018 are consistent with those used at December 31, 2017, with the exception of first-time adoption of IFRS 9 on January 1, 2018, as stated in Note 4.

IFRS 9, "Financial instruments", replaces IAS 39, "Financial Instruments – Recognition and Measurement" and sets out new rules for accounting for financial instruments, including significant changes, especially with respect to impairment requirements (see Note 4).

The Bank's financial statements are expressed in thousands of kwanzas, rounded to the nearest thousand, assets and liabilities in other currencies having been translated into the local currency on the basis of the average indicative rate published by Banco Nacional de Angola at each reporting date. The financial statements have been prepared under the historical cost convention, modified to include the fair valuation of derivatives and financial assets and liabilities designated at fair value through profit or loss, except for those for which a reliable measure of fair value is not available.

The financial statements and Annual Report for the year ended December 31, 2018 were approved by the Board of Directors at its meeting on March 27, 2019, and will be submitted for approval by the General Meeting, which has the power to amend them. However, the Board of Directors believes they will be approved without significant amendments.

Recently issued accounting standards and interpretations that have not yet come into force and that the Bank has not yet applied in the preparation of its financial statements may be analysed in Note 32.

In spite of the 99.9% interest held in the subsidiary BFA Gestão de Activos (see Note 12), which started operating in 2017, in light of the basic principles and conceptual framework of IFRS, the Bank considers that the preparation of consolidated financial statements at December 31, 2018 is not necessary, bearing in mind (i) the small volume of business done by this company since it was incorporated and (ii) the small impact consolidating the subsidiary's financial statements would have on BFA's financial statements at that date, after consolidation adjustments.

2.2. TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are recorded in accordance with the principles of the multi-currency system, where each transaction is recorded according to the currency of denomination. Assets and liabilities expressed in foreign currency are translated to kwanzas at the average exchange rate published by Banco Nacional de Angola on the reporting date. Costs and income relating to realised and unrealised exchange differences are recognised in the income statement for the period in which they occur.

At December 31, 2018 & 2017 the kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) were as follows:

	31/12/18	31/12/17
1 USD	308,607	165,924
1 EUR	353,015	185,400

Forward currency position

The forward currency position is the net balance of forward transactions pending settlement. All forward currency contracts are revalued at the prevailing market forward rates.

Any difference between the equivalent value in kwanzas at the forward rates applied and the equivalent value at the contracted rates is recorded in assets or liabilities and is recognised as income or expense for the period.

2.3. FINANCIAL INSTRUMENTS – IFRS 9 (APPLICABLE TO 2018)

2.3.1 Classification of financial assets

As a result of the application of IFRS 9 from 1 January 2018, the Bank classifies its financial assets in the following measurement categories:

a) Investments at amortised cost;
b) Financial assets at fair value through other comprehensive income;
c) Financial assets at fair value through profit or loss.

Debt instruments are instruments that meet the definition of financial liability from the issuer's point of view, such as borrowings, public and private bonds and receivables acquired from customers under non-recourse factoring agreements. The classification and subsequent measurement of these instruments in the above categories is based on the following two elements:

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

Based on these elements, the Bank classifies its debt instruments, for measurement purposes, in one of the following three categories:

a) Financial assets at amortised cost, when the following two conditions are met:

- the asset is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition to the debt instruments held within a business model whose objective is to collect the contractual cash flows, which are recorded under the heading of "Investments at amortised cost", the financial assets at amortised cost category also includes funds deposited at central banks and other credit institutions, and loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss, whenever a financial asset cannot be properly classified in either of the above categories, whether because of the Bank's business model or because of the characteristics of the asset's contractual cash flows. At the transition date, in classifying financial assets in this category, the Bank also took into consideration whether it expected to recover the carrying amount of the asset through sale to a third party.

Also included in this portfolio are all the instruments for which any of the following conditions hold:

- they were originated or acquired for the purpose of selling them in the near term.
- they are part of a group of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- they are derivatives that do not meet the definition of financial guarantee agreements and have not been designated as hedging instruments.

Business model test

The business model refers to how the Bank manages its assets in order to generate cash flows. Therefore, it is important to determine whether the Bank's objective is achieved by holding assets in order to collect contractual cash flows or by both collecting contractual cash flows and selling financial assets. If neither of these situations applies (e.g. if the financial assets are held for trading), then the financial assets are classified as part of an "other" business model and are measured at fair value through profit or loss. The factors the Bank takes into account in identifying the business model for a given set of assets includes past experience as regards how the cash flows are collected, how the performance of the assets is evaluated and reported to management, how the risks are assessed and managed and how managers are remunerated.

Securities held for trading are held essentially with the objective of selling them in the near term or are part of a portfolio of financial instruments that are managed together and for which there is clear evidence of a recent pattern of short-term profit-taking. These securities are classified in "other" business models and are measured at fair value through profit or loss.

The business model test does not depend on intentions with respect to an individual instrument but with respect to a set of instruments, taking into consideration the frequency, value and timing of sales in previous periods, the reasons for those sales and expectations about future sales activity. Sales may be consistent with a business model whose objective is to hold assets in order to collect contractual cash flows if those sales are infrequent or insignificant in value or are made close to the maturity of the assets or are due to an increase in the assets' credit risk or are made to manage credit concentration risk, among other reasons.

If a financial asset contains a contractual term that could change the timing or amount of contractual cash flows (for example, if the asset can be prepaid before maturity or its term can be extended), the Bank determines whether the contractual cash flows that could arise over the life of the instrument due to that contractual term are solely payments of principal and interest on the principal amount outstanding.

If a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate (for example, the interest rate resets every three months), the Bank, at initial recognition, assesses that interest rate inconsistency to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Contractual terms which at initial recognition have only a de minimis effect on the cash flows or that depend on the occurrence of an event that is exceptional or highly unlikely to occur (such as liquidation of the issuer) do not prevent an asset being classified as measured at amortised cost or at fair value through other comprehensive income.

SPPI test

When the business model's objective is to hold assets in order to (i) collect the contractual cash flows or (ii) both collect the contractual cash flows and sell the assets, the Bank assesses whether the instrument's cash flows are solely payments of principal and interest on the principal amount outstanding (the "solely payments of principal and interest" test, or SPPI test). In making this assessment the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. When the contractual terms introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, the financial instrument is classified and measured at fair value through profit or loss.

A financial asset that contains an embedded derivative is recognised in its entirety, at initial recognition, if the cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test).

Equity instruments

An equity instrument is an instrument that meets the definition of equity from the issuer's point of view, that is, an instruments that does not contain a contractual obligation to pay and that evidences a residual interest in the net assets of the issuer. An example of an equity instrument is an ordinary share.

Investments in equity instruments are an exception to the general measurement rules set out above. As a general rule, the Bank makes an irrevocable election at initial recognition to designate investments in equity instruments that do not qualify as held for trading as financial assets measured at fair value through other comprehensive income or otherwise as financial assets mandatorily measured at fair value through profit or loss. Impairment losses (and reversals of impairment losses) are not recorded separately from other changes in fair value.

2.3.2 Classification of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation to settle the liability through delivery of cash or another financial asset, irrespective of its legal form.

Financial liabilities are derecognised when the underlying obligation is discharged, expires or is cancelled. Non-derivative financial liabilities include funds of central banks and other credit institutions, customer funds and other borrowings.

The Bank designates, on initial recognition, certain financial liabilities at fair value through profit or loss (Fair Value Option) if at least one of the following requirements is met:

- the financial liabilities are managed, valued and analysed internally based on their fair value;
- derivatives transactions have been entered into with a view to hedging those liabilities, thus ensuring consistency in the valuation of the liabilities and the derivatives (accounting mismatch);
- the financial liabilities contain embedded derivatives.

2.3.3 Recognition and initial measurement of financial instruments

At initial recognition all financial instruments are measured at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting any transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognised immediately in profit or loss.

Transaction costs are defined as any expenses directly attributable to the acquisition, issue or disposal of a financial asset or financial liability that would not have been incurred if the Bank had not entered into the transaction. They include, for example, fees and commissions paid to intermediaries (such as developers) or mortgage arrangement expenses.

The financial assets are recognised in the balance sheet on the transaction date, which is when the Bank undertakes to buy the assets, unless a contractual clause or applicable legal provision requires that the transfer of the rights take place on a later date.

If the fair value of a financial asset or financial liability at initial recognition differs from the transaction price, the Bank recognises the difference as follows:

- Where the fair value is evidenced by a quoted price in an active market for an equivalent asset or liability (i.e., a Level 1 input) or is based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or a loss;
- In all other cases, the difference is deferred and the moment of initial recognition of the gain or loss is determined individually. This difference may 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 realisation or settlement of the asset or liability.

2.3.4 Subsequent measurement of financial instruments

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

Trade receivables not containing a significant financing component and short-term commercial loans and debt instruments, which are measured initially at their transaction price or principal amount outstanding, respectively, are measured at that amount less any impairment losses.

Immediately after initial recognition, an allowance for expected credit losses (ECL) is recognised 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 the income statement when the assets are originated.

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

2.3.5 Income and expenses of financial instruments

The income and expenses of financial instruments at amortised cost are recognised in accordance with the following criteria:

i) Interest revenue and expense is recognised in profit or loss under the heading of "Interest income and similar income" and "Interest expense and similar charges", applying the effective interest rate on the transaction to the transaction's gross carrying amount (except for impaired assets, where the interest rate is applied to the carrying amount net of impairment charges).
ii) All other changes in value are recognised in profit or loss as income or expense – under the heading of "Gains or losses on investments carried at amortised cost" – when the financial instrument is derecognised or reclassified, or in the case of financial assets, when impairment losses or gains are recognised, which in the case of loans and advances to customers are recorded under the heading of "Impairment allowance for loans and advances to customers net of reversals and recoveries", or in the case of other financial assets, under "Impairment allowance for other financial assets net of reversals and recoveries".

Treasury Bonds issued in local currency indexed to the US dollar exchange rate are subject to adjustment for exchange rate changes. The result of the exchange rate adjustment is reflected in the income statement for the period in which it occurs. The result of the updating of the nominal value of the security is reflected in "Foreign exchange gains/(losses)" and the result of the updating of the discount and accrued interest is reflected in "Net interest income – Interest income and similar income".

The income and expenses of financial instruments at fair value through profit or loss are recognised in accordance with the following criteria:

i) Changes in fair value are recognised directly in profit or loss, separating the part attributable to the revenue from the instrument, which is recorded as either interest or dividends, as the case may be, under the heading "Interest income and similar income" or "Income from equity instruments", from the rest, which is recorded as trading income under the heading "Net gains or losses on financial assets and liabilities at fair value through profit or loss".

ii) Interest revenue from debt instruments is recognised in profit or loss under the heading "Interest income and similar income" and is calculated using the effective interest method.

The income and expenses of financial instruments at fair value through profit or loss are recognised in accordance with the following criteria:

i) The interest or dividend revenue, as the case may be, is recognised in profit or loss under "Interest income and similar income" or "Income from equity instruments", as appropriate. For interest the procedure is the same as for assets at amortised cost.

ii) Exchange differences are recognised in profit or loss under the heading "Foreign exchange gains/(losses)" in the case of monetary assets and in other comprehensive income in the case of non-monetary assets.

iiI) Impairment losses or gains on debt instruments are recognised in profit or loss under the heading "Impairment losses on other financial assets net of reversals and recoveries".

iv) All other changes of 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 period are the same as would recognised if it were measured at amortised cost.

When a debt instrument measured at fair value through other comprehensive income is derecognised, the gain or loss recorded in other comprehensive income is reclassified to profit or loss for the period. Likewise, when an equity instrument measured at fair value through other comprehensive income is derecognised, the gain or loss recorded in other comprehensive income is not reclassified to profit or loss for the period but is held in a reserve account.

2.3.6 Reclassifications between categories of financial instruments

Solely if the Bank decides to change its business model for

managing financial assets, it would reclassify all the financial assets affected in accordance with the requirements of IFRS 9. Any such reclassification would be applied prospectively from the reclassification date. According to
IFRS 9, changes in an entity's business model are expected to be very infrequent. Financial liabilities must not be reclassified between portfolios.

2.3.7 Fair value

The Bank uses the following methods to estimate the fair value of securities:

i) Average trading price on the calculation date or, when this is not available, the average trading price on the preceding business day;

ii) Probable net realisable value obtained by a valuation technique or internal model;

iii) Price of a comparable financial instrument, taking into account at least the payment and maturity terms, the credit risk and the currency or index;

iv) Price defined by Banco Nacional de Angola.

2.3.8 Loan modification

Occasionally the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers. When that occurs, the Bank assesses whether the new terms of the contract are substantially different from the original terms. In performing this analysis the Bank takes the following factors, among others, into account:

- If the debtor is in financial difficulties, whether the modification only reduces the contractual cash flows to an amount the debtor is likely to be able to pay;
- Whether any significant new term was introduced, such as a participation in results (or equity-based return), that substantially affects the risk of the credit;
- Any significant extension of the maturity of the agreement, if the debtor is not in financial difficulties;
- Any significant change in the interest rate;
- Any change in the currency in which the credit was issued;
- The inclusion of collateral, a guarantee or any other credit enhancement that significantly affects the credit risk associated with the loan.

If the terms of the loan 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 date of renegotiation is considered to be the date of initial recognition for the purpose of the impairment calculation, including for the purpose of determining whether there has been a significant increase in credit risk. However, the Bank also assesses whether the newly recognised financial asset is impaired at initial recognition, especially when the renegotiation is related to the debtor's having failed to make the payments originally agreed. Any differences in the carrying amount are recognised in profit or loss as a derecognition gain or loss.

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

After the modification, the Bank may determine that the credit risk has improved significantly and that the asset should be transferred from Stage 3 to Stage 2 (lifetime ECL) or from Stage 2 to Stage 1 (12-month ECL). This can only occur, however, when the modified asset performs in accordance with the new contractual terms for a period of twelve consecutive months. Additionally, the Bank continues to monitor whether there has been a significant increase in the asset's credit risk, applying specific models for modified assets.

At December 31, 2018, the Bank did not have any assets that met these requirements for the reporting period.

2.3.9 Derecognition not resulting from a modification

Financial assets granted are derecognised when the associated cash flows are extinguished, are collected or are sold to third parties and (i) the Bank transfers substantially all the risks and rewards of ownership of the asset or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the asset and does not retain control of the asset. Any gains or losses on final disposal of loans to customers are recognised in "Other operating income/(expense)". These gains or losses arise from the difference between the agreed selling price and the carrying amount of these assets, net of impairment losses.

The Bank participates in transactions in which it has a contractual right to collect the cash flows of an asset but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all the risks and rewards. Such transactions result in derecognition of the asset if the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is not permitted to sell or pledge the assets;
- Has the obligation to remit any cash flow it collects from the assets without material delays.

Any guarantees given by the Bank (shares and bonds) through repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards, based on the agreed repurchase price, so the derecognition criteria are not met (see Note 2.5).

Financial liabilities are derecognised when the underlying obligation is discharged, expires or is cancelled.

2.3.10 Write-off policy

The Bank writes off a financial asset (or a portion thereof) when it concludes that there is no reasonable expectation of recovery. The indicators that there is no reasonable expectation of recovery are (i) the business has shut down, and (ii) where recovery depends on receipt of collateral, the value of the collateral is so small that there is no reasonable expectation of recovering the asset in its entirety.

The criteria for selecting loans that could be candidates for write-off are as follows:

- The loans are not protected by a risk-sharing agreement;
- The loans are more than 210 days past due;
- The loans are not flagged as renegotiated past-due loans and are not covered by an active payment agreement.

2.3.11 Impairment of financial assets

The Bank performs impairment tests on debt instruments that are measured at amortised cost and at fair value through comprehensive income, as well as on other exposures that have credit risk associated with them, such as bank guarantees and commitments assumed.

The objective of the IFRS 9 requirements is to recognise lifetime expected credit losses on financial instruments — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

Impairment losses on debt instruments that are measured at amortised cost are recognised as an accumulated impairment amount on the balance sheet, which reduces the carrying amount of the assets, whereas impairment losses on assets measured at fair value through other comprehensive income are recognised in other comprehensive income.

Impairment losses for the year on loans and advances to customers are recognised in the income statement under the heading "Impairment losses on loans and advances to customers net of reversals and recoveries", while impairment losses on other financial assets are recognised under the heading "Impairment losses on other financial assets net of reversals and recoveries".

Impairment losses on exposures that have credit risk associated with them and that are not positions recorded in the assets are recorded as provisions under the heading "Provisions" on the liabilities side of the balance sheet. Charges and reversals are recorded, net of cancellations, under the heading "Provisions" in the income statement.

For the purpose of accounting for impairment losses on debt instruments, the following definitions must be taken into consideration:

a) **Credit losses**: a credit loss is the difference between all the cash flows that are due to the Bank under the contractual terms of the financial asset and all the cash flows the Bank expects to receive (i.e., the total cash shortfall), discounted at the original effective interest rate or, for purchased or originated credit-impaired financial assets with credit losses, at the credit-adjusted effective interest rate or, when the rate is variable, at the interest rate prevailing on the reporting date.

In the case of loan commitments, the loss is calculated by comparing the contractual cash flows due to the Bank that the Bank expects to receive if the commitments are used with the cash flows it expects to receive at the time of recognition of the asset. In the case of bank guarantees, the loss is equal to the payments the Bank expects to make less the cash flows it expects to receive from the ordering party.

The Bank estimates cash flows by considering all contractual terms of the financial instrument.

The cash flows that are considered include cash flows from the sale of collateral held, taking into account the proceeds received from sale, less costs to obtain, maintain and sell, and any other guarantees that are an integral part of the contractual terms, such as financial collateral.

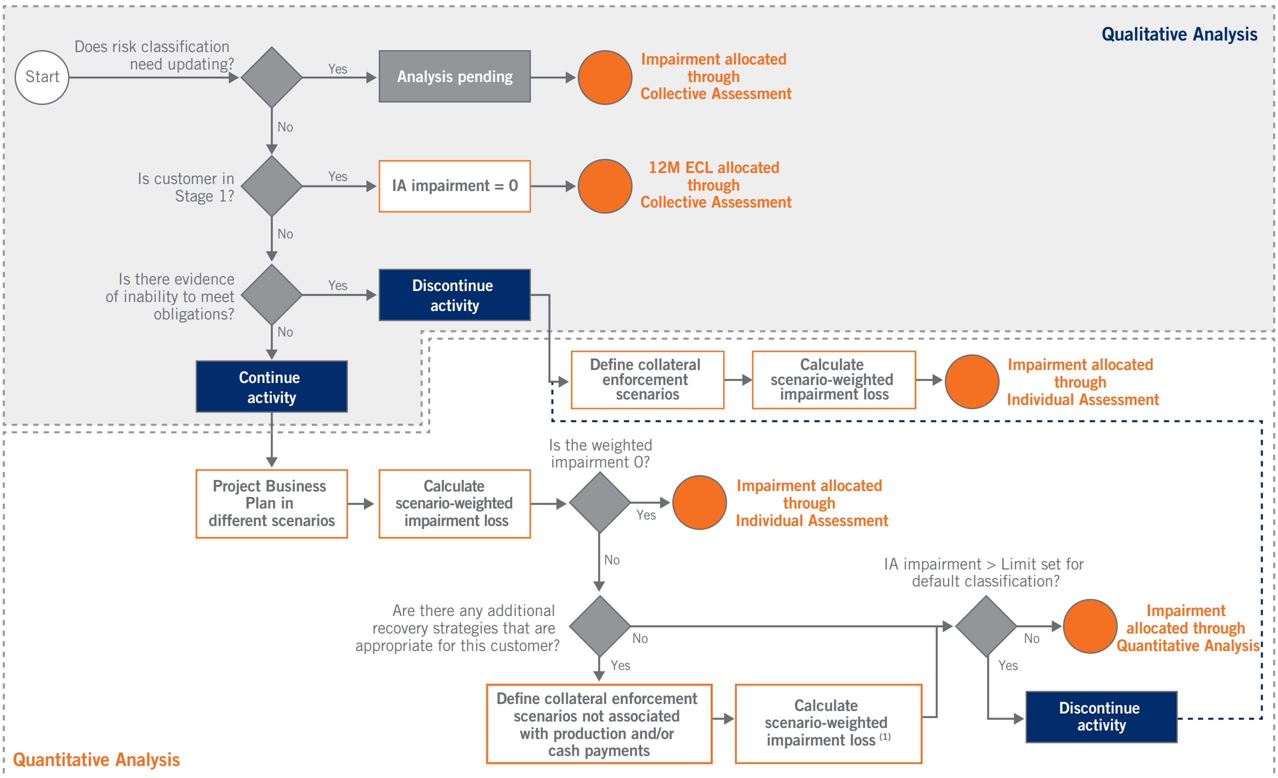
b) **Expected credit losses**: the weighted average of credit losses with the respective risks of a default occurring as the weights. The following distinction will be taken into account: (i) lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument; (ii) 12-month expected credit losses: The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Impairment model for loans and advances to customers

The methodology adopted by the Bank involves, first, identifying the economic groups (and individual customers) considered individually significant. These groups are assessed individually and the rest are assessed collectively in homogeneous risk groups. The following criteria are used to select the groups (and individual customers) that are individually significant:

- Corporate customers with exposure of more than AOA 50 million;
- Individual customers with exposure of more than AOA 100 million;
- Corporate customers with past-due loans (more than 30 days), exposure of more than AOA 25 million and arrears of more than AOA 1 million;
- Individual customers with past-due loans (more than 30 days), exposure of more than AOA 50 million and arrears of more than AOA 1 million;
- Customers with restructured loans due to financial difficulties; and
- Ad hoc customers (individuals or companies) which are not subject to individual assessment under the above criteria but which the Bank considers should nevertheless be assessed individually.

The individual assessment involves the following steps:



In the collective assessment, the Bank groups customers in homogeneous risk segments as follows:

Consumer loans • Overdrafts • Credit cards • Auto loans • Home loans
Small companies • Large companies • Government • Financial Institutions

The loss allowance for a financial instrument is determined according to whether the credit risk on the instrument has increased significantly since initial recognition, and whether or not an event of default has occurred. The Bank therefore classifies financial instruments in three stages of impairment, as described below:

Stage I	Stage II	Stage III
Classification to be applied at **initial recognition** of financial instruments or where none of the criteria for classification in any other stage of impairment are met.	Classification to be applied to financial instruments where there has been a **significant increase in credit risk** (SICR) since initial recognition.	All financial instruments that are in **default** as defined in BNA Instruction no. 5/2016 are classified in this stage.

The criteria for classification in Stage 2 are as follows

Classification in Stage 2

- Contracts with payments more than 30 days past due
- Customers with at least one credit facility that has been restructured due to financial difficulties in the last 12 months
- Customers with a credit facility from another credit institution with payments more than 90 days past due, capital or interest written off or subject to litigation
- Customers with a credit facility in litigation within the last 5 years
- Customers with cheques returned for insufficient funds or prohibited from using cheques, according to the information available from the central credit register, CIRC
- Customers with unauthorised overdrafts or revolving credit limits used permanently >=95% in the last 12 months
- Credit with a material decrease (greater than 20%) in the value of the collateral and with an LTV ratio > 80%
- Customers subject to Special Recovery Programmes
- Customers with debts to the Tax Department or Social Security
- Bank pledges or likelihood of insolvency or subject to a recovery or financial or operational reorganisation process
- Significant change in the (corporate) customer's operating results, for customers subject to individual assessment
- Change in (lifetime) PD since origination

Propagation

- Propagation of all the customer's transactions to Stage 2 if the total exposure of the Stage 2 transaction is equal to 20% of more of the customer's exposure

The criteria for classification as defaulted are as follows:

Classification in Stage 3

- Contracts with payments more than 90 days past due
- Customers in bankruptcy or insolvency proceedings or expected to enter bankruptcy or insolvency
- Restructurings with a material loss or a grace period for principal
- Restructured contracts with payments more than 30 days past due

Propagation

- Stage 3 (defaulted) status is propagated when the defaulted exposure is equal to 20% or more of the customer's total exposure

Reclassification to non-defaulted

- For contracts with payments more than 90 days past due, a probation period (of at least 3 months) without any trigger of default is applied.
- For restructured loans, a probation period (of at least 12 months) with settlement of principal and interest and no exposure more than 30 days past due is applied

In measuring collective impairment, the Bank considers the following credit risk parameters:

a) Exposure: The exposure (EAD or exposure at default) is the estimated amount outstanding when default occurs. This component is important for financial instruments that have a repayment structure which varies depending on how much the customer uses the facility (current account credit lines, credit cards or any revolving product in general). EAD is calculated based on historical default behaviour, relating the exposure at the time of default to the exposure observed over the previous 12 months. Future exposure levels are estimated based on the product type, the current exposure and the limit.

b) Probability of default: the Bank uses a method that forecasts the probability of default (PD) of each borrower for all the credit portfolios and for each risk segment. The results of the PD calculation are used in credit approval and monitoring processes and were developed and calibrated based on the Bank's historical default experience. The PD for Stage 1 is calculated over 12 months and for Stage 2, over the lifetime of the exposure.

c) Loss given default: the loss given default (LGD) is the percent of the debt that will not be recovered if a customer defaults. The LGD is calculated based on internal historical information, considering the cash flows associated with the exposures from the time of default until either they are brought current or no expectation of recovering any material amount remains. The estimated credit recovery costs are also included in the calculation.

The models used to measure impairment are generally based on the Bank's own historical experience of defaults and recoveries. The models are updated from time to time to reflect the economic situation and at all times represent the current economic context.

This helps to minimise the differences between estimated losses and recently observed losses. The models also include forward-looking estimates of economic performance to determine the expected loss, taking macroeconomic factors related to the probability of default and/or the Bank's recoverability indicators into account, specifically:

- Real GDP
- Rate of growth of non-oil GDP
- End-of-period USD/ AOA exchange rate (parallel)
- Luanda Consumer Price Index
- Real Effective Exchange Rate (REER)
- End-of-period EUR/ AOA exchange rate

When the models are reviewed, any improvements detected through backtesting are also implemented.

During the reporting period, there was no material change in the estimation method or the assumptions used.

Impairment model for other financial instruments

The Bank classifies exposures in stages of impairment. Sovereign exposures rated as investment grade by recognised rating agencies and exposures whose return is adjusted to the risk of the issuer and that risk is within the limits defined in the Bank's risk profile are classified in Stage 1. These exposures qualify for measurement of 12-month expected losses.

The risk factors applied are those associated with each counterparty rating level defined by the external provider.

Relative to Angolan sovereign debt in local currency, the Bank considers the expected loss to be nil, as no losses have been observed in the past, the country's current supervisory bodies are expected to maintain control of currency issuance and the likelihood that they will opt for default to the detriment of currency issuance in order to service debt in local currency is remote.

In the year ended December 31, 2018, the Bank did not apply the low credit risk exemption to any financial asset.

2.4 IAS 39, FINANCIAL INSTRUMENTS (APPLICABLE TO 2017)

2.4.1 Loans and other receivables

These are financial assets with fixed or determinable payments that are not listed on an active market. This category includes loans and advances to customers, funds deposited in credit institutions and other receivables. On initial recognition, these assets are recorded at fair value, plus other costs and income directly attributable to the origination of the transaction. Subsequently, these assets are carried at their amortised cost.

i) **Loans and advances**
Loans and advances are financial assets and are recorded at the contracted amounts when originated by the Bank or at the amounts paid when acquired from other entities.

ii) **Past-due loans and interest**
Capital, interest and other amounts due but not collected, less interest reversed, are carried under this heading. These amounts are recorded by default class, reckoned

from the date of commencement of the default. Banco Nacional de Angola Instruction 9/2015 of June 4 provides that interest more than 90 days past due must be cancelled. In accordance with the established policy, the Bank writes off interest more than 60 days past due and recognises no further interest from that date until the customer remedies the situation.

Within the scope of the regular review of loan transactions, including past-due loans, BFA reclassifies non-performing loans to performing on the basis of an analysis of the economic prospects of collectability, taking particular account of any collateral, the assets of the borrowers or guarantors, and the existence of transactions whose risk BFA equates to sovereign risk.

Each year, the Bank writes off loans more than 12 months past due through the use of impairment losses when the losses amount to 100% of the value of the loans considered irrecoverable. Additionally, these loans continue to be carried under an off-balance sheet heading for a minimum period of 10 years.

iii) **Recognition of income**

Interest and restructuring fees associated with loan transactions are accrued over the life of the transactions, with the corresponding entry in the income statement for the period, irrespective of when the fees are collected or paid. Other fees and other costs and income associated with credit transactions are recognised in profit or loss when incurred.

iv) **Impairment losses on the loan portfolio**

The Bank tests the assets recorded under “Loans & advances to customers” for impairment at half-yearly intervals. For that purpose, the loan portfolio is segmented as follows:

- Individuals:
  - Credit cards;
  - General consumer loans;
  - Auto loans;
  - Home loans; and
  - Overdrafts.
- Companies:
  - Less significant company exposures;
  - Significant company exposures;
  - Public sector; and
  - Guarantees.

The impairment testing methodology adopted by the Bank identifies, in a first phase, loans with signs of impairment. This identification is carried out individually for financial assets for which it is considered that the aggregate amount of the exposure is individually significant, and collectively for homogeneous groups of assets of insignificant individual amount. The following customers are subject to individual assessment:

- In the individuals segment: (i) all customers whose exposure exceeds mAOA 50 000; (ii) all customers in arrears (more than 30 days past due), with more than mAOA 1 000 of past-due loans and a total exposure exceeding mAOA 25 000; and
- In the corporates segment, all customers with exposure of more than mAOA 25 000. All customers (regardless of segment) with restructured or reclassified transactions or subject to recovery with liabilities of more than mAOA 5 000 are also assessed individually.

The rest of the portfolio is assessed on a collective basis.

IAS 39 identifies a number of events that are regarded as indicators of the existence of impairment of financial assets carried at amortised cost, in particular, breach of the conditions of the contract (as shown, for example, by delays in the payment of contractual instalments), restructuring of loans or financial difficulties of the debtor. The bank takes these indicators into account in its assessment, together with others based on knowledge of the customers and the historical behaviour of the portfolio in terms of default and recovery levels.

Where an asset that is individually assessed for impairment is found to be impaired, the Bank estimates the recoverable amount. The impairment loss is the difference between the carrying amount of the asset and the estimated realisable value, where the latter is less than the former.

For assets assessed collectively, the expected future cash flows are estimated based on historical information on the behaviour of assets with similar characteristics and are then discounted at the effective interest rate of the transaction. Within the scope of the model developed by the Bank, transaction classification criteria were identified for the segments defined above, as were conditions representing different levels of risk to be considered for impairment determination purposes, which are described below:

- For transactions that are in good standing at the time of the assessment, a definition of the period required for the loss event to be perceived by the Bank, which was estimated at twelve months;
- Classification of transactions according to time past due, i.e., transactions with no signs of impairment (in good standing), transactions with signs of impairment (with past-due instalments) and defaulted transactions. Transactions are considered defaulted when more than 90 days past due;
- Determination of probabilities of default, which are a function not only of the portfolio's current status but also of its past behaviour; and
- Determination of estimated recoverable amounts after default, including any costs likely to be incurred in the recovery process.

Any change in estimated impairment losses (difference between an asset's carrying amount and its estimated recoverable amount) is recorded in costs for the period under "Impairment on loans & advances to customers net of reversals and recoveries". Recoveries during the period of principal and interest written off in previous periods are recorded under "Other operating income/(expense)" (Note 25).

2.4.2 Other financial assets and liabilities
Based on the nature of the securities and their intended purpose at the time they were acquired, these are classified into the following categories: held to maturity, at fair value through profit or loss, and available for sale

Investments held to maturity

This category comprises securities for which the Bank has the intention and the financial capacity to hold the investment until its maturity.

These financial assets are subsequently carried at their amortised cost, using the effective interest rate method and subject to impairment testing. The interest is calculated using the effective interest method and is recognised in net interest income. Impairment losses are recognised in results when identified.

At December 31, 2017, the Bank's entire portfolio of held-to-maturity securities consisted of debt issued by the Angolan State.

Treasury Bills (TBs) are issued at a discount and recorded at acquisition cost. The difference between this and the par value, which is the Bank's remuneration, is recognised in the accounts as income over the period between the purchase date and the maturity date of the securities, under "Income receivable".

Treasury Bonds acquired at a discount are recorded at acquisition cost. The difference between the cost of acquisition and the par value of these securities, which is the discount at the time of purchase, is accrued over the term to maturity under "Income receivable". Interest accruing on these securities is also recorded under "Income receivable".

Treasury Bonds issued in local currency indexed to the US dollar exchange rate are subject to adjustment for exchange rate changes. The result of the exchange rate adjustment is reflected in the income statement for the period in which it occurs. The result of the exchange rate adjustment of the par value of the security is reflected under "Foreign exchange gains/(losses)", while the result of the currency update of the discount and the accrued interest is reflected under "Net interest income – Interest & similar income – Of securities".

Financial assets and liabilities at fair value through profit or loss

This category includes: (i) financial assets held for trading, acquired with the intention of selling them in the near term or held as part of a portfolio of assets, normally securities, in relation to which there is evidence of a recent pattern of short-term profit taking; and (ii) financial assets and liabilities designated on initial recognition as assets to be measured at fair value through profit or loss (Fair Value Option).

The Bank designates, on initial recognition, certain financial assets or liabilities at fair value through profit or loss (Fair Value Option) if at least one of the following requirements is met:

- the financial assets or liabilities are managed, valued and assessed internally based on their fair value;
- derivatives transactions have been entered into with a view to hedging these assets or liabilities, thus ensuring consistency in the valuation of the assets or liabilities and of the derivatives (accounting mismatch); or
- the financial assets or liabilities contain embedded derivatives.

After initial recognition, they are carried at their fair value, while any income or expense resulting from the valuation is taken to the income statement for the period.

In the case of debt securities, the carrying amount includes the amount of accrued interest.

Available-for-sale financial assets

These are non-derivative financial assets that: (i) the Bank intends to hold for an unspecified period, (ii) are designated on initial recognition as available for sale, or (iii) do not belong to any of the other categories. This category may include debt securities and equity securities.

Available-for-sale financial assets are recognised initially at fair value, including any costs or income associated with the transactions, and subsequently are measured at their fair value. Changes in fair value are recorded in the fair value reserve until the assets are sold or impairment losses are recognised, in which case the changes are recognised in profit or loss. Unquoted equity instruments whose fair value cannot be reliably calculated are recorded at cost.

On disposal of available-for-sale financial assets, any accumulated gains or losses in the fair value reserve are recognised in the income statement under the heading of "Net gains/(losses) on available-for-sale financial assets". Foreign exchange gains or losses on debt securities in foreign currency are recorded in the income statement under the heading of "Foreign exchange gains/(losses)". For equity instruments, being non-monetary assets, foreign exchange gains and losses are recognised in the Fair value reserve (Equity), as a component of fair value.

Interest on debt instruments is recognised in net interest income on the basis of the effective interest rate, including a premium or discount, where applicable. Dividends are recognised in income under the heading of "Income from equity instruments" when the right to receive them is established.

In the year ended December 31, 2017, the Bank had no securities classified in this category.

Market value

The methodology used by the Bank to estimate the market value (fair value) of securities is as follows:

i) Average trading price on the calculation date or, when this is not available, the average trading price on the preceding business day;

ii) Probable net realisable value obtained by an internal valuation technique or model;

iii) Price of a comparable financial instrument, taking into account at least the payment and maturity terms, the credit risk and the currency or index; and

iv) Price defined by Banco Nacional de Angola.

Securities that do not have a price quoted on an active market based on regular trades and securities that have short maturities are carried at acquisition cost, on the understanding that this is the best approximation to their market value. Thus, Treasury Bills and Treasury Bonds issued by the Angolan Government are carried on BFA's balance sheet at their acquisition cost because the Bank believes that this is the best approximation to their market value, since they are not quoted on an active market with regular trades.

Other financial liabilities

Other financial liabilities are all the financial liabilities that are not recorded in the category of financial liabilities at fair value through profit or loss.

An instrument is classified as a financial liability when there is a contractual obligation to settle the liability through delivery of cash or another financial asset, irrespective of its legal form.

Financial liabilities are derecognised when the underlying obligation is discharged, expires or is cancelled. Non-derivative financial liabilities include funds of central banks and other credit institutions, customer funds and other borrowings.

These financial liabilities are stated initially at their fair value less transaction costs, and subsequently at amortised cost, using the effective interest method, with the exception of financial liabilities designated at fair value through profit or loss, which are stated at fair value.

2.5. TRANSACTIONS WITH A REPURCHASE OR RESALE AGREEMENT

Securities ceded under an agreement to repurchase them (repos) at a fixed price or at a price equal to the selling price plus interest for the term of the agreement are not derecognised from the balance sheet. The corresponding liability is recognised in amounts payable to other credit institutions or to customers, as the case may be. The difference between the selling price and the repurchase price is treated as interest and is deferred over the life of the agreement, using the effective interest method.

Securities purchased under an agreement to resell them (reverse repos) for a fixed price or for a price equal to the purchase price plus interest for the term of the agreement are not recognised in the balance sheet but the purchase price is recorded as a borrowing from other credit institutions or from customers, as the case may be. The difference between the purchase price and the resale price is treated as interest and is deferred over the life of the agreement, using the effective interest method.

2.6 DERIVATIVE FINANCIAL INSTRUMENTS

As part of its business the Bank may carry out transactions in derivative financial instruments, managing its own positions based on expectations of market trends or to meet the needs of its customers.

All derivatives are recognised on the trade date at fair value and any changes in fair value are recognised in profit or loss, unless they qualify as cash flow hedges or as net investments in foreign transactions. Derivatives are also recorded in off-balance sheet accounts at their notional amount.

Derivatives are classified, according to their purpose, as either hedging derivatives (once the requirements to be designated as such are met) or as speculative and arbitrage derivatives.

Hedging derivatives

On first-time adoption of IFRS 9, the Bank opted to continue to apply the hedge accounting requirements of IAS 39, as permitted under IFRS 9.

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

Hedging derivatives are stated at fair value and any gains or losses resulting from revaluation are recognised according to the hedge accounting model adopted.

A hedging relationship exists when:

- at inception of the hedge there is formal documentation of the hedge relationship;
- the hedge is expected to be highly effective;
- the hedge effectiveness can be reliably measured;
- the hedge is assessed continuously and is determined to be highly effective throughout the reporting period;
- in relation to a hedge of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Under IFRS 9, all of the following hedge effectiveness requirements must be met:

a) there is an economic relationship between the hedged item and the hedging instrument,
b) the effect of credit risk does not dominate the value changes that result from that economic relationship, and
c) the hedge ratio of the hedging relationship, understood as the quantity of the hedged item covered by the hedging instrument, is the same as the hedge ratio used for management purposes.

When a derivative financial instrument is used to hedge foreign exchange changes in 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 any changes in the foreign exchange risk of the underlying monetary items.

i. Fair value hedge

Changes in the fair value of derivatives that are designated and that qualify as fair value hedges are recorded with the corresponding entries in the income statement, together with changes in the fair value of the hedged assets, liabilities or group of assets or liabilities. If the hedging relationship ceases to meet the requirements for hedge accounting, the derivative financial instrument is transferred to the held-for-trading category and hedge accounting is subsequently discontinued (the adjustment made to the carrying amount of a hedging instrument, using the effective interest rate method, is amortised through profit or loss for the period until maturity and is recognised in net interest income). Where the hedged asset or liability corresponds to a fixed-income instrument, any accumulated gains or losses due to changes in the interest rate risk associated with the hedged item until the date on which the hedge is discontinued are amortised to profit or loss for the remaining period of the hedged item.

ii. Cash flow hedge

The effective portion of any changes in the fair value of derivatives that qualify as cash flow hedges is recognised in equity (cash flow hedge reserves). The ineffective portion of changes in the fair value of the hedging relationships is recognised in profit or loss when the changes occur.

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

When a hedging instrument is derecognised or when the hedging relationship ceases to meet the requirements for hedge accounting or is revoked, the hedging relationship is discontinued prospectively. Thus, any changes in fair value accumulated in equity until the date of discontinuation of the hedge may be:

- deferred for the remaining term of the hedged instrument;
- recognised immediately in profit or loss for the period, if the hedged instrument has been extinguished.

Where a hedge of a future transaction is discontinued, any changes in the fair value of the derivative recognised in equity remain in equity until the future transaction is recognised in profit or loss. When it is no longer likely that the transaction will occur, any accumulated gains or losses recognised with corresponding entries in equity are recognised immediately in the income statement.

At December 31, 2018, the Bank had no hedging derivatives.

Derivatives held for trading

Derivatives that are not designated in a hedging relationship are treated as other financial instruments at fair value through profit or loss. When the fair value of the instruments is positive, they are presented as assets, and when their fair value is negative, they are classified as liabilities, in both cases under the heading of "Financial assets or liabilities at fair value through profit or loss".

Embedded derivatives

A financial instrument traded by the Bank contains an embedded derivative when it contains a derivative and a non-derivative component. The derivative component is referred to as the "embedded derivative" and the rest of the contract, as the "host contract".

A derivative embedded in a financial instrument is separated for accounting purposes whenever:

- the economic risks and benefits of the derivative are unrelated to those of the host contract;
- a separate instrument with the same terms as the embedded derivate would meet the definition of a derivative;
- the hybrid contract (as a whole) is not, in principle, measured at fair value through profit or loss.

Embedded derivatives are presented as financial assets or liabilities at fair value through profit or loss, measured at fair value with changes in fair value recognised in profit or loss.

2.7 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries are entities (including investment funds and securitisation vehicles) that are controlled by the Bank. The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the investee (de facto control).

Associate companies are entities in which the Bank has significant influence but not control over their financial and operating policies. It is assumed that the Bank has significant influence when it holds more than 20% of the voting rights. If the Bank directly or indirectly holds less than 20% of the voting rights, it is assumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of managerial personnel;
- provision of essential technical information.

Investments in affiliates and associates are accounted for in the Bank's financial statements at cost less any impairment losses.

Impairment

The recoverable amount of investments in subsidiaries and associates is assessed whenever there is evidence of impairment. Impairment losses on these investments are calculated based on the difference between their recoverable amount and their carrying amount. Impairment losses are recognised in profit or loss and are subsequently reversed through profit or loss if the estimated amount of the impairment loss decreases in a later period. The recoverable amount is the greater of an asset's fair value less costs to sell or its value in use, which is calculated using valuation methods based on discounted cash flow techniques, taking market conditions, the time value of money and business risks into account.

2.8 EQUITY INSTRUMENTS

A financial instrument is classified as an equity instrument when there is no contractual obligation to settle by delivery of cash or any other financial asset to third parties, irrespective of its legal form, and the instrument evidences a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to the issuance of equity instruments are recognised in equity as a deduction from the value of the issue. Amounts paid and received for purchases and sales of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) is recognised when the right to receive it is established and is deducted from equity.

2.9 REVALUATION RESERVE IN EQUITY

Under Banco Nacional de Angola Notice 2/2009 of May 8, 2009 on monetary revaluation, in inflationary conditions financial institutions must measure the effects of the change in the purchasing power of the local currency at monthly intervals by applying the consumer price index to capital, reserves and retained earnings. The financial statements of an entity whose working currency is the currency of a hyperinflationary economy must be expressed in terms of the measuring unit current at the reporting date. Under IAS 29, hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following situations:

i. The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

ii. The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

iii. Credit sales and purchases take place at prices that compensate for the expected loss of purchasing power during the life of the credit, even if the period is short;

iv. During the life of the credit, even if the period is short;

v. Interest rates, wages and prices are linked to a price index; and

vi. The cumulative inflation rate over three years is approaching, or exceeds, 100%.

The amount resulting from revaluation must be recorded each month in the income statement, with a corresponding increase in the components of equity, except for "Share capital", where the increase must be classified in a specific reserve ("Revaluation reserve"), which can only be used for subsequent share capital increases.

The Bank has not revalued its share capital, reserves or retained earnings since 2004 (see Note 3.5).

2.10 INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS

An intangible asset is recognised only when: i) it is identifiable; ii) it is probable that future economic benefits from the asset will flow to the Bank; and iii) the cost of the asset can be measured reliably.

The cost of an acquired intangible asset comprises: i) its purchase price, including the cost of intellectual property rights and taxes after deducting discounts; and ii) any directly attributable cost of preparing the asset for its intended use.

After initial recognition, BFA measures its intangible assets using the cost model.

Intangible assets, which comprise mainly software, are recorded at acquisition cost and are amortised on a straight-line basis over three years.

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses. Cost includes: (a) the "assessed cost" determined at the date of transition to IFRS, which is the net value transferred from the previous standard, including lawful revaluations; and (b) the cost of acquisition of assets acquired or built after that date.

Other tangible assets are carried at acquisition cost, although they may be revalued under applicable legal provisions.

The cost of acquisition of property, plant and equipment includes the purchase price of the assets, any costs directly attributable to the acquisition and any costs incurred in bringing the assets to the location and condition of use. The finance costs of loans used for the construction of eligible items of property, plant and equipment are recognised as part of the cost of construction of the assets.

As provided by Banco Nacional de Angola Notice 2/2009 of May 8 on monetary revaluation, if there is hyperinflation, financial institutions must restate their intangible assets and other tangible assets every month in accordance with the consumer price index.

The amount resulting from the revaluation must be taken to profit or loss each month, reflecting the changes in gross value and accumulated depreciation and amortisation.

The Bank has not revalued its assets since 2004, as the economy ceased to be considered hyperinflationary (see Note 3.5).

An amount equivalent to 30% of the increase in depreciation and amortisation expense resulting from the revaluations performed is not accepted as an expense for tax purposes.

Land is not depreciated. Depreciation is calculated on a straight-line basis at the maximum rates allowed for tax purposes, in conformity with the Industrial Tax Code (Código do Imposto Industrial), based on estimated years of useful life:

	Years of useful life
Property in use (Buildings)	50
Leasehold improvements	10
Equipment:	
Furniture and fixtures	10
Computer equipment	3
Interior installations	10
Transport equipment	3
Machinery and tools	6 e 7

2.11 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as non-current assets held for sale when their carrying amount is intended to be realised mainly through sale rather than their continued use in the Bank's activities.

The heading "Non-current assets held for sale" records assets received as payment in kind in the wake of recovery of non-performing loans that are available for immediate sale and whose sale is highly probable.

When impairment losses have been recognised, they may be reversed up to the limit of the carrying amount of the assets net of amortisation or depreciation.

Assets received as payment in kind are measured initially at the lower of fair value less costs to sell and the carrying amount of the loan at the date of receipt of the payment in kind and are not subsequently depreciated.

When the outstanding debt is greater than its carrying amount (net of provisions), the difference is recorded as income for the period, up to the amount determined in the valuation of the assets. When the value of the assets is less than the carrying amount, the difference is recognised as an expense for the period.

When these assets consist of property and are measured at fair value less estimated costs to sell, they are classified at Level 3 of the fair value hierarchy.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

When there is evidence that an asset may be impaired, IAS 36 requires that the Bank estimate the asset's recoverable amount and recognise an impairment loss whenever the net value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement and may be reversed in subsequent reporting periods when the reasons for their initial recognition cease to exist. For that purpose, the new depreciated amount must not be greater than the amount that would have been recorded (net of depreciation or amortisation) if no impairment losses had been recorded.

The recoverable amount of an asset is determined as the greater of fair value less costs to sell and value in use, this latter being calculated based on the present value of the estimated future cash flows that are expected to be obtained from continued use of the asset and its disposal at the end of its useful life.

Any gain or loss on derecognition of a tangible asset, calculated as the difference between the fair value less costs to sell and the net carrying amount, is recognised in profit or loss under the heading "Gains/(losses) on disposal of other assets".

2.13 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents comprise short-term highly liquid investments with original maturities of three months or less at the balance sheet date and with no material risk of a change in fair value, including cash and balances at other credit institutions.

2.14 DIVIDENDS

Dividends (return on equity instruments) are recognised in profit or loss when the right to receive them is established.

2.15 FEES AND COMMISSIONS

Fee and commission income is recognised in accordance with the following criteria:

- Where the income accrues as the services are provided, it is recognised in profit or loss for the period in which it accrues;
- Where the income is the result of the provision of a service, it is recognised when the service provision is complete.

Where it is an integral part of the effective interest rate of a financial instrument, fee and commission income is included in net interest income.

2.16 EMPLOYEE BENEFITS

Short-term benefits are reflected under "Staff costs" in the period to which they relate, in accordance with the principle of accrual accounting.

BFA employees are covered by Law 7/04 of October 15, governing Angola's Social Security system, which determines the grant of retirement pensions to all Angolan employees registered with Social Security. The amount of these pensions is calculated on the basis of a table proportional to the number of years of work, applied to the average gross monthly salary received during the periods immediately prior to the date on which the employee stops working. Under Decree 38/08 of June 9, the contribution rates to this system are set at 8% for the employer and 3% for employees.

Under Article 262 of Law 2/00 of February 11 (General Labour Act), BFA has set aside provisions to cover liabilities in the matter of "Retirement Compensation", which are determined by multiplying 25% of the monthly base salary earned at the date on which the employee reaches the legal retirement age by the number of years of seniority at that date. The total value of these liabilities is determined by actuaries using the Projected Unit Credit method for the liabilities for past services.

On September 15, 2015, Law 7/15 of June 15 (New General Labour Act) came into force, which repealed Law 2/00 of February 11. The New General Labour Act makes no reference to the need to set aside provisions to cover liabilities relating to "Retirement Compensation". In 2018, the Bank reversed the provisions for "Retirement benefits" recognised in previous years.

Additionally, the Bank granted its locally recruited employees or their families the right to cash benefits by way of old-age, disability and surviving-relative pensions. In this way, by resolution of the Board of Directors, effective as from January 1, 2005, the Bank set up a Complementary Pension Plan consisting of a defined-contributions plan. This plan was initially set up with part of the balance of the Provision for Contingent Retirement Pension Liabilities, with BFA's contribution consisting of a percentage of 10% of the base salary liable to deductions for the Angolan Social Security, applied to fourteen salary payments. The income earned on the investments made (net of any taxes) was added to the amount of the contributions.

In 2013, with reference to the last day of the year, the Bank set up the "BFA Pension Plan" to cover these liabilities. The provisions previously set aside were used as the initial contribution to the BFA Pension Plan (Note 18). The amounts corresponding to the vested rights in the Complementary Pension Plan were transferred to the current pension plan and converted into contributions of the participant. BFA's contributions to the BFA Pension Fund consist of a fixed percentage of 10% of the salary liable to deductions for Angolan Social Security, applied to fourteen salary payments. The income earned on the investments made (net of any taxes) was added to the amount of the contributions.

Termination benefits

This type of benefit is recognised when the Bank terminates an employee's contract before the normal retirement date or when an employee accepts termination in exchange for these benefits. The Bank recognises the liability for termination benefits on the earlier of the following dates: when BFA can no longer withdraw the offer of the benefits; when BFA recognises costs for a restructuring that is within the scope of the recognition of restructuring provisions. Benefits are that expected to be settled more than 12 months after the end of the reporting period are discounted to their present value.

2.17 INCOME TAX AND OTHER TAXES

Corporate income tax

The total corporate income tax recorded in profit or loss includes current tax and deferred tax.

Current tax

Current tax is calculated based on taxable income for the year, which differs from accounting income due to adjustments made to the taxable amount resulting from income or expenses that are irrelevant for tax purposes or that will only be taken into consideration in future periods under applicable tax laws (Industrial Tax Code).

Deferred tax

Deferred tax reflects the impact on tax recoverable/ payable in future periods as a result of deductible or taxable temporary differences between the carrying amounts of assets and liabilities and their tax base, used in the determination of taxable profit. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply on the date when the deferred tax assets are recovered or the deferred tax liabilities are settled.

As a rule, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax-loss carryforwards can be utilised. Additionally, deferred tax assets are not recognised where their recoverability may be called into question due to other circumstances, including issues regarding the interpretation of tax laws.

Industrial Tax

The Bank is subject to Industrial Tax and, for taxation purposes, is considered a Group A taxpayer, subject to a tax rate of 30%. On January 1, 2015, the new Industrial Tax Code came into force, enacted by Law 19/2014 of October 22, which stipulated the Industrial Tax rate of 30%.

Under the new Industrial Tax Code, income subject to Capital Gains Tax ("CGT") is deducted in determining taxable profit for Industrial Tax purposes and CGT is not a tax-deductible expense.

Income from Treasury Bonds and Treasury Bills issued by the Angolan State after January 1, 2013, is subject to CGT at the rate of 10% (5% in the case of debt securities admitted to trading on a regulated market having a maturity of three years or more) and to Industrial Tax in the case of capital gains or losses (including any currency revaluations of the principal).

Income subject to CGT is excluded from Industrial Tax.

Capital Gains Tax (IAC)

The new CGT Code, approved by Presidential Legislative Decree 2/2015 of October 20, came into force on November 19, 2014.

CGT is generally levied on income from the Bank's financial investments. The rate varies between 5% (in the case of interest received on public debt securities admitted to trading on a regulated market and having a maturity of three years or more) and 10%. The foregoing notwithstanding, as regards income from public debt securities, according to the understanding of the tax authorities and of Banco Nacional de Angola (Banco Nacional de Angola letter dated September 26, 2013), only income from securities issued on or after January 1, 2013, is subject to this tax.

On August 1, 2013, the National bank of Angola started to automate the withholding by BFA of Capital Gains Tax at source, as provided in Presidential Legislative Decree 5/11 of 30 December.

After January 1, 2015, CGT is no longer treated as a payment on account of Industrial Tax, as income subject to CGT is deducted from taxable income for Industrial Tax purposes.

Other taxes

Property Tax

Urban Property Tax is levied at the rate of 0.5% on the carrying amount of owner-occupied properties intended for use in the normal course of the Bank's business, where their value is greater than mAOA 5 000.

Other taxes

The Bank is also subject to indirect taxes, namely, customs duties, stamp duty, consumption tax and other taxes.

2.18 PROVISIONS AND CONTINGENT LIABILITIES

A provision is set aside where there is present (legal or constructive) obligation resulting from past events in respect of which there will be a probable outflow of funds that can be determined reliably. Provisions are measured at the best estimate of the expenditure required to settle the current obligation at the reporting date. Provisions are measured at the present value of the estimated expenditure required to settle the obligation, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions for litigation between BFA and other institutions are recorded based on internal risk assessments made by the Board of Directors, with the support and advice of legal consultants.

2.19 FINANCIAL AND PERFORMANCE GUARANTEES

Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment of principal or interest when due under the original or modified terms of a debt instrument.

Financial guarantees given are recognised initially at fair value. Subsequent to initial recognition they are measured at the greater of (i) the fair value recognised initially, and (ii) the amount of any obligation arising as a result of the guarantee contract, measured at the balance sheet date. Any change in the value of the obligation associated with financial guarantees given is recognised in profit or loss.

The financial guarantees given by the Bank normally have a specified maturity and a periodic fee, payable in advance, which varies depending on the counterparty risk and the amount and term of the guarantee. On this basis, the fair value of guarantees at the date of initial recognition is approximately equivalent to the value of the initial fee received, given that the contracts are entered into on market terms and conditions. The value recognised at the date of the contract is equal to the amount of the initial fee received, which is recognised in profit or loss for the period in which it accrues. Subsequent fee income is recognised in the period in which it accrues.

Performance guarantees

Performance guarantees are contracts under which compensation is paid to one of the parties if the other does not fulfil its contractual obligation. Performance guarantees are recognised initially at fair value, which normally is evidenced by the amount of the fees received over the term of the contract. In the event of a breach of contract, the Bank has the right to cancel the guarantee, the amounts being recognised in "Loans and advances to customers" after the transfer of the compensation for losses to the beneficiary of the guarantee.

2.20 LEASES

The Bank classifies leases as finance leases or operating leases according to their substance rather than their legal form. A lease is classified as a finance lease if the risks and rewards incidental to ownership of the asset are transferred to the lessee. All other leases are classified as operating leases.

- Finance leases:
  From the point of view of the lessee, at commencement of the lease term, finance leases should be recorded as both an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

From the point of view of the lessor, at commencement of the lease term, the lessor should record a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease. The lease income is made up of the finance income and repayments of principal. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding.

- Operating leases:
  Payments made by the Bank under operating lease agreements are recognised as an expense in the periods in which they are incurred.

2.21 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the Bank's shareholders by the weighted average number of ordinary shares outstanding, not including the average number of own shares held by the Bank.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares. Contingently issuable and potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share.

If earnings per share are altered as a result of an issue at a premium or discount or any other event that alters the potential number of ordinary shares or as a result of changes in accounting policies, the calculation of earnings per share for all periods presented is adjusted retrospectively (Note 20).

3. PRINCIPAL ACCOUNTING ESTIMATES AND UNCERTAINTIES ASSOCIATED WITH APPLICATION OF THE ACCOUNTING POLICIES

IFRS establish a set of accounting treatments which require that the Board of Directors make judgements and prepare the necessary estimates in order to decide what is the most appropriate accounting treatment. The main estimates and judgements used by the Bank in applying the accounting principles are presented in this note, with the aim of facilitating an understanding of how their application affects the results reported by the Bank and improving disclosure. An extended description of the main accounting policies used by the Bank is given in Note 2 to the financial statements.

Given that in many situations there are alternatives to the accounting treatment adopted by the Bank, the reported results could be different if a different treatment were chosen. The Board of Directors considers that the choices made are appropriate and that in all material respects the financial statements present the Bank's financial position and result of operations fairly and appropriately.

3.1. INDUSTRIAL TAX

At December 31, 2018, the Industrial Tax was determined based on the tax legislation in force for taxpayers classified for tax purposes in Group A.

Different interpretations of tax legislation may influence the amount of Industrial Tax. Consequently, the amounts recorded, which result from the best understanding of the Bank's management bodies, may be subject to changes on the basis of different interpretations by the tax authorities.

The Board of Directors considers that the impacts arising from the adoption of IFRS recognised directly in profit or loss may give rise to the recognition of deferred tax assets.

3.2. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Impairment losses on financial assets are determined in accordance with the criteria set out in Note 2.3.11. The Bank's estimates of the recoverability of the loan portfolio and other financial instruments are made using assumptions based on external information, particularly with regard to portfolio segmentation, probabilities of default, interest rates, and recovery periods and costs, as well as an assessment of the available information on the debtor.

Were the Bank to use different criteria and assumptions in determining the impairment losses for financial instruments, the amounts determined would differ from those currently reflected in the financial statements. However, the Bank believes that the current methodology adequately reflects losses associated with these assets. The amount of the impairment losses on financial instruments, calculated using the abovementioned criteria, is presented in Notes 6, 7, 9 and 10.

3.3. CLASSIFICATION OF FINANCIAL ASSETS

The Bank classifies its financial assets on the basis of: (i) the Bank's business model for managing financial assets, and (ii) the contractual cash flow characteristics of the financial assets.

In making its judgment, the Bank assesses its intent and ability to hold these investments. The use of methodologies and assumptions different from those used in defining the business model could have an impact on results (see Notes 8, 9 and 10).

3.4 FAIR VALUE OF UNQUOTED FINANCIAL ASSETS AND LIABILITIES

The fair value of derivatives and other unquoted financial assets and liabilities was estimated using valuation methods and financial theories, the results of which depend on the assumptions used (see Note 8).

The situation of the financial markets at any given time, especially as regards liquidity, may influence the realisable value of these financial instruments in certain specific situations, including disposal before maturity.

3.5 FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

According to International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies (IAS 29), it is a matter of judgement when restatement of financial statements in accordance with this standard becomes necessary. That judgement must take into consideration the characteristics of the economic environment of the country, especially the following:

i. The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

ii. The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

iii. Credit sales and purchases take place at prices that compensate for the expected loss of purchasing power during the life of the credit, even if the period is short;

iv. During the life of the credit, even if the period is short;

v. Interest rates, wages and prices are linked to a price index; and

vi. The cumulative inflation rate over three years is approaching, or exceeds, 100%.

As regards the Angolan economy, the Angolan Banks Association ("ABANC") and Banco Nacional de Angola have stated the view that in the year ended December 31, 2018, not all the requirements specified in IAS 29 for the Angolan economy to be considered hyperinflationary are met and so the Bank's Directors decided not to apply the provisions of that standard to the Bank's financial statements at that date (see Note 2.9), in line with the position adopted at December 31, 2017.

4. RESTATEMENT OF COMPARATIVE INFORMATION

Adoption of IFRS 9

The Bank adopted IFRS 9 as published by the IASB in July 2014, with January 1, 2018 as the transition date. This entailed changes in accounting policies and adjustments to the amounts recognised previously in the financial statements. The Bank did not adopt IFRS 9 early.

When IFRS 9 came into effect, the Bank decided to adopt a financial statement structure that converges with the guidelines issued by Banco Nacional de Angola, which differs from the structure of the financial statements presented at December 31, 2018 as follows:

Name at December 31, 2017 (IAS 39)	Name at December 31, 2018 (IFRS 9)
Investments held to maturity	Investments at amortised cost
Available-for-sale financial assets	Financial assets at fair value through other comprehensive income
Net gains/(losses) on investments held to maturity	Net gains/(losses) on investments at amortised cost
Net gains/(losses) on available-for-sale financial assets	Net gains/(losses) on financial assets at fair value through other comprehensive income

As permitted by the transitional provisions of IFRS 9, the Bank opted not to restate the comparative figures. All the adjustments made to the carrying amounts of financial assets and liabilities at the transition date were recognised in retained earnings or accumulated losses and in other reserves for the current period. The Bank also opted to continue to use the hedge accounting requirements of IAS 39 after adopting IFRS 9. Therefore, in the notes, the resulting changes to the disclosures under IFRS 7 were considered only for the current period. The notes to the financial statements for the comparative period reproduce the notes disclosed at December 31, 2017.

The adoption of IFRS 9 resulted in changes in the accounting policies for the recognition, classification and measurement of financial assets and the impairment of financial assets. IFRS 9 also led to significant changes in other standards concerning financial instruments, including IFRS 7 "Financial instruments: Disclosures".

On first-time adoption of IFRS 9, the Bank did not reclassify any financial assets measured at amortised cost to either financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income, just as it did not reclassify financial assets from these latter two categories of fair value measurement to the amortised cost category.

(a) Classification and measurement of financial instruments

The measurement categories and the carrying amounts of the financial assets and liabilities under IAS 39 and IFRS 9 on January 1, 2018 are as follows:

1AS 39			IFRS9		
Category	**Measurement**	**Carrying amount**	**Category**	**Measurement**	**Carrying amount**
Financial assets			**Financial assets**		
Funds available at credit institutions	Amortised cost	34 998 048	Funds available at credit institutions	Amortised cost	34 871 055
Funds deposited at credit institutions	Amortised cost	133 348 784	Funds deposited at credit institutions	Amortised cost	133 028 481
Loans and advances to customers	Amortised cost	194.808.868	Loans and advances to customers	Amortised cost	193 927 862
Available-for-sale financial assets	FVOCI	-	Activos financeiros ao justo valor através de outro- rend. Integral	FVOCI	-
Financial assets at fair value through profit or loss	FVTPL	544 104 508	Financial assets at fair value through profit or loss	FVTPL	544 104 508
Investments held to maturity	Amortised cost	282 661 928	Assets at amortised cost	Amortised cost	280 967 856
Financial liabilities			**Financial liabilities**		
Financial liabilities at fair value through profit or loss	FVTPL	670 628	Financial liabilities at fair value through profit or loss	FVTPL	670 628

Notes: FVTPL - At fair value through profit or loss - FVOCI - At fair value through other comprehensive income

(b) Reconciliation of the amounts reported on the balance sheet under IAS 39 and under IFRS 9

The Bank carried out a detailed analysis of its business models for managing financial assets and their cash flow characteristics.

The impacts of first-time adoption of IFRS 9 are presented below:

IAS 39 category	IFRS category 9	IAS 39 31.12.2017	Reclassification	Remeasurement	"IFRS 9 01.01.2018"
Financial assets	**Financial assets**				
Funds available at credit institutions	Funds available at credit institutions	34 998 048	-	(126 993)	34 871 055
Funds deposited at credit institutions	Funds deposited at credit institutions	133 348 784	-	(320 303)	133 028 481
Loans and advances to customers	Loans and advances to customers	194 808 868	-	(881 006)	193 927 862
Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	544 104 508	-	-	544 104 508
Investments held to maturity	Assets at amortised cost	282 661 928	-	(1 694 072)	280 967 856
Financial liabilities	**Financial liabilities**				
Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through profit or loss	670 628	-	-	670 628
Provisions for guarantees provided and commitments	Provisions for guarantees provided and commitments	716 415	-	(31 834)	684 581
Deferred tax assets	**Deferred tax assets**	**3 763 050**	**-**	**916 263**	**4 679 313**
Total		**-**	**-**	**(2 137 945)**	

(c) Reconciliation of the impairment losses reported on the balance sheet under IAS 39 and IFRS 9

Category	Impairment losses (IAS 39) / Provisions (IAS 37)	Remeasurement	Impairment losses IFRS 9
Funds available at credit institutions	-	(126.993)	(126.993)
Funds deposited at credit institutions	-	(320.303)	(320.303)
Loans and advances to customers	(18.730.745)	(881.006)	(19.611.751)
Activos ao custo amortizado	-	(1.694.072)	(1.694.072)

- Loans to customers continue to be recorded under the heading of "Loans and advances to customers", as the Bank considered that all the loans passed the SPPI test and so did not reclassify any of them.

- The Bank considered that Angolan Treasury Bonds linked to the USD previously classified as Investments held to maturity passed the SPPI tests, so they remain classified in the IFRS 9 category of Investments at amortised cost.

- The impact on total equity of first-time adoption of IFRS 9, on January 1, 2018 arises exclusively from the change in the methodology for measuring impairment losses, based on the concept of expected loss, as defined in IFRS 9. This change resulted in an increase of mAOA 3 054 208 in impairment losses on Cash and banks, Loans to customers, Assets at amortised cost, and Commitments and guarantees given, compared to the incurred loss method used under IAS 39.

5. CASH & BALANCES AT CENTRAL BANKS

At December 31, 2018 & 2017, the breakdown of "Cash and balances at central banks" is as follows:

	31/12/18	31/12/17
Cash		
Local currency notes and coins	25 089 384	21 468 300
Foreign currency notes and coins		
In United States dollars	4 509 226	3 686 995
In other currencies	7 787 110	8 919 856
	37 385 720	**34 075 151**
Balance at the central bank		
Demand deposits at Banco Nacional de Angola		
In local currency	114 021 290	159 938 661
In United States dollars	30 940 340	27 625 570
In other currencies	29 706 212	-
	174 667 842	**187 564 231**
	212 053 562	**221 639 382**

The demand deposits at BNA in local and foreign currency are held in order to comply with applicable mandatory reserve requirements and earn no interest.

At December 31, 2017, the mandatory reserves are calculated in accordance with the provisions of Instruction 06/2017 of December 1, 2017.

With the entry into force of BNA Instruction no. 06/2017, at December 1, 2017, the mandatory reserve requirement was calculated by applying a rate of 21% to the arithmetic average of eligible liabilities in local currency, and a 15% rate to the arithmetic average of eligible liabilities denominated in foreign currency.

BNA Instruction 06/2017 also changed the eligibility of assets for meeting the reserve requirement in local currency, so that the daily closing balances of the local-currency demand deposit account domiciled at Banco Nacional de Angola are eligible (100%).

At December 31, 2018, the mandatory reserves are calculated in accordance with the provisions of BNA Instruction 10/2018 of July 19, 2018 and BNA Directive 04/2018 of July 19, 2018.

At December 31, 2018, the mandatory reserve requirement is calculated by applying a rate of 17% to the arithmetic average of eligible liabilities in local currency, and a 15% rate to the arithmetic average of eligible liabilities denominated in foreign currency.

Under BNA Directive 04/2018, the following assets are eligible to comply with mandatory reserves requirements in foreign currency:

(i) Balance of the foreign-currency deposit account domiciled at Banco Nacional de Angola (20%); and

(ii) Foreign currency Treasury Bonds, held in the proprietary portfolio, registered in SIGMA and issued from 2015 (80%).

The assets eligible to meet mandatory reserve requirements in local currency are the daily closing balances of the local-currency demand deposit account held at Banco Nacional de Angola.

6. BALANCES WITH OTHER CREDIT INSTITUTIONS

At December 31, 2018 & 2017, the amount recorded under "Balances at other credit institutions" is made up entirely of demand deposits at institutions abroad.

	31/12/18	31/12/17
Demand deposits	91 035 883	34 998 048
Accumulated impairment losses	(249 511)	-
	90 786 322	**34 998 048**

At December 31, 2018, the gross amount of the exposure is mAOA 91 035 833 and the impairment losses amount to mAOA 249 511 (mAOA 90 786 322 net of impairment).

As stated in Note 4, the Bank decided not to restate the comparative figures, as permitted by the transitional provisions of IFRS 9. The allowance for impairment of balances held at other credit institutions at January 1, 2018 was mAOA 126 993 (see Note 4).

7. FUNDS DEPOSITED IN CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The "Funds deposited in central banks and other credit institutions" item at December 31, 2018 & 2017 breaks down as follows:

	31/12/2018	31/12/2017
Funds deposited in credit institutions:		
Funds deposited in credit institutions abroad:		
In United States dollars	184 546 986	71 502 794
In Euros	18 282 794	27 810 000
In Pounds sterling	7 801 580	-
	210 631 360	**99 312 794**
Funds deposited in credit institutions in Angola:		
Other credit institutions in Angola	-	-
In Kwanzas	45 500 000	34 000 000
	45 500 000	**34 000 000**
Income receivable	721 967	35 990
	256 853 327	**133 348 784**
Accumulated impairment losses	**(478 994)**	**-**
	256 374 333	**133 348 784**

At December 31, 2018 & 2017, the funds deposited in credit institutions had residual maturities of less than three months.

As stated in Note 4, the Bank decided not to restate the comparative figures, as permitted by the transitional provisions of IFRS 9. The allowance for impairment of funds deposited in other credit institutions at January 1, 2018 was mAOA 320 303 (see Note 4).

At December 31, 2018 & 2017, funds deposited in credit institutions earned interest at the following average annual rates:

	31/12/18	31/12/17
In United States dollars	2,57%	1,61%
In Pounds sterling	0,62%	-
In Euros	-	-
In Kwanzas	9,56%	8,20%

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At December 31, 2018 & 2017, the Bank only had financial assets held for trading and did not have any financial assets designated on initial recognition at fair value through profit or loss (Fair Value Option).

The composition of the financial assets at fair value through profit or loss is as follows:

	31/12/2018	31/12/2017
Debt securities:		
Treasury Bills	86 856 210	352 531 033
Treasury Bonds	93 801 881	187 840 229
	180 658 091	**540 371 262**
Derivatives:		
Currency forwards	377 035	2 686 768
Equity securities:		
Visa Inc. - Class C (Series I)	566 069	263 447
EMIS		
IMC – Instituto de Mercado de Capitais	337	337
Participation units:		
BFA Oportunidades I		
BFA Oportunidades II	91 900	283 799
	182 693 035	**544 104 508**

Debt securities

At December 31, 2018 & 2017, the Bank held Treasury Bills and Treasury Bonds issued by the Angolan government for trading on the secondary market with other banks or with its customers.

Equity securities

At December 31, 2018, the portfolio of equity securities carried at fair value through profit or loss consists of:

(i) 13 896 Class C (Series I) shares in Visa Inc.;
(ii) an interest in EMIS - Empresa Interbancária de Serviços, S.A.R.L. (EMIS);
(iii) units in the Fund BFA OPORTUNIDADES II; and
(iv) an interest in IMC – Instituto de Mercado de Capitais (2%).

EMIS

The interest in EMIS amounts to 17.26% of this company's share capital and in 2004 and 2003 the Bank provided shareholder loans to EMIS which have no maturity date and no specified repayment term. EMIS was incorporated in Angola to manage electronic payment systems and supplementary services.

During 2007, pursuant to the resolution approved at EMIS's general meeting on November 16, 2007, the Bank provided USD 250 500 of quasi-capital loans, which since January 1, 2008, have been earning half-yearly interest at the Libor rate plus a spread of 3% and have no specified repayment term.

By resolution of the EMIS extraordinary general meeting on January 16, 2009, a share capital increase of USD 3 526 500 was approved, to be paid in by the shareholders, in proportion to their existing holdings, by December 16, 2010. In 2010, the Bank made the total payment of USD 108 000.

At the general meeting held on July 16, 2010, the shareholders of EMIS resolved to increase the quasi-capital loans by USD 2 000 000, to which BFA's contribution would be USD 117 647. In keeping with that resolution, these quasi-capital loans bear no interest.

At the general meeting on December 9, 2011, EMIS's shareholders resolved to increase the company's share capital by the equivalent in kwanzas of USD 4 800 000 and to increase interest-bearing quasi-capital loans by the equivalent in kwanzas of USD 7 800 000. The General Meeting also resolved to denominate the share capital in kwanzas and to terminate the parity between shareholders, so that the respective holdings would take into account the extent to which each shareholder uses EMIS's services.

The share capital increase was paid in by the shareholders during 2012, with BFA contributing mAOA 53 099. Interest-bearing quasi-capital loans were likewise made by the shareholders during 2012, BFA's contribution amounting to mAOA 193 189. In accordance with the EMIS general meeting resolutions, these loans earn interest at Banco Nacional de Angola's benchmark rate.

In 2013, pursuant to the resolution adopted at the General Meeting held on December 9, 2011, the shareholders of EMIS resolved to increase the non-interest-bearing quasi-capital loans by USD 1 400 000, to which BFA's contribution would be USD 73 684.

The change in the fair value of the interest in EMIS in 2018 results from the depreciation of the kwanza against the dollar.

During 2018 and 2017 the above companies distributed no dividends.

At December 31, 2018 & 2017, the changes in the value of debt securities carried at fair value through profit or loss and the capital gains realised by the Bank as a result of transactions in these securities are recorded in the income statement under the heading of "Net gains/(losses) on financial assets and liabilities measured at fair value through profit or loss".

Derivatives

At December 31, 2018 & 2017, the breakdown of "Derivative transactions – Currency forwards" is as follows:

	31/12/18	31/12/17
Financial assets at fair value through profit or loss		
Derivative financial instruments		
Positive fair value (assets)	377 035	2 686 768
	377 035	**2 686 768**
Financial liabilities at fair value through profit or loss		
Derivative financial instruments		
Negative fair value (liabilities)	(3 234 284)	(670 628)
	(3 234 284)	**(670 628)**
	(2 857 249)	**2 016 140**

At December 31, 2018 & 2017, the derivatives consist of currency forward contracts with non-financial companies, maturing between January and March 2019 and between January and April 2018, respectively.

The notional amount of the forwards at December 31, 2018 & 2017, is recognised in off-balance sheet accounts in the amount of mAOA 58 579 176 and mAOA 68 164 091, respectively.

At December 31, 2018 & 2017, the gains/(losses) on financial assets & liabilities at fair value through profit or loss amounted to mAOA 5 841 212 and mAOA 4 671 855, respectively, and relate mainly to (i) fair value gains/(losses) on these assets and liabilities, and (ii) gains/(losses) on sales of securities.

9. INVESTMENTS AT AMORTISED COST

At December 31, 2018 & 2017, the breakdown of "Investments at amortised cost" is as follows:

	31/12/2018										
	Risk level	Country	Currency	Nominal value	Acquisition cost	Premium/ discount earned	Interest earned	Carrying amount	Impairment	Net carrying amount	Average interest rate
DEBT SECURITIES											
Treasury bonds in local currency:											
Indexed to the US dollar exchange rate	A	Angola	AKZ	5 365 353	5 313 370	21 009	45 989	5 380 368	-	5 380 368	6,38%
Not indexed	A	Angola	AKZ	510 721 200	397 739 696	22 151 516	13 395 422	433 286 634	-	433 286 634	11,63%
Treasury bonds in foreign currency	A	Angola	USD	185 651 799	185 651 799	-	1 719 168	187 370 967	(2 796 778)	184 574 189	5,39%
				701 738 352	**588 704 865**	**22 172 525**	**15 160 579**	**626 037 969**	**(2 796 778)**	**623 241 191**	

	31/12/2017										
	Risk level	Country	Currency	Nominal value	Acquisition cost	Premium/ discount earned	Interest earned	Carrying amount	Impairment	Net carrying amount	Average interest rate
DEBT SECURITIES											
Treasury bonds in local currency:											
Indexed to the US dollar exchange rate	A	Angola	AKZ	160 415 100	139 126 869	5 397 101	3 592 065	148 116 035	-	148 116 035	6,63%
Not indexed	A	Angola	AKZ	24 743 126	24 641 942	70 659	227 209	24 939 810	-	24 939 810	10,50%
Treasury bonds in foreign currency	A	Angola	USD	108 665 287	107 565 204	986 688	1 054 191	109 606 083	-	109 606 083	4,73%
				293 823 513	**271 334 015**	**6 454 448**	**4 873 465**	**282 661 928**	**-**	**282 661 928**	

The distribution of the investments at amortised cost by residual maturity is presented in Note 31.2.

The fair value and the breakdown by fair value hierarchy of the portfolio of investments at amortised cost is presented in Note 31.4.

The Bank tested the portfolio of investments at amortised cost for objective evidence of impairment and at December 31, 2018 recorded an allowance for impairment totalling mAOA 2 796 778.

As stated in Note 4, the Bank decided not to restate the comparative figures, as permitted by the transitional provisions of IFRS 9. The allowance for impairment of investments at amortised cost at January 1, 2018 was mAOA 1 694 072 (see Note 4).

10. LOANS & ADVANCES TO CUSTOMERS

	31/12/18	31/12/17
Lending to domestic borrowers		
Overdrafts on demand deposits:		
In local currency	9 540 664	631 312
In foreign currency	7 465 260	543 092
	17 005 924	**1 174 404**
Other credit		
In local currency	87 771 040	66 651 282
In foreign currency	26 164 138	16 577 859
	113 935 178	**83 229 141**
Loans		
In local currency	75 384 377	48 870 136
In foreign currency	88 567 682	60 169 193
	163 952 059	**109 039 329**
Lending to foreign borrowers	-	-
Total performing loans	**294 893 161**	**193 442 874**
Past-due loans and interest		
Principal and interest	11 385 517	12 977 436
Total loans and advances	**306 278 678**	**206 420 310**
Income receivable from loans and advances	9 259 906	7 119 303
	315 538 584	**213 539 613**
Loan loss provisions	(19 696 090)	(18 730 745)
	295 842 494	**194 808 868**

As stated in Note 4, the Bank decided not to restate the comparative figures, as permitted by the transitional provisions of IFRS 9. The allowance for impairment on loans and advances to customers at January 1, 2018 was mAOA 881 006 (see Note 4), increasing the amount of impairment recorded for this item to mAOA 19 611 750.

At December 31, 2018, loans and advances to customers earned interest at an average annual rate of 17.90% for loans in local currency and 9.32% for loans in foreign currency (16.35% in local currency and 11.98% in foreign currency at December 31, 2017).

The distribution of the loan portfolio by segment is as follows:

31/12/2018	Exposure					Impairment		
Segment	Total exposure	Performing loans	Of which restructured	Non-performing loans	Of which restructured	Total impairment (Note 18)	Performing loans	Non-performing loans
Credit cards	1 866 668	1 866 668	-	-	-	645	645	-
General consumer loans	48 232 129	46 276 916	312 114	1 955 213	3 201	1 943 353	535 077	1 408 276
Car loans	149 042	146 718	-	2 324	-	2 140	828	1 312
Home loans	28 474 086	23 913 396	63 049	4 560 690	-	3 633 196	698 623	2 934 573
Overdrafts	541 726	481 971	-	59 755	-	124 060	77 950	46 110
Corporates - less significant exposures	1 763 435	1 506 286	84 662	257 149	21 913	274 777	107 373	167 404
Corporates - significant exposures	134 237 554	103 082 181	947 028	31 155 373	1 788 825	12 724 807	3 233 170	9 491 637
Public sector	100 273 944	100 273 944	-	-	-	993 112	993 112	-
On-balance-sheet exposure	**315 538 584**	**277 548 080**	**1 406 853**	**37 990 504**	**1 813 939**	**19 696 090**	**5 646 778**	**14 049 312**
Documentary credits and guarantees given	67 893 881	67 893 881	-	-	-	702 250	702 250	-
Total exposure	**383 432 465**	**345 441 961**	**1 406 853**	**37 990 504**	**1 813 939**	**20 398 340**	**6 349 028**	**14 049 312**

31/12/2017	Exposure					Impairment		
Segment	Total exposure	Performing loans	Of which restructured	Non-performing loans	Of which restructured	Total impairment (Note 18)	Performing loans	Non-performing loans
Credit cards	2 420 177	2 412 603	-	7 660	-	24 993	20 964	4 029
General consumer loans	36 557 453	35 821 221	174 039	1 121 650	3 718	1 405 042	484 037	921 004
Car loans	289 205	286 930	-	3 737	-	1 124	407	717
Home loans	18 227 815	17 908 337	15 707	1861 919	40 930	1 320 917	151 974	1 168 943
Overdrafts	292 784	243 778	-	37 398	-	32 381	18 505	13 877
Corporates - less significant exposures	2 519 766	2 378 119	162 252	195 875	37 818	392 776	264 285	128 491
Corporates - significant exposures	96 412 628	87 178 072	798 132	14 148 411	3 604 647	12 908 642	4 573 121	8 335 521
Public sector	56 819 785	54 333 115	-	2 648 054	-	2 644 870	-	2 644 870
On-balance-sheet exposure	**213 539 613**	**200 562 175**	**1 150 130**	**20 024 714**	**3 687 113**	**18 730 745**	**5 513 293**	**13 217 452**
Documentary credits and guarantees given	47 323 633	47 323 633	-	-	-	716 415	716 415	-
Total exposure	**260 863 246**	**247 885 808**	**1 150 130**	**20 024 714**	**3 687 113**	**19 447 160**	**6 229 708**	**13 217 452**

The tables below give details of the exposure and impairment losses of performing and non-performing loans by business segment. In this table, non-performing loans and provisions for non-performing loans include only loans more than 90 days past due, whereas loans less than 90 days past due are reported as performing loans:

31/12/2018	Exposure						Impairment			
		Performing loans				Non-performing loans		Performing loans		Non-performing loans
	Total exposure	<30 days past due			30-90 days past due	>90 days past due	Total impairment (Note 18)	<30 days past due	30-90 days past due	>90 days past due
Segment		Without evidence	With evidence	Subtotal						
Credit cards	1 866 668	1 845 700	20 590	1 866 290	378	-	645	645	-	1 408 276
General consumer loans	48 232 129	45 631 031	390 223	46 021 254	255 661	1 955 213	1 943 353	475 882	59 195	1 312
Car loans	149 042	146 439	279	146 718	-	2 324	2 140	828	-	2 934 573
Home loans	28 474 086	22 637 665	367 109	23 004 774	908 622	4 560 690	3 633 196	576 891	121 732	46 110
Overdrafts	541 726	260 355	200 202	460 557	21 414	59 755	124 060	67 670	10 280	167 404
Corporates - less significant exposures	1 763 435	1 290 732	131 317	1 422 049	84 237	257 149	274 777	80 641	26 732	9 491 637
Corporates - significant exposures	134 237 554	81 736 138	18 214 390	99 950 528	3 131 653	31 155 373	12 724 807	2 626 074	607 096	-
Public sector	100 273 944	100 273 944		100 273 944	-	-	993 112	993 112	-	14 049 312
On-balance-sheet exposure	**315 538 584**	**253 822 003**	**19 324 110**	**273 146 113**	**4 401 965**	**37 990 504**	**19 696 090**	**4 821 743**	**825 034**	**-**
Documentary credits and guarantees given	67 893 881	61 055 188	6 838 693	39 760 811	-	-	702 250	702 250	-	14 049 312
Total exposure	**383 432 465**	**314 877 191**	**26 162 803**	**312 906 924**	**4 401 965**	**37 990 504**	**20 398 340**	**5 523 993**	**825 034**	**14 134 447**

31/12/2017	Exposure						Impairment			
		Performing loans				Non-performing loans		Performing loans		Non-performing loans
	Total exposure	<30 days past due			30-90 days past due	>90 days past due	Total impairment (Note 18)	<30 days past due	30-90 days past due	>90 days past due
Segment		Without evidence	With evidence	Subtotal						
Credit cards	2 420 177	2 177 036	235 455	2 412 491	16	7 670	24 993	20 962	2	4 029
General consumer loans	36 557 453	33 501 988	1 731 677	35 233 665	202 138	1 121 650	1 405 042	446 205	37 832	921 004
Car loans	289 205	265 916	17 778	283 694	1 774	3 737	1 124	329	78	717
Home loans	18 227 815	13 377 458	2 605 011	15 982 469	383 247	1 861 919	1 320 917	66 267	85 707	1 168 943
Overdrafts	292 784	138 719	104 910	243 629	11 757	37 398	32 381	16 932	1 573	13 877
Corporates - less significant exposures	2 519 766	1 727 856	520 485	2 248 341	75 550	195 875	392 776	248 320	15 965	128 491
Corporates - significant exposures	96 412 628	52 030 433	27 516 549	79 546 982	2 717 235	14 148 411	12 908 642	3 965 085	608 036	8 335 521
Public sector	56 819 785	-	54 171 731	54 171 731	-	2 648 054	2 644 870	-	-	2 644 870
On-balance-sheet exposure	**213 539 613**	**103 219 406**	**86 903 596**	**190 123 002**	**3 391 717**	**20 024 714**	**18 730 745**	**4 764 100**	**749 193**	**13 217 452**
Documentary credits and guarantees given	47 323 633	44 233 061	3 090 572	47 323 633	-	-	716 415	716 415	-	
Total exposure	**260 863 246**	**147 452 467**	**89 994 168**	**237 446 635**	**3 391 717**	**20 024 714**	**19 447 159**	**4 709 221**	**439**	**13 164 755**

The distribution of the loan portfolio by segment and year of the loan is as follows:

	31/12/2018														
	Credit cards			General consumer loans			Car loans			Home loans			Overdrafts		
Segment	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2014 and previous	12 328	1 018 510	580	4 348	1 987 306	1 055 737	154	27 699	1 218	1 107	25 814 183	3 470 954	5 234	204 799	37 355
2015	6 625	670 850	2	2 899	1 352 997	144 986	59	62 566	666	68	1 378 062	13 932	618	18 197	5 118
2016	683	129 667	-	7 590	5 820 491	183 701	12	29 516	117	12	426 377	113 730	1 043	34 577	6 640
2017	388	45 789	63	9 039	11 601 315	227 347	6	20 456	96	15	503 849	4 721	1 072	45 124	9 396
2018	72	1 852	-	12 492	27 470 020	331 582	3	8 805	43	14	351 615	29 859	1 095	239 028	65 551
Total	**20 096**	**1 866 668**	**645**	**36 368**	**48 232 129**	**1 943 353**	**234**	**149 042**	**2 140**	**1 216**	**28 474 086**	**3 633 196**	**9 062**	**541 725**	**124 060**

	31/12/2018											
	Corporates - less significant exposures			Corporates - significant exposures			Public sector			Documentary credits and guarantees given		
Segment	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2014 and previous	634	377 563	69 285	184	65 258 017	9 734 523	3	67 798 664	993 112	30	5 040 292	88 975
2015	95	228 550	47 410	39	16 168 112	629 337	0	-	-	12	5 133 602	119 705
2016	130	264 606	44 829	58	15 214 865	480 535	1	8 841 419	-	14	5 039 026	16 005
2017	213	354 305	80 249	61	13 383 018	1 029 670	0	-	-	51	9 036 081	48 578
2018	210	538 412	33 004	87	24 213 542	850 742	1	23 633 861	-	450	43 644 880	428 987
Total	**1 282**	**1 763 436**	**274 777**	**429**	**134 237 554**	**12 724 807**	**5**	**100 273 944**	**993 112**	**557**	**67 893 881**	**702 250**

Segment	31/12/2017														
	Credit cards			General consumer loans			Car loans			Home loans			Overdrafts		
	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2013 and previous	924	96 898	4 751	509	1 430 696	481 113	84	34 244	811	953	15 542 368	1 135 496	5 561	108 366	15 841
2014	7 265	1 178 415	9 578	1 657	1 023 518	315 631	85	85 344	130	29	799 537	2 615	691	8 889	1 633
2015	4 626	884 334	7 340	8 540	4 783 665	154 142	62	100 198	120	69	1 005 234	89 547	847	12 504	2 186
2016	537	196 704	2 537	8 724	11 175 794	238 856	14	44 744	40	11	386 137	92 807	1 291	35 392	3 477
2017	304	63 826	787	9 793	18 143 780	215 300	6	24 675	23	15	494 539	452	1 285	127 633	9 244
Total	**13 656**	**2 420 177**	**24 993**	**29 223**	**36 557 453**	**1 405 042**	**251**	**289 205**	**1 124**	**1 077**	**18 227 815**	**1 320 917**	**9 675**	**292 784**	**32 381**

Segment	31/12/2017											
	Corporates - less significant exposures			Corporates - significant exposures			Public sector			Documentary credits and guarantees given		
	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2013 and previous	333	419 862	82 143	98	38 940 017	8 057 829	10	22 296 728	2 644 870	35	520 649	30 964
2014	88	418 102	38 014	51	11 783 505	2 032 603	3	28 287 682	-	17	7 415 485	30 695
2015	139	455 585	77 451	59	11 285 086	967 928		-	-	20	7 000 609	101 892
2016	169	498 077	77 138	70	18 897 095	603 666	1	6 235 375	-	36	11 759 796	71 189
2017	242	728 140	118 030	86	15 506 925	1 246 616		-	-	235	20 627 094	481 675
Total	**971**	**2 519 766**	**392 776**	**364**	**96 412 628**	**12 908 642**	**14**	**56 819 785**	**2 644 870**	**343**	**47 323 633**	**716 415**

The breakdown of the amount of gross loan exposure and the impairment amount recorded for the exposures, assessed individually and collectively by segment, is as follows:

By segment: 31-12-2018	Credit cards		General consumer loans		Car loans		Home loans		Descobertos	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	1 865 726	-	46 903 267	892 999 00	148 670	1 769	25 157 654	887 173	541 670	124 004
Individual impairment	942	645	1 328 862	1 050 355 00	372	372	3 316 432	2 746 023	55	55
Total	**1 866 668**	**645**	**48 232 129**	**1 943 354**	**149 042**	**2 141**	**28 474 086**	**3 633 196**	**541 725**	**124 059**

By segment: 31-12-2018	Corporates - less significant exposures		Corporates - significant exposures		Public sector		Documentary credits and guarantees given	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	1 662 400	199 945	98 037 745	2 393 186	100 273 944	993 112	66 502 058	652 169
Individual impairment	101 035	74 832	36 199 808	10 331 621	-	-	1 391 823	50 081
Total	**1 763 435**	**274 777**	**134 237 553**	**12 724 807**	**100 273 944**	**993 112**	**67 893 881**	**702 250**

By segment: 31-12-2017	Credit cards		General consumer loans		Car loans		Home loans		Descobertos	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	2 415 699	23 457	33 956 717	652 178	275 133	920	16 028 991	180 530	291 064	32 055
Individual impairment	4 478	1 536	2 600 736	752 864	14 072	204	2 198 824	1 140 387	1 720	326
Total	**2 420 177**	**24 993**	**36 557 453**	**1 405 042**	**289 205**	**1 124**	**18 227 815**	**1 320 917**	**292 784**	**32 381**

By segment: 31-12-2017	Corporates - less significant exposures		Corporates - significant exposures		Public sector		Documentary credits and guarantees given	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	1 613 983	308 262	35 496 224	1 859 812	-	-	36 248 128	670 940
Individual impairment	905 783	84 514	60 916 404	11 048 830	56 819 785	2 644 870	11 075 505	45 475
Total	**2 519 766**	**392 776**	**96 412 628**	**12 908 642**	**56 819 785**	**2 644 870**	**47 323 633**	**716 415**

The breakdown of the amount of the gross loan exposure and the impairment amount recorded for the exposures, assessed individually and collectively by sector of activity, is as follows:

By segment: 31-12-2018	Real estate rental and services provided by companies		Recreational, cultural and sporting activities		Government, defence and mandatory social security		Agriculture, forestry and fisheries		Hotels and restaurants	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	39 312	2 305	2 234 235	81 233	100 374 123	993 126	3 573 856	102 236	6 880 990	199 832
Individual impairment	7 652	7 652	23 371	9 348	5 527	5 527	23 556 100	2 269 362	442 153	246 909
Total	**46 964**	**9 957**	**2 257 606**	**90 581**	**100 379 650**	**998 653**	**27 129 956**	**2 371 598**	**7 323 143**	**446 741**

By segment: 31-12-2018	Banks and insurance		Wholesale and retail trade		Construction		Education		Extractive industries	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	7 660 306	729	32 000 099	709 456	38 649 290	957 786	230 077	15 491	693 796	27 881
Individual impairment	-	-	2 185 306	1 683 021	3 460 986	1 132 885	306 274	95 917	3 429 348	3 429 348
Total	**7 660 306**	**729**	**34 185 405**	**2 392 477**	**42 110 276**	**2 090 671**	**536 351**	**111 408**	**4 123 144**	**3 457 229**

By segment: 31-12-2018	Processing industries		Other service companies		Individuals		Production and distribution of electricity, gas and water		Health and social welfare		Transport, storage and communications	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	12 708 454	155 427	29 578 890	574 563	76 643 205	1 950 961	1 943 205	33 943	1 809 300	18 290	26 073 998	321 101
Individual impairment	-	-	1 572 292	415 638	5 352 011	3 820 228	1 062 820	218 347	52 331	54 671	883 158	865 127
Total	**12 708 454**	**155 427**	**31 151 182**	**990 201**	**81 995 216**	**5 771 189**	**3 006 025**	**252 290**	**1 861 631**	**72 961**	**26 957 156**	**1 186 228**

By segment: 31-12-2017	Real estate rental and services provided by companies		Recreational, cultural and sporting activities		Government, defence and mandatory social security		Agriculture, forestry and fisheries		Hotels and restaurants	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	46 249	16 968	381 842	14 080	105 276	2 342	2 968 307	126 733	1 754 319	60 599
Individual impairment	17 611	-	455 179	451 947	54 451 874	8 239	14 989 178	1 140 067	2 664 605	398 569
Total	**63 860**	**16 968**	**837 021**	**466 027**	**54 557 150**	**10 581**	**17 957 485**	**1 266 800**	**4 418 924**	**459 168**

By segment: 31-12-2017	Banks and insurance		Wholesale and retail trade		Construction		Education		Extractive industries	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	242 507	10 021	5 772 029	348 879	38 871 868	1 217 546	128 966	34 413	552 173	12 439
Individual impairment	5 639 063	1 474	8 587 061	3 554 899	18 154 234	4 080 522	504 606	367 095	1 902 550	1 837 538
Total	**5 881 570**	**11 495**	**14 359 090**	**3 903 778**	**57 026 102**	**5 298 068**	**633 572**	**401 508**	**2 454 723**	**1 849 977**

By segment: 31-12-2017	Processing industries		Other service companies		Individuals		Production and distribution of electricity, gas and water		Health and social welfare		Transport, storage and communications	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	4 670 639	79 051	8 731 647	589 123	53 918 598	932 394	1 779 026	56 922	822 595	35 553	5 579 898	191 091
Individual impairment	232 386	-	13 374 283	445 021	6 771 398	1 923 580	1 286 905	848 233	60 178	1 770	5 446 196	660 052
Total	**4 903 025**	**79 051**	**22 105 930**	**1 034 144**	**60 689 996**	**2 855 974**	**3 065 931**	**905 155**	**882 773**	**37 323**	**11 026 094**	**851 143**

The breakdown of the restructured loan portfolio by restructuring measure applied is as follows:

2018	31/12/18								
	Performing loans			Non-performing loans			Total		
	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
New loan	10	181 733	44 621	2	269 203	88 496	12	450 936	133 117
Term extension	23	479 089	77 201	16	2 290 768	1 361 791	39	2 769 857	1 438 992
Total	**33**	**660 822**	**121 822**	**18**	**2 559 971**	**1 450 287**	**51**	**3 220 793**	**1 572 109**

2017	31/12/17								
	Performing loans			Non-performing loans			Total		
	No. of transactions	Exposure	Impairment	N.º de operações	Exposição	Imparidade	No. of transactions	Exposure	Impairment
New loan	32	1 048 093	452 550	13	2 345 406	1 986 884	45	3 393 499	2 439 435
Term extension	9	102 036	20 613	9	1 341 706	567 630	18	1 443 742	588 243
Total	**41**	**1 150 129**	**473 163**	**22**	**3 687 112**	**2 554 514**	**63**	**4 837 242**	**3 027 678**

Inward and outward movements in the restructured-loan portfolio are as follows:

	31/12/2018	31/12/2017
Opening balance of the restructured loan portfolio (gross of impairment)	4 837 242	4 682 893
Loans restructured during the period	379 092	1 606 155
Settlement of restructured loans (partial or total)	(1 995 541)	(1 451 806)
Closing balance of the restructured loan portfolio (gross of impairment)	**3 220 793**	**4 837 242**

The breakdown of the fair value of the collateral underlying the loan portfolio in the companies, construction and real-estate development and residential segments is as follows:

2018	31-12-2018											
	Companies				Construction and real estate development				Residential			
	Properties		Other collateral		Properties		Other collateral		Properties		Other collateral	
	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount
< mAOA 50	22	430 679	95	1 537 478	1	47 100	10	260 112	478	14 226 492	7	111 354
>= mAOA 50 and < mAOA 100	22	1 610 603	22	1 482 040	1	50 000	5	339 465	302	21 836 597	1	92 582
>= mAOA 100 and < mAOA 500	38	9 403 384	35	8 380 594	2	462 911	8	1 530 197	120	18 625 634	4	742 200
>= mAOA 500 and < mAOA 1000	20	14 760 950	7	4 256 743	-	-	5	3 653 264	5	3 537 215	-	-
>= mAOA 1000 and < mAOA 2000	2	2 715 371	3	4 557 376	1	1 389 287	4	5 287 998	1	1 357 871	-	-
>= mAOA 2000 and < mAOA 5000	5	16 273 001	-	-	1	2 527 260	3	6 798 563	-	-	-	-
>= MAOA 5,000	5	150 843 733	2	19 850 005	-	-	-	-	-	-	-	-
Total	**114**	**196 037 721**	**164**	**40 064 236**	**6**	**4 476 558**	**35**	**17 869 599**	**906**	**59 583 809**	**12**	**946 136**

2017	31-12-2017											
	Companies				Construction and real estate development				Residential			
	Properties		Other collateral		Properties		Other collateral		Properties		Other collateral	
	Número de imóveis	Amount	Number	Amount	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount
< mAOA 50	39	994 798	128	1 920 762	2	77 796	24	422 823	766	18 390 613	7	112 891
>= mAOA 50 and < mAOA 100	21	1 517 663	26	1 715 621	1	77 155	7	491 547	122	7 857 991	4	260 501
>= mAOA 100 and < mAOA 500	44	11 660 251	26	6 157 090	3	722 424	8	1 876 626	33	5 863 553	3	355 775
>= mAOA 500 and < mAOA 1000	8	5 756 280	8	5 329 177	1	878 402	5	3 653 264	1	730 066	-	-
>= mAOA 1000 and < mAOA 2000	6	9 823 771	4	6 099 921	1	1 358 793	2	2 786 958	-	-	-	-
>= mAOA 2000 and < mAOA 5000	3	8 237 463	2	6 723 480	-	-	3	7 150 431	-	-	-	-
>= MAOA 5,000	2	89 618 082	1	5 838 854	1	13 780 818	-	-	-	-	-	-
Total	**123**	**127 608 308**	**195**	**33 784 905**	**9**	**16 895 388**	**49**	**16 381 649**	**922**	**32 842 223**	**14**	**729 167**

The structure of the funding-collateral ratio of the construction, real-estate development and residential segments is as follows:

	31-12-2018				
	Number of properties	Number of other collateral	Performing loans	Non-performing loans	Impairment
Companies					
Without collateral	0	-	117 873 501	1 031 784	2 617 189
< 50%	1	3	6 980 084	75 000	377 113
> = 50% and < 75%	1	7	663 019	-	7 839
> = 75% and < 100%	1	26	40 612 735	1 916 269	2 991 486
> = 100%	110	128	30 979 355	5 101 135	6 531 292
Construction and real estate development					
Without collateral	-	-	4 264 830	2 864	117 891
< 50%	-	2	1 377 212	-	46 294
> = 50% and < 75%	-	0	-	-	-
> = 75% and < 100%	-	11	12 446 492	-	597 186
> = 100%	7	22	10 078 801	866 149	1 318 037
Residential					
Without collateral	-	-	1 990 736	10 992	220 664
< 50%	3	-	90 451	491	16 791
> = 50% and < 75%	6	-	173 337	1 094	84 729
> = 75% and < 100%	8	1	358 815	-	5 081
> = 100%	889	11	25 067 456	780 714	3 305 931
Total	**1 026**	**211**	**252 956 824**	**9 786 492**	**18 237 523**

	31-12-2017				
	Number of properties	Number of other collateral	Performing loans	Non-performing loans	Impairment
Companies					
Without collateral	-	-	72 400 974	565 578	1 090 502
< 50%	2	7	2 062 833	245 100	309 937
> = 50% and < 75%	2	8	539 563	-	15 621
> = 75% and < 100%	1	19	25 360 145	538 176	1 635 380
> = 100%	118	160	34 961 323	5 980 930	7 568 208
Construction and real estate development					
Without collateral	-	-	6 587 712	372	178 872
< 50%	-	2	307 914	-	5 195
> = 50% and < 75%	-	6	14.489.271	-	60 201
> = 75% and < 100%	2	11	7 668 887	453 901	836 639
> = 100%	7	29	21 022 006	4 064 713	4 890 170
Residential					
Without collateral	-	-	1 185 066	6 186	60 689
< 50%	2	-	45 531	-	101
> = 50% and < 75%	9	-	135 267	134	1 108
> = 75% and < 100%	13	2	494 824	264	25 961
> = 100%	894	12	16 047 649	312 893	1 233 057
Total	**1 050**	**256**	**203 308 965**	**12 168 247**	**17 911 641**

The distribution of the loan portfolio by internal risk level is as follows:

Segment	31/12/2018							
	Risk class A	Risk class B	Risk class C	Risk class D	Risk class E	Risk class F	Risk class G	Total
Credit cards	-	1 864 544	721	176	745	28	454	1 866 668
General consumer loans	2 323 068	43 597 244	158 971	74 995	188 220	83 404	1 806 227	48 232 129
Car loans	1 629	145 089	-	-	653	-	1 671	149 042
Home loans	41 145	22 903 308	649 343	173 987	601 718	650 781	3 453 804	28 474 086
Overdrafts	-	460 390	10 011	11 155	24 698	8 807	26 664	541 725
Corporates - less significant exposures	230 054	1 170 449	54 996	19 103	40 594	14 835	233 405	1 763 436
Corporates - significant exposures	24 948 079	72 049 277	27 153 169	228 457	1 200 865	503 798	8 153 909	134 237 554
Public sector	100 273 944	-	-	-	-	-	-	100 273 944
On-balance-sheet exposure	**127 817 919**	**142 190 301**	**28 027 211**	**507 873**	**2 057 493**	**1 261 653**	**13 676 134**	**315 538 584**
Documentary credits and guarantees given	12 308 187	55 483 175	-	101 593	-	-	926	67 893 881
Total exposure	**140 126 106**	**197 673 476**	**28 027 211**	**609 466**	**2 057 493**	**1 261 653**	**13 677 060**	**383 432 465**

Segment	31/12/2017							
	Risk class A	Risk class B	Risk class C	Risk class D	Risk class E	Risk class F	Risk class G	Total
Credit cards	-	2 409 467	859	360	181	82	9 228	2 420 177
General consumer loans	1 453 977	33 627 154	171 729	66 650	197 166	39 286	1 001 491	36 557 453
Car loans	3 979	279 715	606	547	1 496	1 869	993	289 205
Home loans	16 804	15 923 496	166 674	103 005	85 621	64 035	1 868 180	18 227 815
Overdrafts	-	243 263	8 888	3 260	8 347	4 553	24 473	292 784
Corporates - less significant exposures	400 273	1 753 613	87 621	64 856	36 364	5 387	171 652	2 519 766
Corporates - significant exposures	29 759 399	30 530 719	21 134 893	1 484 620	2 560 008	2 322 377	8 620 612	96 412 628
Public sector	54 171 731	3 184	-	-	-	-	2 644 870	56 819 785
On-balance-sheet exposure	**85 806 163**	**84 770 611**	**21 571 270**	**1 723 298**	**2 889 183**	**2 437 589**	**14 341 499**	**213 539 613**
Documentary credits and guarantees given	697 759	46 455 875	10 842	54 622	-	102 196	2 339	47 323 633
Total exposure	**86 503 922**	**131 226 486**	**21 582 112**	**1 777 920**	**2 889 183**	**2 539 785**	**14 343 838**	**260 863 246**

At December 31, 2018 & 2017, the risk levels provided in the above table are in accordance with the classification of Banco Nacional de Angola Instruction 9/2015 on the methodology for setting aside provisions (Instruction still applicable for prudential ratio purposes).

At December 31, 2018 & 2017, the breakdown of loans and advances to customers by credit risk category (Stage 1, Stage 2 and Stage 3) is as follows:

31/12/2018	Exposure				Impairment			
Segment	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit cards	1 846 078	15 955	4 635	1 866 668	110	-	535	645
General consumer loans	45 655 035	589 460	1 987 634	48 232 129	456 655	58 529	1 428 169	1 943 353
Car loans	146 438	-	2 604	149 042	694	-	1 446	2 140
Home loans	22 667 881	1 041 135	4 765 070	28 474 086	373 116	142 861	3 117 219	3 633 196
Overdrafts	260 355	220 965	60 405	541 725	63 197	14 257	46 606	124 060
Corporates - less significant exposures	1 307 060	155 842	300 534	1 763 436	50 923	36 781	187 073	274 777
Corporates - significant exposures	83 545 055	17 692 220	33 000 279	134 237 554	2 296 019	468 744	9 960 044	12 724 807
Public sector	100 273 944	-	-	100 273 944	993 112	-	-	993 112
On-balance-sheet exposure	**255 701 846**	**19 715 577**	**40 121 161**	**315 538 584**	**4 233 826**	**721 172**	**14 741 092**	**19 696 090**
Documentary credits and guarantees given	61 055 188	6 735 571	103 122	67 893 881	619 742	82 508	-	702 250
Total exposure	**316 757 034**	**26 451 148**	**40 224 283**	**383 432 465**	**4 853 568**	**803 680**	**14 741 092**	**20 398 340**

01/01/2018	Exposure				Impairment			
Segmento	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit cards	2 326 693	54 349	39 135	2 420 177	2 696	26	1 963	4 685
General consumer loans	34 568 652	476 661	1 512 140	36 557 453	191 284	136 368	810 521	1 138 173
Car loans	282 770	1 479	4 957	289 206	1 674	790	4 754	7 218
Home loans	14 850 231	996 994	2 380 591	18 227 816	96 012	129 559	452 132	677 703
Overdrafts	149 164	85 168	58 451	292 783	1 008	2 035	26 232	29 275
Corporates - less significant exposures	1 736 448	372 654	410 664	2 519 766	73 962	57 052	213 018	344 032
Corporates - significant exposures	52 704 110	28 637 016	15 071 502	96 412 628	1 503 982	2 541 795	9 904 791	13 950 568
Public sector	54 413 294	288	2 406 202	56 819 784	1 053 895	-	2 406 202	3 460 097
On-balance-sheet exposure	**161 031 362**	**30 624 609**	**21 883 642**	**213 539 613**	**2 924 513**	**2 867 625**	**13 819 613**	**19 611 751**
Documentary credits and guarantees given	43 239 444	3 992 689	91 500	47 323 633	677 426	68 183	2 639	748 248
Total exposure	**204 270 806**	**34 617 298**	**21 975 142**	**260 863 246**	**3 601 939**	**2 935 808**	**13 822 252**	**20 359 999**

The movements in “Loans and advances to customers” in 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross Exposure at 1 January 2018	**161 031 362**	**30 624 609**	**21 883 642**	**213 539 613**
Transfers:				
Stage 1 to Stage 2	(2 930 924)	2 930 924	-	-
Stage 1 to Stage 3	(10 877 923)	-	10 877 923	-
Stage 2 to Stage 1	17 039 015	(17 039 015)	-	-
Stage 2 to Stage 3	-	(3 124 191)	3 124 191	-
Stage 3 to Stage 1	2 082 052	-	(2 082 052)	-
Stage 3 to Stage 2	-	373 892	(373 892)	-
Financial assets derecognised during the period that are not write-offs	(35 546 874)	(8 981 256)	(10 712 252)	(55 240 382)
Acquisition or purchase of new financial assets	77 791 021	14 664 328	360 199	92 815 548
Contractual changes to financial assets	-	376 242	2 850	379 092
Write-offs	-	-	(8 105 230)	(8 105 230)
Foreign exchange gains and losses and other gains and losses	47 114 118	-109 956	25 145 781	72 149 943
Gross Exposure at 31 December 2018	**255 701 846**	**19 715 577**	**40 121 161**	**315 538 584**

The movements in the Impairment allowance for expected credit losses in 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
31.12.2017 - IAS 39	**2 189 312**	**1 843 522**	**14 697 911**	**18 730 745**
Transitional adjustment IFRS 9	735 201	1 024 103	(878 298)	881 006
01.01.2018	2 924 513	2 867 625	13 819 613	19 611 751
Transfers:				
Stage 1 to Stage 2	(58 953)	58 953	-	-
Stage 1 to Stage 3	(289 195)	-	289 195	-
Stage 2 to Stage 1	190 755	(190 755)	-	-
Stage 2 to Stage 3	-	(1 832 457)	1 832 457	-
Stage 3 to Stage 1	751 110	-	(751 110)	-
Stage 3 to Stage 2	-	93 134	(93 134)	-
Addition/ (Reversal)	715 596	(275 328)	175 025	615 293
Use	-	-	(8 105 230)	(8 105 230)
Change in PD / LGD / EAD parameters	-	-	-	-
Change in assumptions/ impairment model	-	-	-	-
Foreign exchange gains and losses and other gains and losses	-	-	7 574 276	7 574 276
31.12.2018 - IFRS 9	**4 233 826**	**721 172**	**14 741 092**	**19 696 090**

The risk factors associated with the impairment model by segment are as follows:

	31 December 2018 - Average parameters			
	PD		LGD	
Segment	Stage 1	Stage 2	Stage 1 e 2	Stage 3
Credit cards	0,3%	0,4%	38,9%	68,2%
General consumer loans	3,4%	25,8%	29,4%	60,1%
Car loans	1,0%	15,5%	46,1%	50,8%
Home loans	4,0%	65,2%	28,4%	29,1%
Overdrafts	0,9%	13,8%	53,7%	77,2%
Corporates - less significant exposures	9,0%	28,1%	42,7%	59,9%
Corporates - significant exposures	6,1%	5,1%	41,6%	52,2%

For the "Corporates - significant exposures" segment, the PD in Stage 1 is higher than the PD in Stage 2, due to the fact that, in this segment, the first point of the PD curve for customers in Stage 1 is higher than the PD curves of customers in Stage 2. As most of the Stage 2 loans in this segment have a residual maturity of only one month, they fall short of that point on the curve, giving rise to these results for December 31, 2018.

At December 31, 2018 & 2017, the ten largest debtors accounted for 52.86% and 49.33%, respectively, of the total loan portfolio (excluding guarantees given and documentary credits).

In 2018 there were no write-offs of loans. In 2018 and 2017, the Bank wrote off mAOA 7 984 053 and mAOA 1 709 414, respectively, of loans classified at risk level G.

In the periods ended December 31, 2018 & 2017, recoveries of loans and interest previously cancelled or written off totalled mAOA 242 935 and mAOA 372 116, respectively (Note 25).

11. NON-CURRENT ASSETS HELD FOR SALE

At December 31, 2018 & 2017, this item is made up entirely of property received as payment in kind.

12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The breakdown of investments in affiliates, associates and joint ventures at December 31, 2018 & 2017 is as follows:

	31/12/2018				
	Country	Year of acquisition	Number of shares	% ownership	Cost of acquisition
HOLDINGS IN SUBSIDIARIES					
SOFHA - Sociedade de Fomento Habitacional	Angola	2008	n.a	50%	375
BFA - Gestão de Activos	Angola	2017	n.a	100%	50 000
Total investments in subsidiaries, associates and joint ventures					**50 375**

	31/12/2017				
	Country	Year of acquisition	Number of shares	% ownership	Cost of acquisition
PARTICIPAÇÕES EM COLIGADAS E EQUIPARADAS:					
SOFHA - Sociedade de Fomento Habitacional	Angola	2008	n.a	50%	375
BFA - Gestão de Activos	Angola	2017	n.a	100%	50 000
Total investments in subsidiaries, associates and joint ventures					**50 375**

13. OTHER TANGIBLE ASSETS AND INTANGIBLE ASSETS

The movement in "Other tangible assets and intangible assets" during 2018 and 2017 is summarised below:

	31/12/18										
	Balances at 31.12.2017						Accum. depr. & amort.		Balances at 31.12.2018		
	Gross assets	Accum. depr. & amort.	Net assets	Increases	Transfers	Write-offs, disposals and others	for the year	Write-offs	Gross assets	Accum. depr. & amort.	Net assets
Other tangible assets											
Property used in operations	22 600 936	(7 740 685)	14 860 251	548 126	332 147	164 502	(716 089)	95 228	23 316 708	(8 361 546)	14 955 162
Furniture, tools, fixtures and equipment	13 012 377	(9 530 957)	3 481 420	3 118 662	-	(256 487)	(1 615 591)	282 991	15 874 552	(10 863 557)	5 010 995
Fixed assets in progress	633 315	-	633 315	2 904 935	(332 147)	(345 401)	-	-	2 860 701	-	2 860 701
	36 246 628	(17 271 642)	18 974 986	6 571 723	-	(666 267)	(2 331 680)	378 219	42 051 961	(19 225 103)	22 826 858
Intangible assets											
Computer software	3 282 002	(2 126 502)	1 155 500	2 671 199	-	1 109 564	(1 403 762)	-	4 843 639	(3 530 264)	1 313 373
Organisation and expansion costs	101 571	(101 571)	-	-	-	-	-	-	101 571	(101 571)	-
Property-lease premiums	93 923	(93 923)	-	-	-	-	-	-	93 923	(93 923)	-
Other intangibles	29	(29)	-	-	-	-	-	-	29	(29)	-
	3 477 525	(2 322 025)	1 155 500	2 671 199	-	(1 109 564)	(1 403 762)	-	5 039 160	(3 725 787)	1 313 373
	39 724 153	**(19 593 667)**	**20 130 486**	**9 242 922**	**-**	**(1 775 831)**	**(3 735 442)**	**378 219**	**47 091 120**	**(22 950 890)**	**24 140 231**

	31/12/17										
	Balances at 31.12.2016						Accum. depr. & amort.		Balances at 31.12.2017		
	Gross assets	Accum. depr. & amort.	Net assets	Increases	Transfers	Write-offs, disposals and others	for the year	Write-offs	Gross assets	Accum. depr. & amort.	Net assets
Other tangible assets											
Property used in operations	21 992 487	(7 053 411)	14 939 076	266 269	342 180	-	(687 274)	-	22 600 936	(7 740 685)	14 860 251
Furniture, tools, fixtures and equipment	12 660 731	(9 157 763)	3 502 968	1 403 059	-	(1 051 413)	(1 422 984)	1 049 790	13 012 377	(9 530 957)	3 481 420
Fixed assets in progress	822 425	-	822 425	165 120	(342 180)	(12 050)	-	-	633 315	-	633 315
	35 475 643	(16 211 174)	19 264 469	1 834 448	-	(1 063 463)	(2 110 258)	1 049 790	36 246 628	(17 271 642)	18 974 986
Intangible assets											
Computer software	2 710 064	(1 400 800)	1 309 264	577 124	-	(5 186)	(729 574)	3 872	3 282 002	(2 126 502)	1 155 500
Organisation and expansion costs	101 571	(101 571)	-	-	-	-	-	-	101 571	(101 571)	-
Property-lease premiums	93 923	(93 923)	-	-	-	-	-	-	93 923	(93 923)	-
Other intangibles	29	(29)	-	-	-	-	-	-	29	(29)	-
	2 905 587	(1 596 323)	1 309 264	577 124	-	(5 186)	(729 574)	3 872	3 477 525	(2 322 025)	1 155 500
	38 381 230	**(17 807 497)**	**20 573 733**	**2 411 572**	**-**	**(1 068 649)**	**(2 839 832)**	**1 053 662**	**39 724 153**	**(19 593 667)**	**20 130 486**

At December 31, 2018 & 2017, "Fixed assets in progress" basically relates to the acquisition of premises and payments to suppliers of construction work on new branches scheduled to be opened over the coming years.

14. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

At December 31, 2018 & 2017, the balances of current tax assets and liabilities are as follows:

	31/12/2018	31/12/2017
Current tax assets	4 913	4 524
Current tax liabilities:		
Industrial tax	30 331 288	-
On investment income	1 248 105	4 802 286
On employment income	725 004	304 979
Tax relating to remuneration	112 399	57 523
Special bank transactions tax	-	-
	32 416 796	**5 164 788**

In 2018 and 2017, the corporate income tax expense recognised in the income statement and the effective tax rate, measured as the ratio of the provision for taxation to the profit for the year before that provision, are summarised in the following table:

	31/12/2018	31/12/2017
Current tax liabilities		
Industrial Tax	30 813 254	-
Capital gains tax	8 148 224	9 478 031
Deferred tax assets	(890 449)	(2 584 774)
Adjustment of prior period estimates		
Industrial Tax	-	45 327
Total tax recognised in the income statement	**38 071 029**	**6 938 584**
Profit before tax	**212 329 772**	**76 023 608**
Effective tax rate	17,93%	9,13%

In 2017, "Adjustment of the previous periods' estimate – Industrial Tax" relates entirely to the excess of the estimated Industrial Tax.

The reconciliation between the nominal tax rate and the tax burden for the periods ended December 31, 2018 & 2017 is as follows:

	31/12/2017		31/12/2016	
	Tax rate	Valor	Tax rate	Valor
Profit before tax		212 329 772		76 023 608
Tax calculated using nominal tax rate	30,00%	63 698 932	30,00%	22 807 082
Tax relief on income from public debt securities	(13,89)%	(35 089 210)	(41,23)%	(31 348 098)
Other permanent differences	2,05%	4 375 080	11,23%	8 541 016
Deductible tax losses	(1,02)%	(2 171 548)	0,00%	-
Capital Gains Tax (IAC)	3,82%	8 148 224	12,47%	9 478 032
Adjustment to previous year's estimate	0,00%	-	0,06%	45 326
Deferred tax assets	(1,39)%	(890 448)	(3,40)%	(2 584 774)
Corporate income tax	**17,93%**	**38 071 029**	**9,13%**	**6 938 584**

Industrial Tax

As explained in Note 2.17, the Bank is subject to Industrial Tax and the rate applicable in the periods presented was 30%.

Deferred taxes

At December 31, 2018 & 2017, the Bank had recognised deferred tax assets in the amounts of mAOA 5 921 900 and mAOA 3 763 050, respectively. The Board of Directors believes that the conditions for the recognition of these deferred tax assets are met, particularly as regards the availability of future taxable income of the Bank against which they can be offset. These deferred tax assets were calculated on the basis of the tax rates specified for the period in which the assets are expected to be realised.

The Bank uses the rate of 30% to calculate deferred taxes.

The movement in deferred tax assets in the periods ended December 31, 2018 & 2017, is as follows:

	Balances at 31/12/2017	Increases	Utilisations/ cancellations	Exchange differences/ Other	Balances at 31/12/2018
Provisions temporarily not allowed as a deductible expense:					
Provisions for banking risks, retirement benefits and Social Fund	1 791 399	3 101 784	(187 047)	352 139	5 058 275
Impact of adoption of IFRS 9 (Note 4)	-	916 263	(52 637)	-	863 626
Tax loss recorded in financial year 2017	1 971 651	-	(1 971 651)	-	-
	3 763 050	**2 713 304**	**(2 211 335)**	**1 656 882**	**5 921 900**

	Balances at 31/12/2016	Increases	Utilisations/ cancellations	Balances at 31/12/2017
Provisions temporarily not allowed as a deductible expense:				
Provisions for banking risks, retirement benefits and Social Fund	1 178 276	657 903	(44 780)	1 791 399
Tax loss recorded in financial year 2017	-	1 971 651	-	1 971 651
	1 178 276	**2 629 554**	**(44 780)**	**3 763 050**

The tax authorities may review the Bank's tax situation during a period of five years and those reviews may give rise to corrections to taxable income due to differing interpretations of tax legislation.

The Bank's Board of Directors believes that any additional assessments that could arise from such reviews will have no material impact on the financial statements.

The movements in the deferred tax accounts on the balance sheet were reflected in the following account entries:

	31/12/2018	31/12/2017
Opening balance	3 763 050	1 178 276
Movements recognised in profit or loss	890 449	2 584 774
Movements recognised in retained earnings (see Note 4)	916 263	-
Foreign exchange gains and losses	352 139	-
Closing balance	**5 921 900**	**3 763 050**

15. OTHER ASSETS

The composition of this item at December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Other amounts of a civil nature		
Receivables for services provided	-	-
Sundry receivables:		
Public sector - government	4 623 612	3 992 481
Private sector - companies	44 328	108 748
Private sector - employees	251 558	132 517
Private sectos - individuals	3 301	6 905
Acquisitions in progress	2 203 020	618 081
Others receivables	-	23 250
	7 125 819	**4 881 982**
Other amounts of an administrative os commercial nature		
Advances on salaries	-	-
Prepais expenses:		
Rents and leasing	621 518	503 452
Insurance	13 847	37 498
Other	359 765	296 713
	995 130	**837 663**
Office materials	596 338	179 057
Other advances:		
Cash shortfalls	2 356	1 337
Accruals	1 071 421	163 835
Other	12 054	5 174
	1 085 831	**170 346**
	12 483 105	**7 481 172**

At December 31, 2018 & 2017, "Other amounts of a civil nature - Sundry debtors: Public administrative sector" relates to commissions receivable from the General Tax Authority as remuneration for revenue-collection services provided by the Bank. Since the method of making tax payments to the tax administration was changed in March 2018, BFA stopped collecting taxes from customers, so that customers now pay their own taxes directly.

16. FUNDS OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The composition of this item at December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Interbank money market transactions		
Funds of credit institutions in Angola - Loans (AOA)	17 088	108 155 902
Funds of other entities		
Certified cheques	1 896 222	2 220 476
Funds tied to letters of credit	3 112 747	3 245 464
Other	36 822	19 617
	5 062 879	**113 641 459**
	5 062 879	**113 641 459**

At December 31, 2017, this item relates entirely to the Bank's borrowings from other Angolan banks.

At December 31, 2018, this item relates mainly to payments in the interbank clearing system, specifically certified cheques and import letters of credit.

"Funds tied to letters of credit" refers to sums deposited by customers and earmarked for settlement of import transactions, for the purpose of opening the respective documentary credits.

The distribution of the "Funds of central banks and other credit institutions" by residual maturity is presented in Note 31.2.

17. CUSTOMER FUNDS AND OTHER BORROWINGS

At December 31, 2018 & 2017, the breakdown of "Customer funds and other borrowings" is as follows:

	31/12/2018	31/12/2017
Demand deposits of residents		
In local currency	377 261 071	406 603 151
In foreign currency	167 212 827	109 352 325
	544 473 898	**515 961 476**
Demand deposits of non-residents		
In local currency	28 105 489	21 390 865
In foreign currency	6 961 230	3 884 962
	35 066 719	**25 275 827**
Interest on demand deposits	4 108	3 178
Total demand deposits	**579 544 725**	**541 240 481**
Term deposits of residents		
In local currency	205 221 394	256 115 996
In foreign currency	422 039 114	239 742 595
	627 260 508	**495 858 591**
Term deposits of non-residents	17 893 839	14 684 336
Interest on term deposits	7 429 177	6 458 026
Total term deposits	**652 583 524**	**517 000 953**
Total deposits	**1 232 128 249**	**1 058 241 434**

At December 31, 2018 & 2017, the structure of customer term deposits by remaining term to maturity is as follows:

	31/12/2018	31/12/2017
Up to three months	64 579 630	369 621 472
From 3 to 6 months	141 213 056	114 170 134
From 6 months to one year	446 790 838	33 209 347
	652 583 524	**517 000 953**

At December 31, 2018, term deposits in local and foreign currency earned interest at average annual rates of 7.91% and 1.45%, respectively (7.11% and 1.47% respectively at December 31, 2017).

At December 31, 2018 & 2017, the structure of demand and term deposits by customer type was as follows:

	31/12/2018	31/12/2017
Demand deposits		
Public sector - government	17 994 565	3 893 064
Public sector - corporate	19 581 491	8 360 713
Companies	333 833 435	344 156 239
Individuals	208 135 234	184 830 465
	579 544 725	**541 240 481**
Term deposits		
Public sector - government	5 700 423	553 190
Public sector - corporate	7 459 646	6 532 407
Companies	295 444 627	296 343 386
Individuals	343 978 828	213 571 970
	652 583 524	**517 000 953**
	1 232 128 249	**1 058 241 434**

18. IMPAIRMENT AND PROVISIONS

The movement in impairment provisions in 2018 and 2017 was as follows:

	31/12/2018									
			Increases		Decreases					
	Balances at 31-12-2017	Impact of adoption of IFRS 9 (Note 4)	Charges for the year	Staff costs (Note 26)	Write-backs and reversals	Staff costs (Note 25)	Charge-offs	Excnange differences and others	Transfers	Balances at 31-12-2018
Impairment provisions for other assets										
Funds available at credit institutions (Note 5)	-	126 993	371 911	-	(364 400)	-	-	115 007	-	249 511
Funds deposited at credit institutions (Note 7)	-	320 303	530 177	-	(654 992)	-	-	283 506	-	478 994
Investments at amortised cost (Note 9)	-	1 694 072	84 908	-	(400 479)	-	-	1 418 277	-	2 796 778
	-	2 141 368	986 996	-	(1 419 871)	-	-	1 816 790	-	3 525 283
Loan impairment (Note 10)	18 730 745	881 006	7 909 547	-	(7 294 254)	-	(8 105 230)	7 574 276	-	19 696 090
Provisions for:										
General banking risks										
In relation to company law or the Bylaws	4 977 719	-	4 629 105	-	-	-	(143 797)	4 241 068	-	13 704 096
Of an administrative or commercial nature	20 202 881	-	5 539 706	-	(529 006)	-	(596 249)	1 424 069	-	26 041 401
In relation to taxes	-	-	49 370	-	-	-	-	-	-	49 370
Of any other nature	-	-	97 843	-	-	-	-	-	-	97 843
Guarantees provided (Note 10)	716 415	31 834	1 250 384	-	(1 577 845)	-	-	281 462	-	702 250
Sponsored retirement and survival benefits funds										
Retirement benefits	372 811	-	-	47 399	(420 210)	-	-	-	-	-
Complementary Pension Plan	-	-	-	-	-	-	-	-	-	-
	26 269 826	**31 834**	**11 566 408**	**47 399**	**(2 527 061)**	**-**	**(740 046)**	**5 946 599**	**-**	**40 594 961**
	45 000 571	**3 054 208**	**20 462 951**	**47 399**	**(11 241 186)**	**-**	**(8 845 276)**	**15 337 665**	**-**	**63 816 334**

	31/12/2017							
		Increases		Decreases				
	Balances at 31-12-2016	Charges	Staff costs (Note 26)	Write-backs and reversals	Charge-offs	Exchange differences and others	Transfers	Balances at 31-12-2017
Loan impairment (Note 10)	14 237 099	7 005 257	-	(339 222)	(1 812 231)	528	(360 686)	18 730 745
Provisions for:								
General banking risks								
In relation to company law or the Bylaws	2 678 595	2 373 781	-	-	(74 991)	334	-	4 977 719
Of an administrative or commercial nature	1 339 557	19 481 988	-	(114 650)	(504 190)	176	-	20 202 881
Guarantees provided (Note 10)	354 536	-	-	-	-	1 193	360 686	716 415
Sponsored retirement and survival benefits funds								
Retirement benefits	302 954	69 857	-	-	-	-	-	372 811
	4 675 642	21 925 626	-	(114 650)	(579 181)	1 703	360 686	26 269 826
	18 912 741	28 930 883	-	(453 872)	(2 391 412)	2 231	-	45 000 571

At December 31, 2018 & 2017, "Provisions of a social or statutory nature" refers to the Social Fund, the purpose of which is to provide financial support for initiatives in the areas of education, health and social solidarity. The Fund was set up with monthly contributions through the allocation of 5% of the net profit for the previous year, calculated in United States dollars, over a five-year period. This provision was created between 2005 and 2009, inclusive, and was reinforced in 2018 and 2017.

In August 2018, when a foundation ("Fundação BFA") was set up to serve the abovementioned altruistic purposes, the Bank applied to be registered with the tax authority as a Patron.

Also in 2018, the Bank created the Social Responsibility Directorate, made up of (i) the "BFA Solidário" project monitoring group and (ii) the subsidies group, which will be responsible for the Bank's social action until the BFA Foundation has been created.

While the Bank's Board of Directors intends that the provision recorded at December 31, 2018, in the amount of mAOA 13 704, be used to fund the BFA Foundation, it has agreed that the provision may also be used for other social activities to be carried out by the Social Responsibility Directorate in the meantime, until the BFA Foundation has been established.

At December 31, 2018 & 2017, "Provisions of an administrative and marketing nature" consists of (i) provisions in the amount of mAOA 8 580 053 set aside to cover fraud, litigation in progress, potential contingencies and other liabilities, representing the Bank's best estimate of the costs it is likely to bear in the future in respect of those liabilities; (ii) a provision in the amount of mAOA 868 948 for eventual contingencies related to the cancellation of certified cheques over five years old not settled by the beneficiaries; and (iii) a provision in the amount of mAOA 16 592 400 created in 2017, based on principles of prudence, for macroeconomic and financial stability risks.

In 2013, with reference to the last day of the year, the Bank set up the BFA Pension Fund to cover the old-age, disability and surviving-relative pensions that the Bank granted to its Angolan employees enrolled in Social Security, having used the provisions previously set aside as the initial contribution to the BFA Pension Fund (defined-contribution plan). In accordance with the Fund's constitution contract, BFA will make an annual contribution of 10% of the salaries subject to Social Security discounts, applied to fourteen salaries. The return on investments made, net of any taxes, is added to the amount of the contributions. The total amount of the initial contribution made by the Bank to the BFA Pension Plan was mAOA 3 098 194, which included mAOA 44 797 of advances on future contributions, which was used in the first half of 2014. At December 31, 2018 & 2017, the Bank's contributions to the BFA Pension Fund amounted to mAOA 1 474 049 and mAOA 606 175, respectively (Note 26).

The BFA Pension Plan is managed by Fenix – Sociedade Gestora de Fundos de Pensões, SA. The Bank acts as depositary of the Fund.

19. OTHER LIABILITIES

The composition of this item is as follows:

	31/12/18	31/12/17
Foreign exchange transactions		
Forward currency transactions	2 305 079	992 231
Foreign currency purchase and sale	-	-
	2 305 079	**992 231**
Liabilities under company law or the Bylaws		
Dividend cost	-	10 636 834
	-	**10 636 834**
Tax payable – tax withheld on behalf of others		
On income	206 575	162 962
Other	354 882	251 900
	561 457	**414 862**
Liabilities of a civil nature	1 529 579	284 817
Liabilities of an administrative or commercial nature		
Staff – salaries and other remuneration		
Holiday pay and holiday subsidy	3 326 239	1 713 805
Performance bonus	1 234 428	543 166
Other staff costs	907 633	597 162
	6 997 879	**3 138 950**
Other administrative and sales expenses payable		
Accruals	2 498 401	1 676 111
Monthly expenses	7 793 890	1 404 590
Movements in ATMs - pending settlement	3 747 919	2 673 870
Other	4 477 509	717 126
	18 517 719	**6 471 697**
	28 382 134	**21 654 574**

At December 31, 2017, “Dividend expense” includes the dividends approved by the Bank for distribution to its shareholders. At December 31, 2018, this item has a zero balance, owing to the allocation of earnings in 2018 (Note 20).

At December 31, 2018 & 2017, “Other administrative and marketing costs payable – Other” includes mAOA 1 009 554 and mAOA 276 795, respectively, relating to amounts blocked in customers’ accounts that await compensation for bank transfer requests.

At December 31, 2018 & 2017, the balance of “Movements via ATMs - to be regularised” relates to transactions carried out via ATMs that were regularised in the first days of the following month.

20. SHAREHOLDERS’ EQUITY

Share capital

The Bank was incorporated with a share capital of mAOA 1 305 561 (equivalent to EUR 30 188 657 at the exchange rate prevailing on 30 June 2002), represented by 1 305 561 registered shares with a par value of one thousand kwanzas per share, subscribed and paid up by incorporation of all the assets and liabilities, including real estate assets or rights of any nature, as well as all the rights and obligations of the former Branch.

At the end of 2004, 2003 and 2002, the Bank increased its share capital by mAOA 537 672, mAOA 1 224 333 and mAOA 454 430, respectively, by incorporating the special equity-maintenance reserve set up to maintain the equivalent value in kwanzas of the initial foreign-currency capital contribution.

At the General Meeting of October 4, 2018, the shareholders decided unanimously to increase BFA's capital through the capitalisation of mAOA 11 478 003 of reserves included in "Other reserves and retained earnings". This capital increase was carried out pursuant to Banco Nacional de Angola Notice 02/2018, which sets the minimum amount of fully paid-up share capital in local currency at mAOA 7 500 000.

The Bank has not updated its share capital since 2005, as Angola is no longer considered a hyperinflationary economy.

Consequently, at December 31, 2018 & 2017, the Bank's share capital amounts to mAOA 15 000 000, represented by 15 000 000 registered shares with a value of one thousand kwanzas per share. At December 31, 2018 & 2017, the share-capital update monetary reserve (Note 2.9) amounted to mAOA 450 717.

The shareholder structure of the Bank at December 31, 2018 & 2017 is as follows:

	31/12/2018		31/12/2017	
	Number of shares	%	Number of shares	%
Unitel, S.A.	7 785 000	51,90%	677 586	51,90%
Banco BPI, S.A.	7 213 050	48,09%	627 711	48,08%
Other BPI Group entities	1 950	0,01%	264	0,02%
	15 000 000	**100%**	**1 305 561**	**100%**

On October 7, 2016, Unitel, SA (Unitel) concluded with Banco BPI, SA (BPI) an agreement for the purchase of 2% of the BFA share capital, implementation of which entailed an increase of the percentage of Unitel's holding in BFA from 49.9% to 51.9%. On the same date a new shareholders' agreement was also signed relating to BFA.

Finalisation of this operation was subject to the following conditions precedent:

- Authorisation by Banco Nacional de Angola (BNA) of the increase in the qualifying holding already held by Unitel in BFA and authorisation of the capital operations necessary for the payment to Banco BPI and of the transfer to Portugal of the agreed price of 28 million euros;
- BNA authorisation for the alteration of BFA's bylaws;
- Approval of the operation by the General Meeting of Banco BPI.

On December 12, 2016, Banco Nacional de Angola announced that it was not opposed to the performance of the following acts:

i) Partial amendment of the BFA bylaws;
ii) Increase in the qualifying holding of Unitel in the share capital of BFA through the acquisition from Banco BPI of 26 111 common shares representing 2% of BFA's share capital;
iii) Indirect acquisition of the qualifying holding representing 48.10% of the BFA share capital, following the settlement of the general and mandatory public-acquisition offering issued by Caixabank on the whole of the shares representing the Banco BPI share capital.

BNA set as a condition that the three operations mentioned above are indivisible, that is, it is assumed that they must occur simultaneously, or nearly simultaneously, or, if for any reason it is not possible ensure simultaneity, the operation referred to in (ii) must precede the operations listed under (i) and (iii).

On January 5, 2017, in execution of the purchase and sale of shares agreement concluded in 2016, Banco BPI completed the sale to Unitel of said holding representing 2% of the BFA share capital.

Revaluation reserves

Revaluation reserves correspond to pending results (net of applicable tax charges) that are likely to arise from transactions and other events and circumstances that are not recorded immediately in the income statement for the period when recognised by the Bank.

At December 31, 2018 & 2017, the revaluation reserves relate to the fixed asset revaluation reserve.

Up to and including December 31, 2007, in accordance with applicable legislation, the Bank revalued its property, plant and equipment by applying coefficients that reflected the monthly change in the official euro exchange rate to the gross carrying amounts of property, plant and equipment and associated accumulated depreciation, expressed in kwanzas in the Bank's accounting records at the end of the preceding month. As from 2008, the Bank no longer revalued its property, plant and equipment (Note 2.10).

The revaluation reserves can only be used to absorb accumulated losses or to increase share capital.

Other reserves and retained earnings

The breakdown of these headings is as follows:

	31/12/2018	31/12/2017
Reserves and funds		
Legal reserve	5 161 890	5 161 890
Other reserves	165 783 342	137 948 277
	170 945 232	**143 110 167**

By unanimous resolution of the General Meeting of April 19, 2018, it was decided to distribute mAOA 27 634 010, corresponding to 40% of the net profit for the previous year (mAOA 69 085 024), to the shareholders as dividends, the remainder (mAOA 41 451 014) being allocated to "Other reserves".

At the General Meeting of October 4, 2018, the shareholders decided unanimously to increase BFA's capital through the capitalisation of reserves totalling mAOA 11 478 004 included in "Other reserves and retained earnings". This capital increase was carried out pursuant to Banco Nacional de Angola Notice 02/2018, which sets the minimum amount of fully paid-up share capital in local currency at mAOA 7 500 000.

Under current law, the Bank is required to set aside a legal reserve fund until such time as the fund equals its share capital. For that purpose, at least 20% of the previous year's net profit is annually transferred to this reserve. This reserve can only be used to cover accumulated losses when other reserves set aside have been used up.

Other reserves and retained earnings also includes mAOA 2 137 945 for the transitional adjustment arising from implementation of IFRS 9 (Note 4).

Earnings and dividend per share

The earnings per share and dividend paid in the years ended December 31, 2017 & 2018, out of the previous year's profits, were as follows:

	31/12/2018	31/12/2017
Earnings per share	66.54	26.38
Dividend per share paid in the period out of prior period profit	10 552	9 427

The weighted average number of ordinary shares in circulation was calculated taking into account the increase in issued and paid-up share capital on November 26, 2018 in proportion to each shareholder's holding at that date, through the issue of 13 694 439 shares with a nominal value of AOA 1 000 per share, specifically:

	Shares issued
1 January 2018	1 305 561
issue of new shares (26 November 2018)	13 694 439
31 December 2018	15 000 000
Average no. of shares in 2018	2 618 726

21. NET INTEREST INCOME

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
INTEREST INCOME AND SIMILAR INCOME		
From short-term investments:		
Term deposits at credit institutions abroad	2 601 952	680 645
Term deposits at credit institutions in Angola	462 720	482 432
Other	391 052	28 074
Income from reverse repurchase agreements	439 987	614 633
	3 895 711	**1 805 784**
From securities:		
From securities held for trading		
Treasury bills	32 267 471	70 021 171
Central Bank bonds	4 195 730	2 870 916
Treasury bonds in local currency	12 841 672	2 116 282
From securities held to maturity		
Treasury bills	-	-
Treasury bonds in domestic currency indexed to foreign currency and in foreign currency	34 778 219	7 869 168
Treasury bonds in local currency	29 447 952	20 291 560
	113 531 044	**103 169 097**
From derivative financial instruments:		
In speculation and arbitrage	-	2 485 385
From loans granted		
Companies and government		
Loans	14 150 531	12 387 037
Current account facility	5 725 711	5 373 382
Overdrafts	-	-
Other credit	17 228	20 596
Individuals		
Home loans	1 126 902	983 697
Consumer loans	5 633 886	4 214 338
Other purposes	1 705 591	1 533 442
Overdue interest	2 113 378	1 483 470
Total interest income and similar income	**147 899 982**	**133 456 228**

	31/12/2018	31/12/2017
INTEREST EXPENSE AND SIMILAR CHARGES		
Of deposits:		
Demand deposits	354 746	325 497
Term deposits	26 984 337	23 297 827
	27 339 083	**23 623 324**
Of short-term borrowings:		
Interbank money market transactions	2 827 912	1 284 316
Repurchase transactions	-	-
	2 827 912	**1 284 316**
Other interest expense and similar charges	-	726 134
	-	726 134
Total interest expense and similar charges	**30 166 995**	**25 633 773**

22. FEE AND COMMISSION INCOME/(EXPENSE)

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/18	31/12/17
Fee income from services provided		
Fees for payment orders issued	2 636 768	2 154 243
Fees for guarantees and sureties given	474 065	447 834
Fees for import documentary credits opened	2 080 947	1 073 417
Other fee and commission income	11 288 520	10 809 620
	16 480 300	**14 485 114**
Fee and custody expenses		
Fee and commission expense	(3 216 188)	(2 369 283)
	(3 216 188)	**(2 369 283)**

The amount recorded under “Other fee and commission income” consists mainly of fee and commission income associated with credit card transactions and Multicaixa transactions.

23. FOREIGN EXCHANGE GAINS/(LOSSES)

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Exchange gains/(losses) on assets and liabilities denominated in foreign currency	132 312 465	1 189 470
Foreign currency purchase and sale transactions	10 504 279	8 934 699
	142 816 744	**10 124 169**

In 2018 and 2017, the item “Exchange gains/(losses) on assets and liabilities” refers mainly to foreign exchange gains and losses related to: (i) assets and liabilities of the Bank in foreign currency, (ii) exchange rate forwards and (iii) securities in kwanzas linked to the US dollar.

The increase in these results is due overall to the sharp depreciation of the kwanza against the United States dollar and the euro in 2018 (Note 2.2).

24. GAINS/(LOSSES) ON DISPOSAL OF OTHER ASSETS

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Gains/(losses) on disposal of fixed assets		
Gains on disposal of tangible assets	106 023	110 897
Losses on disposal of tangible assets	(9 572)	(1 422)
	96 451	**109 475**

25. OTHER OPERATING INCOME/(EXPENSE)

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Other operating income/(expense):		
Non-income related taxes and levies	(2 484 424)	(522 655)
Penalties imposed by regulatory authorities	(73 040)	(21 319)
Recovery of administrative and commercial costs	3 167 407	2 510 913
Other	(192 575)	1 484 485
	417 368	**3 451 424**

In 2018 and 2017 "Other operating income/(expense) – Recovery of administrative and commercial costs" relates primarily to: (i) reimbursement of communication and dispatch costs borne by the Bank, notably in payment-order transactions; and (ii) card income through national transfers and cash advances.

During 2018 & 2017, "Other operating income/(expense) – Other" includes income from loan recoveries and interest previously cancelled or written off in the amounts of mAOA 242 935 and mAOA 372 116, respectively (Note 10).

In 2018, "Other operating income/(expense) – Non-income-related taxes and levies" includes the estimated cost for the purpose of the initial contribution to capitalise the Deposit Guarantee Fund in the amount of mAOA 2 343 598.

26. STAFF COSTS

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Members of management and supervisory bodies		
Monthly remuneration	230 348	185 813
Additional remuneration	378 723	166 104
Mandatory employee welfare payments	3 417	5 175
Optional employee welfare payments	-	381
	612 488	**357 473**
Employees		
Monthly remuneration	13 657 879	8 146 772
Additional remuneration	12 700 977	7 031 112
Mandatory employee welfare payments	815 357	523 191
Optional employee welfare payments	1 694 366	1 116 766
	28 868 579	**16 817 841**
Pension plan costs		
Supplementary pension plan	1 521 448	606 175
Retirement benefits	-	69 857
Other	60 562	94 920
	1 582 010	770 953
	31 063 077	**17 946 267**

27. THIRD-PARTY SUPPLIES & SERVICES

The composition of this item for the years ended December 31, 2018 & 2017 is as follows:

	31/12/2018	31/12/2017
Audits, consulting and other specialised technical services	9 622 768	4 281 110
Security, maintenance and repairs	3 802 595	1 677 990
Transport, travel and accommodation	1 968 349	1 277 512
Rents	1 896 636	1 267 823
Communications	1 309 556	1 186 579
Water and energy	1 085 313	891 612
Publications, advertising and direct mail	1 703 166	883 804
Sundry materials	1 032 946	717 023
Insurance	399 950	428 005
Other third-party supplies	577 358	397 126
	23 398 637	**13 008 584**

28. OFF-BALANCE SHEET DISCLOSURES

The composition of these items is as follows:

	31/12/2018	31/12/2017
Liabilities to third parties:		
Guarantees given	34 589 173	27 580 970
Commitments to third parties		
- Documentary credits opened	33 304 708	19 742 663
	67 893 881	**47 323 633**
Liabilities for services provided:		
Services provided by the institution		
- Securities custody	781 130 911	427 282 494
- Clearing of foreign cheques	(35 459 627)	(18 646 288)
- Documentary remittances	134 265	111 235
	745 805 549	**408 747 440**

The balance of “Documentary credits opened” at December 31, 2018 & 2017 includes open documentary credits secured by deposits blocked at the Bank in the amount of mAOA 3 112 747 and mAOA 3 245 464, respectively (Note 16).

At December 31, 2018 & 2017, the Bank had set aside impairment provisions of mAOA 702 250 and mAOA 716 415, respectively, to cover the credit risk assumed in granting guarantees and issuing documentary credits (Notes 10 and 18).

The balance of “Securities custody” at December 31, 2018 & 2017 relates primarily to customer securities entrusted to the Bank for safe custody.

29. RELATED PARTIES

In accordance with IAS 24, entities related to the Bank are considered to be:

- those in which the Bank directly or indirectly has significant influence over their management and financial policy (associated companies and joint ventures and the Pension Fund);
- entities directly or indirectly having significant influence over the Bank’s management and financial policy (shareholders); and
- key management personnel of the Bank, who for this purpose include executive and non-executive members of the Board of Directors and companies in which the members of the Board of Directors have significant influence.

The Bank's main balances and transactions with related parties at December 31, 2018 & 2017 are as follows:

	31/12/2018						
	BFA shareholders						
	BPI Group	Unitel Group	Members of BFA's Board of Directors	Companies in which BFA Board members have significant influence	Investees	BFA Pension Fund	Total
Cash and banks							
Cash and demand deposits in credit institutions	46 196 725	-	-	-	-	-	46 196 725
Short-term investments							
Other loans to credit institutions	105 172 187	-	-	-	-	-	105 172 187
Loans and advances	-	618 160	237 477	14 874 852	-	-	15 730 489
Customer deposits							
Demand deposits	-	(3 016 770)	(870 268)	(580 266)	-	-	(4 467 304)
Term deposits	-	(92 417 293)	(160 661)	(365 346)	(54 279)	(3 366 384)	(96 363 963)
Other liabilities	-	-	-		-	-	-
Interest income and similar income	1 513 729	n.d.	n.d.	n.d.	n.d.	n.d.	1 513 729
Interest expense and similar charges	-	n.d.	n.d.	n.d.	n.d.	n.d.	-
Fee and commission expense and other costs	-	n.d.	n.d.	n.d.	n.d.	n.d.	-
Securities deposited	-	(138 678 231)	(1 244 112)	(159 413)	(278 519)	(13 585 935)	(153 946 209)
Participation units	-	-	(30 800)	-	-	-	(30 800)
Documentary credits	-	-	-	-	-	-	-
Bank guarantees	-	8 990 146	-	8 640	-	-	8 998 786

	31/12/2017						
	BFA shareholders						
	BPI Group	Unitel Group	Members of BFA's Board of Directors	Companies in which BFA Board members have significant influence	Investees	BFA Pension Fund	Total
Cash and banks							
Cash and demand deposits in credit institutions	22 970 121	-	-	-	-	-	22 970 121
Short-term investments	-	-	-	-	-	-	
Other loans to credit institutions	81 641 819	-	-	-	-	-	81 641 819
Loans and advances	-	1 325 257	133 459	2 067 886	-	-	3 526 602
Customer deposits	-	-	-	-	-	-	
Demand deposits	-	(2 479 853)	(249 945)	(1 588 986)	(76 654)	-	(4 395 438)
Term deposits	-	(110 201 293)	(90 645)	(46 185)	(4 989)	(429 118)	(110 772 229)
Other liabilities	(10 636 834)	-	-	-	-	-	(10 636 834)
Interest income and similar income	625 068	n.d.	n.d.	n.d.	n.d.	n.d.	625 068
Interest expense and similar charges	-	n.d.	n.d.	n.d.	n.d.	n.d.	-
Fee and commission expense and other costs	(165 695)	n.d.	n.d.	n.d.	n.d.	n.d.	(165 695)
Securities deposited	-	(20 797 219)	(174 118)	-	(52 380)	(8 580 048)	(29 603 765)
Participation units	-	(171 748)	(27 700)	-	-	-	(199 448)
Documentary credits	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-

The information reported at December 31, 2018 & 2017 does not include income received or expenses incurred in transactions with the Unitel Group, the members of the BFA Board of Directors or companies in which the latter have significant influence.

30. BALANCE SHEET BY CURRENCY

The balances at December 31, 2018 & 2017, by currency, are shown below:

	2018			2017		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Cash and balances at central banks	139 110 675	72 942 887	212 053 562	181 406 960	40 232 422	221 639 382
Balances held at other credit institutions	-	90 786 322	90 786 322	-	34 998 048	34 998 048
Funds deposited at central banks and other credit institutions	45 734 258	210 640 075	256 374 333	34 004 716	99 344 067	133 348 784
Financial assets at fair value through profit or loss	181 346 699	1 346 336	182 693 035	543 446 232	658 276	544 104 508
Investments at amortised cost	438 667 002	184 574 189	623 241 191	173 055 845	109 606 083	282 661 928
Loans and advances to customers	172 720 230	123 122 264	295 842 494	114 381 104	80 427 764	194 808 868
Non-current assets held for sale	-	136 362	136 362	-	73 316	73 316
Investments in subsidiaries, associates and joint ventures	50 375	-	50 375	50 375	-	50 375
Other tangible assets	22 826 858	-	22 826 858	18 974 986	-	18 974 986
Intangible assets	1 313 373	-	1 313 373	1 155 500	-	1 155 500
Current tax assets	4 913	-	4 913	4 524	-	4 524
Deferred tax assets	5 058 274	863 626	5 921 900	3 763 050	-	3 763 050
Other assets	4 514 264	7 968 841	12 483 105	6 214 941	1 266 231	7 481 172
Total assets	**1 011 346 921**	**692 380 902**	**1 703 727 823**	**1 076 458 234**	**366 606 207**	**1 443 064 441**
Funds of central banks and other credit institutions	1 913 310	3 149 569	5 062 879	110 376 377	3 265 082	113 641 459
Customer funds and other borrowings	618 675 355	613 452 894	1 232 128 249	695 536 812	362 704 622	1 058 241 434
Financial liabilities at fair value through profit or loss	3 234 284	-	3 234 284	670 628	-	670 628
Provisions	26 286 110	14 308 851	40 594 961	19 690 458	6 579 368	26 269 826
Current tax liabilities	32 410 583	6 213	32 416 796	5 161 458	3 330	5 164 788
Other liabilities	(35 801 450)	64 183 584	28 382 134	(29 965 739)	51 620 313	21 654 574
Total liabilities	**646 718 192**	**695 101 111**	**1 341 819 303**	**801 469 994**	**424 172 715**	**1 225 642 709**
Net assets/(liabilities)	**364 628 729**	**(2 720 209)**	**361 908 520**	**274 988 240**	**(57 566 508)**	**217 421 732**
Shareholders' equity	**361 908 520**	**-**	**361 908 520**	**217 421 732**	**-**	**217 421 732**

The above table includes securities in kwanzas indexed to the US dollar.

Including in the foreign currency balances (i) securities in kwanzas indexed to the US dollar ("Financial assets at fair value through profit or loss" in the amounts of mAOA 76 356 758 and mAOA 182 216 515 at December 31, 2018 & 2017, respectively; and "Investments held to maturity" in the amounts of mAOA 5 380 364 and mAOA 24 940 340 at December 31, 2018 & 2017, respectively); and (ii) the notional amounts of forwards (recognised at December 31, 2018 & 2017 in off-balance sheet accounts under the heading of "Other assets in local currency" in the amounts of mAOA 58 579 176 and mAOA 68 164 091, respectively), the balance sheet structure by currency is as follows:

	2018			2017		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Cash and balances at central banks	139 110 675	72 942 887	212 053 562	181 406 960	40 232 422	221 639 382
Balances with other credit institutions	-	90 786 322	90 786 322	-	34 998 048	34 998 048
Funds deposited in central banks and other credit institutions	45 734 258	210 640 075	256 374 333	34 004 717	99 344 067	133 348 784
Financial assets at fair value through profit or loss	104 989 941	77 703 094	182 693 035	361 229 717	182 874 791	544 104 508
Investments held to maturity	433 286 638	189 954 553	623 241 191	148 115 505	134 546 423	282 661 928
Loans and advances to Customers	172 720 230	123 122 264	295 842 494	114 381 104	80 427 764	194 808 868
Non-current assets held for sale	-	136 362	136 362	-	73 316	73 316
Investments in subsidiaries, associates and joint ventures	50 375	-	50 375	50 375	-	50 375
Other tangible assets	22 826 858	-	22 826 858	18 974 986	-	18 974 986
Intangible assets	1 313 373	-	1 313 373	1 155 500	-	1 155 500
Current tax assets	4 913	-	4 913	4 524	-	4 524
Deferred tax assets	5 058 274	863 626	5 921 900	3 763 050	-	3 763 050
Other assets	63 093 440	7 968 841	71 062 281	74 379 032	1 266 231	75 645 262
Total assets	**988 188 975**	**774 118 024**	**1 762 306 999**	**937 465 470**	**573 763 062**	**1 511 228 531**
Funds of central banks and other credit institutions	1 913 310	3 149 569	5 062 879	110 376 377	3 265 082	113 641 459
Customer funds and other borrowings	618 675 355	613 452 894	1 232 128 249	695 536 812	362 704 622	1 058 241 434
Financial liabilities at fair value through profit or loss	3 234 284	-	3 234 284	670 628	-	670 628
Provisions	26 286 110	14 308 851	40 594 961	19 690 458	6 579 368	26 269 826
Current tax liabilities	32 410 583	6 213	32 416 796	5 161 458	3 330	5 164 788
Other Liabilities	(35 801 450)	122 762 760	86 961 310	(29 965 739)	119 784 403	89 818 664
Total liabilities	**646 718 192**	**753 680 287**	**1 400 398 479**	**801 469 994**	**492 336 805**	**1 293 806 799**
Net assets/(liabilities)	**341 470 783**	**20 437 737**	**361 908 520**	**135 995 476**	**81 426 257**	**217 421 732**
Shareholders' equity	**361 908 520**	**-**	**361 908 520**	**217 421 732**	**-**	**217 421 732**

Loans and advances to customers granted by the Bank and denominated in foreign currency, including US dollars, are detailed in the above table in the "Foreign currency" column. However, in accordance with article 4(2) of Banco Nacional de Angola Notice 3/2012, financial institutions, in collecting the instalments of loans granted, must accept funds in the accounts of their customers in any currency, regardless of the currency contracted. This requirement only applies to loan transaction contracted after the entry into force of the notice in question. It should be said that the Bank's customers have generally paid the instalments of principal and interest of loans denominated in US dollars in the equivalent amount in kwanzas on the settlement date, under the option provided for in BNA Notice 3/2012.

31. RISK MANAGEMENT

BFA's activities are exposed to a variety of financial risk factors, including the effects of changes in market prices: foreign exchange risk, credit risk, liquidity risk and interest rate cash flow risk, among others.

The management of BFA's risks is overseen by the Risk Management Department in accordance with policies approved by the Board of Directors. The Board of Directors has thus set down in writing the main principles of general risk management, as well as specific policies for certain areas, such as the hedging of interest rate risk, liquidity risk and credit risk.

The Board of Directors defines the principles of risk management as a whole and the policies covering particular areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, as well as the investment of excess liquidity.

31.1 CREDIT RISK

Credit risk is the risk of default by the counterparties with which the Bank has open positions in financial instruments as the creditor. In accordance with BFA's General Lending Regulations, the granting of loans by the Bank is based on the following basic principles:

Submission of proposals

Proposals for loans or guarantees submitted to BFA for approval:

- Must provide all the necessary details in a Term Sheet containing all the essential and additional information required for the granting of the loan or guarantee;

- Must comply with the relevant product specifications;

- Must be accompanied by a duly substantiated analysis of the credit risk;

- Must be signed by the bodies submitting the proposal.

Credit-risk analysis

Credit risk analysis takes into account the Bank's total exposure to the customer or group to which the customer belongs, in accordance with applicable legislation. The exposures relating to the same customer or economic group are classified on the basis of those that constitute the greatest risk.

At present, taking into account Banco Nacional de Angola's regulations:

- The liabilities of an individual customer include all the customer's current and potential liabilities to the Bank, whether contracted or committed, in respect of financing and guarantees (the Bank's total exposure to the customer);

- The liabilities of a group of customers include all the liabilities of the individual customers in the group to the Bank (the Bank's total exposure to the group); and

- The existence of guarantees with sovereign risk or immediate liquidity impacts on the calculation of the overall exposure.

Risk Classification

The Bank classifies loan transactions by increasing order of risk, in keeping with the following classes:

Level A: Minimum 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

Individual exposures are classified taking the characteristics and risks of the transaction and the borrower into account and initially are classified on the basis of the following criteria adopted by the Bank:

- **Level A**: transactions that are:

(i) assumed by the Angolan State, including central and provincial government;

(ii) assumed by central governments, central banks of Group 1 countries (as defined in BNA Instruction 1/2015 of January 14), multilateral development banks and international organisations;

(iii) fully secured by cash deposits or certificates of deposit constituted or issued by the lending institution, or by institutions in a controlling or group relationship with the lending institution, with their head office in Angola or a Group 1 country, multilateral development banks and international organisations, provided the exposure and the deposit or certificate are denominated in the same currency;

(iv) fully secured by cash deposits or certificates of deposit made or issued by the lending institution, or by a branch of the lending institution, not covered by the preceding paragraph, provided the exposure and the deposit or certificate are denominated in the same currency;

(v) fully secured by securities or bonds issued by the Angolan State or by Banco Nacional de Angola.

- **Level B and following**: other loans.

The classification of exposures is reviewed whenever there are changes in the signs of impairment in late payments, in the charges and in the characteristics of the exposures, noting that:

Risk levels	B	C	D	E	F	G
Time past due	up to 30 days or with no evidence of impairment	from 30 to 60 days	from 60 to 90 days	from 90 to 150 days	from 150 to 180 days	more than 180 days

Within the scope of the regular review of loan transactions, including past-due loans, BFA reclassifies non-performing loans to performing on the basis of an analysis of the economic prospects of collectability, having regard to collateral, the borrowers' or guarantors' assets, and the existence of transactions whose risk BFA equates to sovereign risk, or when a loan's past-due status is exclusively the Bank's responsibility due to failures in its processes.

Association of guarantees

For loans to individuals or small enterprises with maturity of more than 36 months, in the absence of financial collateral, BFA will as a general rule require the presentation of real-estate collateral.

Loan transactions are secured by guarantees considered adequate to the borrower's risk and the nature and term of the transaction, which are duly substantiated in terms of sufficiency and liquidity.

Real estate collateral is appraised before the loan approval decision is taken and such appraisals are reviewed periodically. Exceptions to this rule (with the decision conditional on a subsequent appraisal) imply that the loan will only be disbursed after the Bank obtains the appraisal of the collateral.

The main types of collateral for loans to customers are:

- Mortgages on residential properties;
- Liens on corporate assets, such as plant, inventory or receivables;
- Liens on financial instruments, such as debt securities or shares; and
- Liens on term deposits at the Bank.

Long-term financing and loans to corporates are usually collateralised. By contrast, revolving loans tend to be unsecured.

The collateral taken to secure financial assets, except for loans and advances to customers, always depends on the type of financial instrument. Debt instruments do not usually have collateral, except for securitised instruments, which are backed by portfolios of financial instruments. Derivatives, on the other hand, do have collateral.

The Bank's policies on collateral did not change significantly during the reporting period and there were no material changes in the quality of the collateral held by the Bank compared to the previous period.

The Bank monitors the collateral for impaired loans to customers, as the Bank is more likely to enforce such collateral to mitigate possible credit losses. Details of credit-impaired loans to customers (Stage 3) and the associated collateral are as follows:

	31/12/2018			
	Gross loans	**Impairment**	**Net loans**	**Fair value of collateral**
Individuals				
Credit cards	4 635	535	4 100	-
Current accounts	19 555	19 555	-	61 721
Financing loans	1 301 033	1 068 717	232 316	8 855 718
Income loans	5 462 159	3 484 076	1 978 083	26 657 392
Overdrafts	57 863	44 679	13 184	-
	6 845 245	**4 617 562**	**2 227 683**	**35 574 831**
Companies				
Current accounts	2 011 565	978 925	1 032 640	3 354 787
Financing loans	29 803 509	7 855 647	21 947 862	127 492 001
Income loans	285 580	192 611	92 969	3 946 258
Overdrafts	1 175 262	1 096 347	78 915	-
	33 275 916	**10 123 530**	**23 152 386**	**134 793 046**
Total	**40 121 161**	**14 741 092**	**25 380 069**	**170 367 877**

Exclusions due to incidents

The Bank does not lend to customers who have a record of material incidents in the past 12 months, or to companies belonging to the same group as customers who are in such a situation. The following are considered material incidents:

- Payments of principal or interest to a financial institution more than 45 days past due;
- Improper use of cards or payment systems for which the person or entity is responsible;
- Pending legal actions against that person or entity that may have a potential adverse impact on its economic or financial situation.

Exceptions to these rules may only be approved by the Executive Committee of the Board of Directors or by the Board of Directors of BFA.

Restructuring

In principle, BFA only formalises restructuring of current loans after evaluation of the customer's ability to comply with the new plan, if one of the following criteria is met:

- New (more liquid or more valuable) collateral is provided for the new loan;
- All outstanding ordinary and default interest is paid (if the loan is in default);
- A significant partial payment of the outstanding principal (current or past due) is made.

Exceptionally, where none of the above conditions is met, BFA may allow a restructuring of debts of individuals if, in the previous six months, the debtor has made monthly deposits of an amount at least equal to the monthly instalment established for the restructured loan.

Loans restructured on account of the customer's financial difficulties are generally typified in the general credit regulation and comply with the specific rules of the regulator in this matter.

Restructured loans are flagged to indicate risk deterioration and are monitored periodically for compliance with the established plan, and are only deflagged when certain conditions of regularity in compliance with the plan have been met.

Renegotiated loans are kept at a risk level at least as high as the one they were classified at in the month immediately before the renegotiation. A loan is only reclassified to a lower risk level if there are regular, substantial principal repayments or payment of past-due and default interest, or if the quality and value of additional collateral posted for the renegotiated loan so warrants.

Monitoring of past-due loans

Loans up to 60 days past due are generally handled by sales staff and monitored by a specialised team. For loans more than 60 days past due, management of the relationship is transferred to that specialised team, whose mission is to co-operate in loan recovery measures, with the possibility of taking over the restructuring negotiations and proposals. This team is responsible for monitoring cases under its management.

Restructuring negotiations are conducted in accordance with the principles stated above. This team is responsible for managing the relationship with the customer, with a view to recouping the loan, with recourse to court action if necessary.

Impairments

BFA has implemented an impairment-loss calculation model for the loan portfolio in accordance with the requirements of IFRS 9.

This model was used and its results were calculated for the first time at June 1, 2018 (Note 4). Since that reference date monthly calculations have been carried out. The half-year results are approved by the Bank's Board of Directors.

Securities

BFA's securities portfolio is selected with regard to the high credit quality of the issuers and at December 31, 2018 & 2017 was made up mainly of securities issued by the Angolan State and Banco Nacional de Angola.

The breakdown of the maximum credit-risk exposure at December 31, 2018 & 2017 is as follows:

	31/12/2018			31/12/2017		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
On-balance-sheet funds						
Cash and balances at central banks	212 053 562	-	212 053 562	221 639 382	-	221 639 382
Balances with other credit institutions	91 035 833	249 511	90 786 322	34 998 048	-	34 998 048
Funds deposited in central banks and other credit institutions	256 853 327	478 994	256 374 333	133 348 784	-	133 348 784
Financial assets at fair value through profit or loss	182 693 035	-	182 693 035	544 104 508	-	544 104 508
Investments at amortised cost	626 037 969	2 796 778	623 241 191	282 661 928	-	282 661 928
Loans and advances to Customers	315 538 584	19 696 090	295 842 494	213 539 613	18 730 745	194 808 868
	1 684 212 310	23 221 373	1 660 990 937	1 430 292 263	18 730 745	1 411 561 518
Off-balance-sheet						
Guarantees given and documentary credits opened	67 893 881	702 250	67 191 631	47 323 633	716 415	46 607 218
Total	**1 752 106 191**	**23 923 623**	**1 728 182 568**	**1 477 615 896**	**19 447 160**	**1 458 168 736**

The credit quality of the financial assets at December 31, 2018 & 2017 is as follows:

	Source of rating	Rating grade	31/12/2018 Gross exposure	Impairment	Net exposure
Cash and balances at central banks	External rating	B+ to B-	-	-	-
	Unrated	N/A	212 053 562	-	212 053 562
			212 053 562	-	212 053 562
Balances held at other credit institutions	External rating	A+ to A-	3 027 789	(142)	3 027 647
		BBB+ to BBB-	68 763 013	(207 912)	68 555 101
		BB+ to BB-	1 697 666	(5 099)	1 692 567
		B+ to B-	12 518 898	(20 010)	12 498 888
	Unrated	N/A	5 028 467	(16 348)	5 012 119
			91 035 833	(249 511)	90 786 322
Funds deposited at central banks and other credit institutions	External rating	A+ to A-	53 294 618	(35 322)	53 329 940
		BBB+ to BBB-	105 172 187	(324 371)	105 496 558
		BB+ to BB-	17 650 858	(57 764)	17 708 622
		B+ to B-	24 808 349	(28 179)	24 836 528
	Unrated	N/A	55 927 315	(33 358)	55 960 673
			256 853 327	(478 994)	256 374 333
Financial assets at fair value through profit or loss	External rating	B+ to B-	180 658 091	-	180 658 091
	Unrated	N/A	2 034 944	-	2 034 944
			182 693 035	-	182 693 035
Investments at amortised cost	External rating	B+ to B-	626 037 969	(2 796 778)	623 241 191
Loans and advances to customers - On-balance-sheet	Internal rating	Class A	127 817 919	(1 859 623)	125 958 296
		Class B	142 190 301	(2 804 603)	139 385 698
		Class C	28 027 211	(2 562 546)	25 464 665
		Class D	507 873	(135 422)	372 451
		Class E	2 057 493	(804 995)	1 252 498
		Class F	1 261 653	(691 161)	570 492
		Class G	13 676 134	(10 837 740)	2 838 394
			315 538 584	(19 696 090)	295 842 494
Loans and advances to customers - Off-balance-sheet	Internal rating	Class A	12 308 187	(132 527)	12 175 660
		Class B	55 483 175	(569 723)	54 913 452
		Class C	-	-	-
		Class D	101 593	-	101 593
		Class E	-	-	-
		Class F	-	-	-
		Class G	926	-	926
			67 893 881	**(702 250)**	**67 191 631**
		Total	**1 752 106 191**	**(23 923 623)**	**1 728 182 568**

	Source of rating	Rating grade	31/12/2017 Gross exposure	Impairment	Net exposure
Cash and balances at central banks	External rating	B+ to B-	187 564 231	-	187 564 231
	Unrated	N/D	34 075 151	-	34 075 151
			221 639 382	-	221 639 382
Balances held at other credit institutions	External rating	A+ to A-	344 339	-	344 339
		BBB+ to BBB-	33 794 376	-	33 794 376
		BB+ to BB-	859 333	-	859 333
	Unrated	N/D	-	-	-
			34 998 048	-	34 998 048
Funds deposited at central banks and other credit institutions	External rating	A+ to A-	1 093 634	-	1 093 634
		BBB+ to BBB-	98 250 433	-	98 250 433
		BB+ to BB-		-	-
	Unrated	N/D	34 004 717	-	34 004 717
			133 348 784	-	133 348 784
Financial assets at fair value through profit or loss	External rating	B+ to B-	540 371 262	-	540 371 262
	Unrated	N/D	3 733 246	-	3 733 246
			544 104 508	-	544 104 508
Investments at amortised cost	External rating	B+ to B-	282 661 928		282 661 928
Loans and advances to customers - On-balance-sheet	Internal rating	Class A	85 806 163	(1 030 479)	86 836 642
		Class B	84 770 611	(1 804 890)	82 965 721
		Class C	21 571 270	(1 309 670)	20 261 600
		Class D	1 723 298	(460 045)	1 263 253
		Class E	2 889 183	(208 133)	2 681 050
		Class F	2 437 589	(570 941)	1 866 648
		Class G	14 341 499	(13 346 587)	994 912
			213 539 613	(18 730 745)	194 808 868
Loans and advances to customers - Off-balance-sheet	Internal rating	Class A	697 759	(14 014)	683 745
		Class B	46 455 875	(655 844)	45 800 031
		Class C	10 842	(3 757)	7 085
		Class D	54 622	(10 924)	43 698
		Class F	102 196	(30 659)	71 537
		Class G	2 339	(1 217)	1 122
			47 323 633	**(716 415)**	**46 607 218**
		Total	**1 477 615 896**	**(19 447 160)**	**1 458 168 736**

The breakdown of interest income and expense of the financial instruments not measured at fair value through profit or loss, net of impairment, at December 31, 2018 & 2017 is as follows:

	31/12/2018			31/12/2017		
	Income	Expense	Net	Income	Expense	Net
Assets						
Funds deposited at central banks and other credit institutions	3 895 711	124 815	3 770 896	1 805 784		1 805 784
Investments at amortised cost	64 226 171	315 571	63 910 600	28 160 728	-	28 160 728
Loans and advances to customers	30 473 227	287 832	30 185 395	25 995 961	6 666 035	19 329 926
	98 595 109	728 218	97 866 891	55 962 473	6 666 035	49 296 438
Liabilities						
Customer funds and other borrowings	-	27 339 083	(27 339 083)	-	23 623 324	(23 623 324)
Funds of central banks and other credit institutions	-	2 827 912	(2 827 912)	-	731 850	(731 850)
	-	30 166 995	(30 166 995)	-	24 355 174	(24 355 174)
Off-balance-sheet						
Guarantees given	474 065	-	474 065	442 386	-	442 386
Documentary credits	2 080 947	-	2 080 947	1 073 417	-	1 073 417
	2 555 012	**-**	**2 555 012**	**1 515 803**	**-**	**1 515 803**
	101 150 121	**30 895 213**	**70 254 908**	**57 478 276**	**31 021 209**	**26 457 067**

The breakdown of the net gains and losses on financial instruments at December 31, 2018 & 2017 is as follows:

	31/12/2018					
	Through profit or loss			Through equity		
	Gains	Losses	Results	Gains	Losses	Results
Assets						
Funds deposited at central banks and other credit institutions	3 895 711	124 815	3 770 896	-	133 028	-
Financial assets at fair value through profit or loss	61 527 733	6 381 649	55 146 084	-	-	-
Investments at amortised cost	64 226 171	315 571	63 910 600	-	280 968	-
Loans and advances to customers	30 473 227	287 832	30 185 395	-	-	-
	160 122 842	7 109 867	153 012 975	-	413 996	-
Liabilities						
Customer funds and other borrowings	-	27 339 083	(27 339 083)	-	-	-
Funds of central banks and other credit institutions	-	2 827 912	(2 827 912)	-	-	-
Financial liabilities at fair value through profit or loss	377 035	3 234 284	(2 857 249)	-	-	-
	377 035	33 401 279	(33 024 244)	-	-	-
Off-balance-sheet						
Guarantees given	474 065	-	474 065	-	-	-
Documentary credits	2 080 947	-	2 080 947	-	-	-
	2 555 012	**-**	**2 555 012**	**-**	**-**	**-**

	31/12/2017					
	Through profit or loss			Through equity		
	Gains	Losses	Results	Gains	Losses	Results
Assets						
Funds deposited at central banks and other credit institutions	1 805 784	-	1 805 784	-	-	-
Financial assets at fair value through profit or loss	79 680 224	-	79 680 224	-	-	-
Investments at amortised cost	28 160 728	-	28 160 728	-	-	-
Loans and advances to customers	25 995 961	6 666 035	19 329 926	-	-	-
	135 642 697	6 666 035	128 976 662	-	-	-
Liabilities						
Customer funds and other borrowings	-	23 623 324	(23 623 324)	-	-	-
Funds of central banks and other credit institutions	-	731 850	(731 850)	-	-	-
Financial liabilities at fair value through profit or loss	2 485 385	726 134	1 759 251	-	-	-
	2 485 385	25 081 308	(22 595 923)	-	-	-
Off-balance-sheet						
Guarantees given	442 386	-	442 386	-	-	-
Documentary credits	1 073 417	-	1 073 417	-	-	-
	1 515 803	**-**	**1 515 803**	**-**	**-**	**-**

The breakdown of the geographic concentration of the risk exposure at December 31, 2018 & 2017 is as follows:

	31/12/2018				
	Angola	Other countries in Africa	Europe	Other	Total
Assets					
Cash and balances at central banks	212 053 562	-	-	-	212 053 562
Balances held at other credit institutions	-	10 073 475	80 652 633	60 214	90 786 322
Funds deposited at central banks and other credit institutions	45 734 257	-	210 640 076	-	256 374 333
Financial assets at fair value through profit or loss	182 693 035	-	-	-	182 693 035
Investments at amortised cost	623 241 191	-	-	-	623 241 191
Loans and advances to customers	295 842 494	-	-	-	295 842 494
Total	**1 359 564 539**	**10 073 475**	**291 292 709**	**60 214**	**1 660 990 937**

	31/12/2017				
	Angola	Other countries in Africa	Europe	Other	Total
Assets					
Cash and balances at central banks	221 639 382	-	-	-	221 639 382
Balances held at other credit institutions	-	117 496	34 565 452	315 100	34 998 048
Funds deposited at central banks and other credit institutions	34 004 716	-	99 344 068	-	133 348 784
Financial assets at fair value through profit or loss	544 104 508	-	-	-	544 104 508
Investments at amortised cost	282 661 928	-	-	-	282 661 928
Loans and advances to customers	194 808 868	-	-	-	194 808 868
Total	**1 277 219 402**	**117 496**	**133 909 520**	**315 100**	**1 411 561 518**

The sectoral concentration of loans and advances to customers at December 31, 2018 & 2017 is as follows:

	31/12/2018						
	Loans and advances to customers		Loans and advances to customers - Off-balance-sheet	Total exposure	% of total	Impairment	
	Performing	Past-due				Amount	Impairment/ Total exposure
Companies							
Real estate and rental activities provided by companies	41 167	4 841	957	46 965	0%	9 957	21%
Other collective, social and personal services	1 540 104	16 350	701 152	2 257 606	1%	90 582	4%
Central government	100 374 975	4 674	-	100 379 649	26%	998 651	1%
Agriculture, livestock, hunting and forestry	24 429 439	1 550 022	1 150 495	27 129 956	7%	2 371 598	9%
Hotels and restaurants	6 727 103	160 049	435 991	7 323 143	2%	446 741	6%
Financial activities	27 269	-	7 633 038	7 660 307	2%	729	0%
Wholesale and retail trade	18 844 477	1 478 112	13 862 816	34 185 405	9%	2 392 477	7%
Construction	28 167 335	869 013	13 073 928	42 110 276	11%	2 090 671	5%
Education	393 660	141 765	926	536 351	0%	111 408	21%
Extractive industries	644 327	3 439 223	39 595	4 123 145	1%	3 457 229	84%
Processing industries	2 472 553	15 644	10 220 257	12 708 454	3%	155 427	1%
Other service companies	25 731 182	329 279	5 090 721	31 151 182	8%	990 201	3%
Production and distribution of electricity, gas and water	1 566 474	67 381	1 372 170	3 006 025	1%	252 290	8%
Health and social action	1 079 727	49 184	732 721	1 861 632	0%	72 962	4%
Transport, storage and communications	13 236 239	867 665	12 853 252	26 957 156	7%	1 186 228	4%
	225 276 031	8 993 202	67 168 019	301 437 252		14 627 151	
Individuals							
Consumer loans	46 725 933	1 506 196	-	48 232 129	13%	1 943 353	4%
Residential	27 680 795	793 291	-	28 474 086	7%	3 633 196	13%
Other purposes	4 470 310	92 826	725 862	5 288 998	1%	194 640	4%
	78 877 038	2 392 313	725 862	81 995 213		5 771 189	
Total	**304 153 069**	**11 385 515**	**67 893 881**	**383 432 465**		**20 398 340**	

	31/12/2017						
	Loans and advances to customers		Loans and advances to customers - Off-balance-sheet	Total exposure	% of total	Impairment	
	Performing	Past-due				Amount	Impairment/ Total exposure
Companies							
Real estate and rental activities provided by companies	50 932	1 572	11 356	63 860	-	16 968	27%
Other collective, social and personal services	351 377	451 988	33 656	837 021	-	466 027	56%
Central government	54 557 104	46	-	54 557 150	19%	10 581	-
Agriculture, livestock, hunting and forestry	16 529 337	290 665	1 137 483	17 957 485	6%	1 266 800	7%
Hotels and restaurants	3 766 637	610 949	41 338	4 418 924	2%	459 168	10%
Financial activities	233 761	2 660	5 645 149	5 881 570	2%	11 495	-
Wholesale and retail trade	7 453 828	3 027 948	3 877 314	14 359 090	5%	3 903 778	27%
Construction	29 617 865	3 820 491	23 587 746	57 026 102	20%	5 298 068	9%
Education	536 702	96 372	498	633 572	-	401 508	63%
Extractive industries	514 949	1 839 647	100 127	2 454 723	1%	1 849 977	75%
Processing industries	569 129	23	4 333 873	4 903 025	2%	79 051	2%
Other service companies	19 651 883	397 682	2 056 365	22 105 930	8%	1 034 144	5%
Production and distribution of electricity, gas and water	1 142 440	714 623	1 208 868	3 065 931	1%	905 155	30%
Health and social action	881 366	1 407	-	882 773	-	37 323	4%
Transport, storage and communications	5 744 077	592 697	4 689 320	11 026 094	4%	851 143	8%
	141 601 387	11 848 770	46 723 093	200 173 250		16 591 186	
Individuals							
Consumer loans	35 821 220	736 232	-	36 557 452	13%	1 405 042	4%
Residential	17 908 338	319 478	-	18 227 816	6%	1 320 917	7%
Other purposes	5 231 231	72 957	600 540	5 904 728	2%	130 015	2%
	58 960 789	1 128 667	600 540	60 689 996		2 855 974	
Total	**200 562 176**	**12 977 437**	**47 323 633**	**260 863 246**		**19 447 160**	

The composition of past-due loans and advances to customers at December 31, 2018 & 2017 is as follows:

	31/12/2018						
	Performing loans associated with past-due loans	Time past due					Total
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	
Loans and advances to customers							
Loans without impairment	1 298 624	1 014	20 595	12 418	295 952	-	1 628 603
With individually assessed impairment							
Past-due loans and interest	25 547 443	634	49 205	2 132 194	6 773 576	984 607	35 487 659
Impairment	5 356 609	382	26 267	587 980	6 383 217	984 607	13 339 062
Net exposure	20 190 834	252	22 938	1 544 214	390 359	-	22 148 597
With collectively assessed impairment							
Past-due loans and interest	6 929 956	25 734	219 039	430 533	432 367	7 649	8 045 278
Impairment	1 043 344	343	44 217	219 908	278 960	4 412	1 591 184
Net exposure	5 886 612	25 391	174 822	210 625	153 407	3 237	6 454 094
Total	**27 376 070**	**26 657**	**218 355**	**1 767 257**	**839 718**	**3 237**	**30 231 294**

	31/12/2017						
	Performing loans associated with past-due loans	Time past due					Total
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	
Loans and advances to customers							
Loans without impairment	441 439	5 330	2 695	-	5 901	-	455 365
With individually assessed impairment							
Past-due loans and interest	7 296 751	9 687	1 179 265	4 497 694	1 083 461	5 685 690	19 752 548
Impairment	2 940 125	2 892	182 875	4 452 934	443 276	5 684 265	13 706 367
Net exposure	4 356 626	6 795	996 390	44 760	640 185	1 425	6 046 181
With collectively assessed impairment							
Past-due loans and interest	3 600 022	15 481	148 120	122 470	216 004	5 636	4 107 733
Impairment	558 095	276	39 211	48 111	103 988	5 636	755 317
Net exposure	4 158 117	15 205	108 909	74 359	112 016	-	3 352 416
Total	**8 956 182**	**27 330**	**1 107 994**	**119 119**	**758 102**	**1 425**	**9 853 962**

The composition of unimpaired past-due loans at December 31, 2018 & 2017 is as follows:

	31/12/2018					
		Time past due				
	Performing loans associated with past-due loans	Loans up to 30 days past due	Loans between 30 and 90 days past due	Loans between 90 and 180 days past due	Loans more than 180 days past due	Total
Past-due loans and interest						
With individually assessed impairment	1 298 624	1 014	20 595	637	307 733	1 628 603
With collectively assessed impairment	-	-	-	-	-	-
Total	**1 298 624**	**1 014**	**20 595**	**637**	**307 733**	**1 628 603**

	31/12/2017					
		Time past due				
	Performing loans associated with past-due loans	Loans up to 30 days past due	Loans between 30 and 90 days past due	Loans between 90 and 180 days past due	Loans more than 180 days past due	Total
Past-due loans and interest						
With individually assessed impairment	441 439	5 330	2 695	-	5 901	455 365
With collectively assessed impairment	-	-	-	-	-	-
Total	**441 439**	**5 330**	**2 695**	**-**	**5 901**	**455 365**

The composition of past-due loans with impairment at December 31, 2018 & 2017 is as follows:

	31/12/2018					
		Time past due				
	Performing loans associated with past-due loans	Loans up to 30 days past due	Loans between 30 and 90 days past due	Loans between 90 and 180 days past due	Loans more than 180 days past due	Total
Past-due loans and interest						
With individually assessed impairment	25 547 443	634	49 205	262 295	9 628 082	35 487 659
With collectively assessed impairment	6 929 956	25 734	219 039	162 554	707 994	8 045 277
Total	**32 477 399**	**26 368**	**268 244**	**424 849**	**10 336 076**	**43 532 936**

	31/12/2017					
		Time past due				
	Performing loans associated with past-due loans	Loans up to 30 days past due	Loans between 30 and 90 days past due	Loans between 90 and 180 days past due	Loans more than 180 days past due	Total
Past-due loans and interest						
With individually assessed impairment	7 296 751	9 687	1 179 265	722 721	10 544 124	19 752 548
With collectively assessed impairment	3 600 022	15 481	148 120	64 920	279 190	4 107 733
Total	**10 896 773**	**25 168**	**1 327 385**	**787 641**	**10 823 314**	**23 860 281**

The structure of restructured loans and advances at December 31, 2018 & 2017 is as follows:

	2018			
	Loans			
	Performing	Past-due	Total	Impairment
Companies:	1 599 642	1 242 787	2 842 429	1 516 090
Individuals:				
Consumer loans	311 329	3 986	315 315	15 622
Residential	63 049	-	63 049	40 396
	374 378	3 986	378 364	56 018
Total	**1 974 020**	**1 246 773**	**3 220 793**	**1 572 108**

	2017			
	Loans			
	Performing	Past-due	Total	Impairment
Companies:	2 252 747	2 350 101	4 602 848	2 985 344
Individuals:				
Consumer loans	174 039	3 718	177 756	12 272
Residential	56 553	84	56 637	30 061
	230 592	3 802	234 393	42 333
Total	**2 483 338**	**2 353 903**	**4 837 242**	**3 027 677**

31.2 LIQUIDITY RISK

Liquidity risk is the risk that the Bank may find it difficult to obtain the financial resources it needs in order to meet its commitments. Liquidity risk may, for example, consist of the inability to sell a financial instrument quickly for its fair value.

Within the Bank's internal policies with regard to exposure to liquidity risk, the oversight and monitoring of the established principles and limits are ensured by the Risk Management Department.

The breakdown of all the contractual cash flows at December 31, 2018 & 2017 is as follows:

	31/12/2018 Residual contractual term									
	On demand	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	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	212 053 562	-	-	-	-	-	-	-	-	212 053 562
Balances held at other credit institutions	90 786 322	-	-	-	-	-	-	-	-	90 786 322
Funds deposited at central banks and other credit institutions	14 964 060	174 141 766	67 268 507	-	-	-	-	-	-	256 374 333
Financial assets at fair value through profit or loss	22 598 816	14 640 181	7 409 948	23 762 893	26 326 975	54 589 896	32 737 540	226 282	400 503	182 693 035
Investments at amortised cost	183 252 451	1 504 492	15 040 130	13 334 207	66 201	153 474 786	256 568 923	0	-	623 241 191
Loans and advances to customers	18 462 135	1 939 617	16 969 549	15 175 103	14 022 241	77 673 101	84 599 216	67 001 531	-	295 842 494
Total assets	**542 117 346**	**192 226 055**	**106 688 134**	**52 272 204**	**40 415 417**	**285 737 784**	**373 905 680**	**67 227 813**	**400 503**	**1 660 990 936**
Liabilities										
Funds of central banks and other credit institutions	1 913 310	3 149 569	-	0	-	-	-	-	-	5 062 879
Customer funds and other borrowings	588 998 511	133 481 435	245 096 668	195 945 995	68 605 641	-	-	-	-	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	0	-	-	-	-	-	3 234 284
Total liabilities	**594 146 105**	**136 631 004**	**245 096 668**	**195 945 995**	**68 605 641**	**-**	**-**	**-**	**-**	**1 240 425 412**
Liquidity gap	**(52 028 759)**	**55 595 052**	**(138 408 534)**	**(143 673 792)**	**(28 190 223)**	**285 737 784**	**373 905 680**	**67 227 813**	**400 503**	**420 565 524**
Cumulative liquidity gap	**(52 028 759)**	**3 566 293**	**(134 842 241)**	**(278 516 033)**	**(306 706 256)**	**(20 968 472)**	**352 937 207**	**420 165 021**	**420 565 524**	**841 131 048**

	31/12/2017									
	Residual contractual term									
	On demand	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	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	221 639 382	-	-	-	-	-	-	-	-	221 639 382
Balances held at other credit institutions	34 998 048	-	-	-	-	-	-	-	-	34 998 048
Funds deposited at central banks and other credit institutions	74 854 012	58 494 772	-	-	-	-	-	-	-	133 348 784
Financial assets at fair value through profit or loss	24 252 874	16 757 044	85 866 953	126 284 525	106 710 568	94 069 382	82 956 544	6 943 170	263 448	544 104 508
Investments at amortised cost	68 819 778	29 206	322 097	1 298 827	11 836 344	48 470 578	151 877 265	7 833	-	282 661 928
Loans and advances to customers	2 661 297	1 086 167	12 771 552	5 328 492	8 827 229	34 840 479	89 211 716	40 081 936	-	194 808 868
Total assets	**427 225 391**	**76 367 189**	**98 960 602**	**132 911 844**	**127 374 141**	**177 380 439**	**324 045 525**	**47 032 939**	**263 448**	**1 411 561 518**
Liabilities										
Funds of central banks and other credit institutions	57 314 859	56 326 600	-	-	-	-	-	-	-	113 641 459
Customer funds and other borrowings	555 785 929	96 893 718	185 336 558	184 244 306	35 980 923	-	-	-	-	1 058 241 434
Financial liabilities at fair value through profit or loss	670 628	-	-	-	-	-	-	-	-	670 628
Total liabilities	**613 771 416**	**153 220 318**	**185 336 558**	**184 244 306**	**35 980 923**	**-**	**-**	**-**	**-**	**1 172 553 521**
Liquidity gap	**(186 546 025)**	**(76 853 129)**	**(86 375 956)**	**(51 332 462)**	**91 393 218**	**177 380 439**	**324 045 525**	**47 032 939**	**263 448**	**239 007 997**
Cumulative liquidity gap	**(186 546 025)**	**(263 399 154)**	**(349 775 110)**	**(401 107 572)**	**(309 714 354)**	**(132 333 915)**	**191 711 610**	**238 744 549**	**239 007 997**	**478 015 994**

The composition of contractual cash flows relating to capital at December 31, 2018 & 2017 is as follows:

	2018 Datas de maturidade									
	On demand	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	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	212 053 562	-	-	-	-	-	-	-	-	212 053 562
Balances held at other credit institutions	90 786 322	-	-	-	-	-	-	-	-	90 786 322
Funds deposited at central banks and other credit institutions	14 888 612	173 603 490	67 097 520	-	-	-	-	-	-	255 589 622
Financial assets at fair value through profit or loss	12 900 162	13 892 442	6 921 824	21 396 982	24 651 497	52 069 301	31 250 514	210 149	387 122	163 679 993
Investments at amortised cost	176 149 468	513 391	14 361 557	12 927 366	35 228	146 788 764	247 405 091	0	0	598 180 865
Loans and advances to customers	64 321 640	1 939 624	16 969 572	15 175 365	14 034 520	77 681 199	84 608 592	70 875 267	-	345 605 779
Total activo	**571 099 765**	**189 948 948**	**105 350 472**	**49 499 713**	**38 721 245**	**276 539 265**	**363 264 197**	**71 085 416**	**387 122**	**1 665 896 143**
Liabilities										
Funds of central banks and other credit institutions	1 913 310	3 149 569	-	-	-	-	-	-	-	5 062 879
Customer funds and other borrowings	588 895 588	132 104 562	241 915 185	193 521 692	68 180 398	-	-	-	-	1 224 617 424
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	**590 808 898**	**135 254 131**	**241 915 185**	**193 521 692**	**68 180 398**	**-**	**-**	**-**	**-**	**1 229 680 304**
Liquidity gap	**(19 709 133)**	**54 694 817**	**(136 564 712)**	**(144 021 979)**	**(29 459 154)**	**276 539 265**	**363 264 197**	**71 085 416**	**387 122**	**436 215 840**
Cumulative liquidity gap	**(19 709 133)**	**34 985 684**	**(101 579 028)**	**(245 601 007)**	**(275 060 161)**	**1 479 104**	**364 743 301**	**435 828 717**	**436 215 840**	**872 431 679**

	2017									
	Datas de maturidade									
	On demand	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	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	221 639 382	-	-	-	-	-	-	-	-	221 639 382
Balances held at other credit institutions	34 998 048	-	-	-	-	-	-	-	-	34 998 048
Funds deposited at central banks and other credit institutions	74 831 200	58 481 594	-	-	-	-	-	-	-	133 312 794
Financial assets at fair value through profit or loss	20 004 916	15 932 458	72 600 734	113 879 576	99 310 254	93 602 556	82 224 067	6 809 835	263 447	504 627 843
Investments at amortised cost	67 144 133	-	313 901	1 188 866	11 000 843	46 845 751	149 670 175	7 359	-	276 171 028
Loans and advances to customers	17 791 234	1 022 476	12 300 173	5 046 009	8 598 354	35 048 358	80 582 075	40 533 304	-	200 921 983
Total activo	**436 408 913**	**75 436 528**	**85 214 808**	**120 114 451**	**118 909 451**	**175 496 665**	**312 476 317**	**47 350 498**	**263 447**	**1 371 671 078**
Liabilities										
Funds of central banks and other credit institutions	57 234 278	55 774 134	-	-	-	-	-	-	-	113 008 412
Customer funds and other borrowings	555 689 452	96 026 105	182 936 559	181 396 271	35 731 770	-	-	-	-	1 051 780 157
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	**612 923 730**	**151 800 239**	**182 936 559**	**181 396 271**	**35 731 770**	**-**	**-**	**-**	**-**	**1 164 788 569**
Liquidity gap	**(176 514 817)**	**(76 363 711)**	**(97 721 751)**	**(61 281 820)**	**83 177 681**	**175 496 665**	**312 476 317**	**47 350 498**	**263 447**	**206 882 509**
Cumulative liquidity gap	**(176 514 817)**	**(252 878 528)**	**(350 600 279)**	**(411 882 099)**	**(328 704 418)**	**(153 207 753)**	**159 268 564**	**206 619 062**	**206 882 509**	**413 765 018**

31.3 MARKET RISK

Market risk is the possible fluctuation in the fair value of, or in the future cash flows associated with, a financial instrument due to changes in market prices. Market risk includes interest rate risk and foreign exchange risk.

Interest rate Risk

Interest rate risk is the risk that adverse movements in interest rates will lead to mismatches in the amount, maturity or interest rate reset dates of financial instruments with interest receivable and payable.

The breakdown of financial instruments for exposure to interest rate risk at December 31, 2018 & 2017 is as follows:

	31/12/2018				
	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets					
Cash and balances at central banks	-	174 667 842	37 385 720	-	212 053 562
Balances held at other credit institutions	-	90 786 322	-	-	90 786 322
Funds deposited at central banks and other credit institutions	256 374 333	-	-	-	256 374 333
Financial assets at fair value through profit or loss	107 260 330	75 432 705	-	-	182 693 035
Investments at amortised cost	606 755 741	16 485 450	-	-	623 241 191
Loans and advances to customers	272 703 945	23 138 548	-	-	295 842 494
	1 243 094 349	**380 510 868**	**37 385 720**	**-**	**1 660 990 937**
Liabilities					
Funds of central banks and other credit institutions	5 062 879	-	-	-	5 062 879
Customer funds and other borrowings	1 232 128 249	-	-	-	1 232 128 249
Financial liabilities at fair value through profit or loss	-	-	3 234 284	-	3 234 284
Total	**1 237 191 128**	**-**	**3 234 284**	**-**	**1 240 425 412**

	31/12/2017				
	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets					
Cash and balances at central banks	-	187 564 231	34 075 151	-	221 639 382
Balances held at other credit institutions	-	34 998 048	-	-	34 998 048
Funds deposited at central banks and other credit institutions	133 348 784	-	-	-	133 348 784
Financial assets at fair value through profit or loss	540 371 262	-	3 733 246	-	544 104 508
Investments at amortised cost	227 566 798	55 095 130	-	-	282 661 928
Loans and advances to customers	194 808 868	-	-		194 808 868
	1 096 095 712	**277 657 409**	**37 808 397**	**-**	**1 411 561 518**
Liabilities					
Funds of central banks and other credit institutions	108 155 903	-	5 485 556	-	113 641 459
Customer funds and other borrowings	517 001 539	541 239 895	-	-	1 058 241 434
Financial liabilities at fair value through profit or loss	-	-	670 628	-	670 628
Total	**625 157 442**	**541 239 895**	**6 156 184**	**-**	**1 172 553 521**

The breakdown of financial instruments exposed to interest rate risk in the light of the maturity or repricing date at December 31, 2018 & 2017 is as follows:

	31/12/2018								
	Repricing date/ Maturity date								
	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	More than 5 years	No specified term	Total
Assets									
Cash and balances at central banks	174 667 842	-	-	-	-	-	-	-	174 667 842
Balances held at other credit institutions	90 786 322	-	-	-	-	-	-	-	90 786 322
Funds deposited at central banks and other credit institutions	189 105 826	67 268 507	-	-	-	-	-	-	256 374 333
Financial assets at fair value through profit or loss	37 238 997	7 409 948	23 762 893	26 326 975	54 589 896	32 737 540	226 282	400 503	182 693 035
Investments at amortised cost	179 869 908	14 642 301	29 466 952	-115 828	149 595 479	249 782 379	-	-	623 241 191
Loans and advances to customers	41 944 631	15 642 320	13 988 222	12 925 528	71 598 103	77 982 509	61 761 181	-	295 842 494
	713 613 526	**104 963 076**	**67 218 068**	**39 136 675**	**275 783 477**	**360 502 428**	**61 987 464**	**400 503**	**1 623 605 217**
Liabilities									
Funds of central banks and other credit institutions	5 062 879	-	-	-	-	-	-	-	5 062 879
Customer funds and other borrowings	722 479 945	245 096 668	195 945 995	68 605 641	-	-	-	-	1 232 128 249
	727 542 825	**245 096 668**	**195 945 995**	**68 605 641**	**-**	**-**	**-**	**-**	**1 237 191 128**

	31/12/2017								
	Repricing date/ Maturity date								
	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	More than 5 years	No specified term	Total
Assets									
Cash and balances at central banks	187 564 231	-	-	-	-	-	-	-	187 564 231
Balances held at other credit institutions	34 998 048	-	-	-	-	-	-	-	34 998 048
Funds deposited at central banks and other credit institutions	133 348 784	-	-	-	-	-	-	-	133 348 784
Financial assets at fair value through profit or loss	34 908 446	85 703 669	126 123 868	106 114 438	666 868	97 144 221	89 709 752	-	540 371 262
Investments at amortised cost	9 239 281	99 903 178	119 028 299	-	-	54 491 170	-	-	282 661 928
Loans and advances to customers	12 185 628	13 652 575	5 195 729	8 593 418	34 568 883	58 477 853	62 134 782	-	194 808 868
	412 244 418	**199 259 422**	**250 347 896**	**114 707 856**	**35 235 751**	**210 113 244**	**151 844 534**	**-**	**1 373 753 121**
Liabilities									
Funds of central banks and other credit institutions	108 155 903	-	-	-	-	-	-	-	108 155 903
Customer funds and other borrowings	652 679 648	185 336 558	184 244 306	35 980 922	-	-	-	-	1 058 241 434
	760 835 551	**185 336 558**	**184 244 306**	**35 980 922**	**-**	**-**	**-**	**-**	**1 166 397 337**

The sensitivity analysis of the results generated by financial instruments to changes in interest rates at December 31, 2018 & 2017 is as follows:

	31/12/2018					
	Changes in the interest rate					
	(200) bp	(100) bp	(50) bp	50 bp	100 bp	200 bp
Interest income and similar income	(942 567 159)	(471 283 580)	(235 641 790)	235 641 790	471 283 580	942 567 159
Interest expense and similar charges	987 560 119	493 780 060	246 890 030	(246 890 030)	(493 780 060)	(987 560 119)
Total	**44 992 960**	**22 496 480**	**11 248 240**	**(11 248 240)**	**(22 496 480)**	**(44 992 960)**

	31/12/2017					
	Changes in the interest rate					
	(200) bp	(100) bp	(50) bp	50 bp	100 bp	200 bp
Interest income and similar income	(23 023 817)	(11 511 908)	(5 755 954)	5 755 954	11 511 908	23 023 817
Interest expense and similar charges	23 327 947	11 663 973	5 831 987	(5 831 987)	(11 663 973)	(23 327 947)
Total	**304 130**	**152 065**	**76 033**	**(76 031)**	**(152 065)**	**(304 130)**

Foreign exchange risk

Foreign exchange risk is the possible fluctuation of the fair value of, or the future cash flows associated with, a financial instrument due to changes in market prices.

The Bank's securities portfolio is split between securities denominated in local currency and in foreign currency, having regard to the overall structure of the Bank's balance sheet, so as to avoid foreign exchange risk.

The breakdown of financial instruments by currency at December 31, 2018 & 2017 is as follows:

	31/12/2018				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	139 110 674	35 449 566	37 212 969	280 353	212 053 562
Balances held at other credit institutions	-	44 402 708	43 009 431	3 374 183	90 786 322
Funds deposited at central banks and other credit institutions	45 734 257	184 637 921	18 225 050	7 777 105	256 374 333
Financial assets at fair value through profit or loss	181 346 699	1 346 336	-	-	182 693 035
Investments at amortised cost	438 667 002	184 574 189	-	-	623 241 191
Loans and advances to customers	172 720 229	117 856 051	5 266 212	2	295 842 494
	977 578 861	**568 266 771**	**103 713 662**	**11 431 643**	**1 660 990 937**
Liabilities					
Funds of central banks and other credit institutions	1 913 310	712 611	2 435 053	1 905	5 062 879
Customer funds and other borrowings	618 675 354	529 616 854	81 172 535	2 663 506	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	-	3 234 284
	623 822 948	**530 329 465**	**83 607 588**	**2 665 411**	**1 240 425 412**
	353 755 913	**37 937 306**	**20 106 074**	**8 766 232**	**420 565 525**

	31/12/2017				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	181 406 960	31 312 566	8 729 376	190 480	221 639 382
Balances held at other credit institutions	-	2 543 089	30 623 672	1 831 287	34 998 048
Funds deposited at central banks and other credit institutions	34 004 716	67 494 308	27 810 000	4 039 760	133 348 784
Financial assets at fair value through profit or loss	543 446 233	658 275	-	-	544 104 508
Investments at amortised cost	173 055 845	109 606 083	-	-	282 661 928
Loans and advances to customers	114 381 104	80 387 885	38 884	995	194 808 868
	1 046 294 858	**292 002 206**	**67 201 932**	**6 062 522**	**1 411 561 518**
Liabilities					
Funds of central banks and other credit institutions	110 376 377	600 045	2 663 930	1 107	113 641 459
Customer funds and other borrowings	695 536 811	314 135 807	43 047 147	5 521 669	1 058 241 434
Financial liabilities at fair value through profit or loss	670 628	-	-	-	670 628
	806 583 816	**314 735 852**	**45 711 077**	**5 522 776**	**1 172 553 521**
	239 711 042	**(22 733 646)**	**21 490 855**	**539 746**	**239 007 997**

The above table includes securities in kwanzas indexed to the US dollar.

Including in the foreign currency balances (i) securities in kwanzas indexed to the US dollar ("Financial assets at fair value through profit or loss" in the amounts of mAOA 76 356 758 and mAOA 182 216 515 at December 31, 2018 & 2017, respectively; and "Investments at amortised cost" in the amounts of mAOA 5 380 364 and mAOA 24 940 340 at December 31, 2018 & 2017, respectively); and (ii) the notional amounts of forwards (recognised at December 31, 2018 & 2017 in off-balance sheet accounts under the heading of "Other assets in local currency" in the amounts of mAOA 58 579 176 and mAOA 68 164 091, respectively), the balance sheet structure by currency is as follows:

	31/12/2018				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	139 110 674	35 449 566	37 212 969	280 353	212 053 562
Balances held at other credit institutions	-	44 402 708	43 009 431	3 374 183	90 786 322
Funds deposited at central banks and other credit institutions	45 734 257	184 637 921	18 225 050	7 777 105	256 374 333
Financial assets at fair value through profit or loss	104 944 029	77 749 006	-	-	182 693 035
Investments at amortised cost	433 286 635	189 954 556	-	-	623 241 191
Loans and advances to customers	172 720 229	117 856 051	5 266 212	2	295 842 494
Other assets	58 579 176	-	-	-	58 579 176
	954 375 000	**650 049 808**	**103 713 662**	**11 431 643**	**1 719 570 113**
Liabilities					
Funds of central banks and other credit institutions	1 913 310	712 611	2 435 053	1 905	5 062 879
Customer funds and other borrowings	618 675 354	529 616 854	81 172 535	2 663 506	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	-	3 234 284
Other liabilities	-	58 579 176	-	-	58 579 176
	623 822 948	**588 908 641**	**83 607 588**	**2 665 411**	**1 299 004 588**
	330 552 052	**61 141 167**	**20 106 074**	**8 766 232**	**420 565 525**

	31/12/2017				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	181 406 960	31 312 566	8 729 376	190 480	221 639 382
Balances held at other credit institutions	-	2 543 089	30 623 672	1 831 287	34 998 048
Funds deposited at central banks and other credit institutions	34 004 716	67 494 308	27 810 000	4 039 760	133 348 784
Financial assets at fair value through profit or loss	361 229 716	182 874 792	-	-	544 104 508
Investments at amortised cost	148 115 505	134 546 423	-	-	282 661 928
Loans and advances to customers	114 381 104	80 387 885	38 884	995	194 808 868
Other assets	68 164 091	-	-	-	68 164 091
	907 302 092	**499 159 063**	**67 201 932**	**6 062 522**	**1 479 725 609**
Liabilities					
Funds of central banks and other credit institutions	110 376 377	600 045	2 663 930	1 107	113 641 459
Customer funds and other borrowings	695 536 811	314 135 807	43 047 147	5 521 669	1 058 241 434
Financial liabilities at fair value through profit or loss	670 628	-	-	-	670 628
Other liabilities	-	68 164 091	-	-	68 164 091
	806 583 816	**382 899 943**	**45 711 077**	**5 522 776**	**1 240 717 612**
	100 718 276	**116 259 120**	**21 490 855**	**539 746**	**239 007 997**

The results of the analysis of the sensitivity of the asset value of the financial instruments (including indexed securities and exchange rate forwards) to changes in exchange rates, at December 31, 2018 & 2017, are as follows:

	31/12/2018					
	(20)%	(10)%	(5)%	5%	10%	20%
US dollars	(12 228 233)	(6 114 117)	(3 057 058)	3 057 058	6 114 117	12 228 233
Euros	(4 021 215)	(2 010 607)	(1 005 304)	1 005 304	2 010 607	4 021 215
Other currencies	(1 753 246)	(876 623)	(438 312)	438 312	876 623	1 753 246
Total	**(18 002 695)**	**(9 001 348)**	**(4 500 674)**	**4 500 674**	**9 001 348**	**18 002 695**

	31/12/2017					
	(20)%	(10)%	(5)%	5%	10%	20%
US dollars	(23 619 088)	(11 809 544)	5 904 772	5 904 772	11 809 544	23 619 088
Euros	(4 298 171)	(2 149 086)	1 074 543	1 074 543	2 149 086	4 298 171
Other currencies	(107 950)	(53 975)	26 987	26 987	53 975	107 950
Total	**(28 025 209)**	**(14 012 605)**	**7 006 302**	**7 006 302**	**14 012 605**	**28 025 209**

31.4 Fair value of financial assets and liabilities

The carrying amount of the financial instruments at December 31, 2018 & 2017 is as follows:

	31/12/2018			
	Measured at fair value	Measured at amortised cost	Impairment	Net amount
Assets				
Cash and balances at central banks	-	212 053 562	-	212 053 562
Balances held at other credit institutions	-	91 035 833	249 511	90 786 322
Funds deposited at central banks and other credit institutions	-	256 853 327	478 994	256 374 333
Financial assets at fair value through profit or loss	182 693 035	-	-	182 693 035
Investments at amortised cost	-	626 037 969	2 796 778	623 241 191
Loans and advances to customers	-	315 538 584	19 696 090	295 842 494
	182 693 035	**1 501 519 275**	**23 221 373**	**1 660 990 937**
Liabilities				
Funds of central banks and other credit institutions	-	5 062 879	-	5 062 879
Customer funds and other borrowings	-	1 232 128 249	-	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	3 234 284
	3 234 284	**1 237 191 128**	**-**	**1 240 425 412**

	31/12/2017			
	Measured at fair value	Measured at amortised cost	Impairment	Net amount
Assets				
Cash and balances at central banks	-	221 639 382	-	221 639 382
Balances held at other credit institutions	-	34 998 048	-	34 998 048
Funds deposited at central banks and other credit institutions	-	133 348 784	-	133 348 784
Financial assets at fair value through profit or loss	544 104 508	-	-	544 104 508
Investments at amortised cost	-	282 661 928	-	282 661 928
Loans and advances to customers	-	213 539 613	18 730 745	194 808 868
	544 104 508	**886 187 755**	**18 730 745**	**1 411 561 518**
Liabilities				
Funds of central banks and other credit institutions	-	113 641 459	-	113 641 459
Customer funds and other borrowings	-	1 058 241 434	-	1 058 241 434
Financial liabilities at fair value through profit or loss	670 628		-	670 628
	670 628	**1 171 882 893**	**-**	**1 172 553 521**

The fair value of the Bank's financial instruments at December 31, 2018 & 2017 is as follows:

	31/12/2018				
	Fair value of financial instruments				
	Carrying amount (net)	Carried on the balance sheet at fair value	Carried on the balance sheet at amortised cost	Total	Difference
Assets					
Cash and balances at central banks	212 053 562	-	212 053 562	212 053 562	-
Balances held at other credit institutions	90 786 322	-	90 786 322	90 786 322	-
Funds deposited at central banks and other credit institutions	256 374 333	-	256 374 333	256 374 333	-
Financial assets at fair value through profit or loss	182 693 035	182 693 035	-	182 693 035	-
Investments at amortised cost	623 241 191	-	623 241 191	623 241 191	-
Loans and advances to customers	295 842 494	-	281 357 784	281 357 784	(14 484 710)
	1 660 990 937	**182 693 035**	**1 463 813 192**	**1 646 506 227**	**(14 484 710)**
Liabilities					
Funds of central banks and other credit institutions	5 062 879	-	5 062 879	5 062 879	-
Customer funds and other borrowings	1 232 128 249	-	1 232 128 249	1 232 128 249	-
Financial liabilities at fair value through profit or loss	3 234 284	3 234 284	-	3 234 284	-
	1 240 425 412	**3 234 284**	**1 237 191 128**	**1 240 425 412**	**-**

	31/12/2017				
	Fair value of financial instruments				
	Carrying amount (net)	Carried on the balance sheet at fair value	Carried on the balance sheet at amortised cost	Total	Difference
Assets					
Cash and balances at central banks	221 639 382	-	221 639 382	221 639 382	-
Balances held at other credit institutions	34 998 048	-	34 998 048	34 998 048	-
Funds deposited at central banks and other credit institutions	133 348 784	-	133 348 784	133 348 784	-
Financial assets at fair value through profit or loss	544 104 508	544 104 508	-	544 104 508	-
Investments at amortised cost	282 661 928	-	282 661 928	282 661 928	-
Loans and advances to customers	194 808 868	-	178 576 991	178 576 991	(16 231 877)
	1 411 561 518	**544 104 508**	**851 225 133**	**1 395 329 641**	**(16 231 877)**
Liabilities					
Funds of central banks and other credit institutions	113 641 459	-	113 641 459	113 641 459	-
Customer funds and other borrowings	1 058 241 434	-	1 058 241 434	1 058 241 434	-
Financial liabilities at fair value through profit or loss	670 628	670 628	-	670 628	-
	1 172 553 521	**670 628**	**1 171 882 893**	**1 172 553 521**	**-**

Where possible, the fair value of financial instruments must be estimated using prices quoted on an active market. A market is considered active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and transactions are carried out on a regular basis. Almost all of the Bank's financial instruments are not quoted on active markets.

In view of the lack of prices quoted on active markets, the valuation of financial instruments is undertaken as follows:

a) Financial instruments carried on the balance sheet at fair value:

Treasury Bills and Treasury Bonds issued by the Angolan State and held by the Bank for trading on the secondary market with other banks or with its customers, carried under "Financial assets at fair value through profit or loss", are recognised at amortised cost, since the understanding is that this reflects the best approximation to their market value.

"Derivatives – Currency forwards" are measured using generally accepted methods, in particular the present value of future cash flows, based on the interest-rate curve at the time of calculation.

Interest rates for specific cash-flow periods are determined using interpolation methods.

b) Financial instruments carried in the balance sheet at amortised cost:

For financial instruments carried in the balance sheet at amortised cost, the Bank determines the fair value using valuation techniques.

The valuation techniques used are based on the conditions applicable to similar transactions on the reporting date, in particular, the value of their discounted cash flows using the interest rates considered most appropriate, that is:

- With regard to balances of financial instruments payable within one year, it was considered that the carrying amount was a reasonable approximation to their fair value;
- For Treasury Bonds issued by the Angolan State and recorded under investments at amortised cost, it was considered that the carrying amount was a reliable approximation to their fair value, on the grounds that it reflects the best approximation to their market value, since they are not quoted on an active market with regular transactions;
- For loans and advances to customers, the average annual interest rates applied by the Bank in 2018 and 2017, respectively, were used for transactions with similar characteristics, having deducted the amount of accumulated impairment losses;
- With regard to customer deposits, since they are essentially short-term transactions, it was considered that the carrying amount was a reasonable approximation to their fair value;

It should be noted that the fair value presented does not correspond to the realisable value of these financial instruments in a scenario of sale or liquidation and was not determined for such a purpose.

At December 31, 2018 & 2017, the detail by valuation methodology of the fair value of financial instruments carried in the balance sheet at fair value is as follows:

	31/12/2018			
	Level 1: Prices quoted in an active market	Level 2: Observable market data	Level 3 Other valuation techniques	Total
Assets				
Financial assets at fair value through profit or loss	566 069	1 468 875	180 658 091	182 693 035
Liabilities				
Financial liabilities at fair value through profit or loss	-	3 234 284	-	3 234 284

	31/12/2017			
	Level 1: Prices quoted in an active market	Level 2: Observable market data	Level 3 Other valuation techniques	Total
Assets				
Financial assets at fair value through profit or loss	263 447	3 469 799	540 371 262	544 104 508
Liabilities				
Financial liabilities at fair value through profit or loss	-	670 628	-	670 628

At December 31, 2018 & 2017, the financial instruments presented in Level 1 of the hierarchy specified in IFRS 13 consist of listed shares; the financial instruments presented in Level 2 consist of derivatives valued on the basis of internal models that use mainly observable market data (such as yield curves or exchange rates); and the financial instruments presented in Level 3 consist of Treasury Bills and Treasury Bonds issued by the Republic of Angola and the interest in EMIS.

32. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

Impact of the adoption of new standards and amendments to standards and interpretations that are effective on or after January 1, 2018:

a) IFRS 15 (new), "Revenue from contracts with customers". This new standard applies only to contracts for the delivery of products or the provision of services and requires that an entity recognise revenue when the contractual obligation to deliver assets or provide services is met and in an amount that reflects the consideration the entity is entitled to receive, in accordance with the "five-step model".

b) Amendments to IFRS 15, "Revenue from contracts with customers". These amendments relate to additional guidance on how to identify the performance obligations in a contract, when to recognise the revenue arising from licences of intellectual property, a revision of the indicators for classification of the principal versus agent relationship, and new rules to simplify the transition.

c) IFRS 9 (new), "Financial instruments". IFRS 9 replaces the requirements of IAS 39 in respect of: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of impairment on loans receivable (through the expected loss model); and (iii) the requirements for recognition and classification of hedge accounting.

d) IFRS 4 (amendment), "Insurance contracts (application of IFRS 4 with IFRS 9)". This amendment gives entities that issue insurance contracts the option of recognising in Other comprehensive income, rather than in profit or loss, the volatility that may arise when IFRS 9 is applied before the new standard on insurance contracts is issued. Additionally, a temporary exemption from application of IFRS 9, until 2021, is given to entities whose predominant activity is issuing insurance contracts. This exemption is optional and does not apply to consolidated financial statements that include an insurance entity.

e) IFRS 2 (amendment), "Classification and measurement of share-based payment transactions". This amendment clarifies the measurement basis for cash-settled share-based payment transactions and the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2, which requires that when an employer is obliged to withhold equity instruments on behalf of an employee to meet the employee's tax liability, the share-based payment should be classified as equity-settled in its entirety.

f) IAS 40 (amendment) "Transfers of investment property". This amendment clarifies that assets may only be transferred to, or from, investment property when there is evidence of a change of use. A change in management's intentions for the use of a property does not, by itself, constitute evidence of a change in use.

g) Improvements to the standards 2014 – 2016. This improvements cycle affects the following standards: IFRS 1, IFRS 12 and IAS 28.

h) IFRIC 22 (new), "Foreign currency transactions and advance consideration". This is an interpretation of IAS 21 "The effects of changes in foreign exchange rates" and concerns the determination of the transaction date when an entity pays or receives advance consideration for contracts denominated in a foreign currency. The transaction date determines the exchange rate to be used for converting foreign currency transactions.

Of the abovementioned standards, only the adoption of IFRS 9 had material impacts, as disclosed in Note 4.

Published standards (new and amended) and interpretations that are mandatory for annual periods beginning on or after January 1, 2019 that have already been adopted by the European Union:

Standards

a) IFRS 17 (new), "Insurance contracts" (effective for annual periods beginning on or after January 1, 2021). 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 contract liabilities at each reporting date. The current measurement may be based on a building block approach or a premium allocation approach. The recognition of the contractual service margin differs according to whether the margin is positive or negative. IFRS 17 is applicable retrospectively.

b) IFRS 16 (new), "Leases" (effective for annual periods beginning on or after January 1, 2019). This new standard replaces IAS 17, with a material impact on accounting by lessees, who now are obliged to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease agreements, except for 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". As regards transitional arrangements, the new standard may be applied retrospectively or a modified retrospective approach may be adopted.

c) IFRS 9 (amendment), "Prepayment features with negative compensation" (effective for annual periods beginning on or after January 1, 2019). This amendment introduces the possibility of classifying financial assets with prepayment features with negative compensation at amortised cost, provided certain conditions are met, instead of being classified at fair value through profit or loss.

d) IAS 28 (amendment), "Long-term interests in associates and joint ventures" (effective for annual periods beginning on or after January 1, 2019). This amendment clarifies that long-term interests in associates and joint ventures (components of interests in associates and joint ventures) that are not measured using the equity method are to be accounted for in accordance with IFRS 9. Where there is evidence of impairment, long-term interests in associates and joint ventures are subject to the expected loss impairment model, before being added (for impairment testing purposes) to the overall investment in an associate or joint venture.

e) IAS 19 (amendment), "Plan amendment, curtailment or settlement" (effective for annual periods beginning on or after January 1, 2019). This amendment to IAS 19 requires an entity: (i) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (ii) to recognise in profit or loss as part of past service cost, or as a gain or loss on settlement, any reduction in the surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The impact on the asset ceiling is always recognised in other comprehensive income and is never recycled to profit or loss for the period.

f) Improvements to the standards 2015-2017 (effective for annual periods beginning on or after January 1, 2019). This improvements cycle affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11.

g) Conceptual framework, "Amendments to references to the conceptual framework in IFRS standards" (effective for annual periods beginning on or after January 1, 2020). As a result of the publication of the new Conceptual Framework, the IASB introduces amendments to the text of various standards and interpretations, including: 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 and SIC 32, so as to clarify the application of the new definitions of an asset and a liability and of income and expense, as well as other aspects of financial reporting. These changes are applicable retrospectively, unless impracticable.

h) IFRS 3 (amendment), "Definition of a business" (effective for annual periods beginning on or after January 1, 2020). This amendment reviews the definition of a business for the purpose of accounting for concentrations of business activities. The new definition requires that an acquisition include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of outputs is narrowed to focus on goods and services provided to customers that generate income from investments and other income, excluding returns in the form of cost reductions and other economic benefits for shareholders. Concentration tests are permitted to determine whether an acquired set of activities and assets is a business or not.

i) IAS 1 and IAS 8 (amendment), "Definition of material" (effective for annual periods beginning on or after January 1, 2020). This amendment clarifies the definition of "material". It clarifies the reference to obscuring information, where the effect is similar to omission or distortion within the overall context of the financial statements; and it clarifies the term "primary users of financial statements", who are defined as "investors, lenders and other creditors—current or potential—who must rely on general purpose financial statements for much of their information needs".

Interpretations

a) IFRIC 23 (new), "Uncertainty over income tax treatments" (effective for annual periods beginning on or after January 1, 2019). This is an interpretation of IAS 12, "Income taxes", and concerns the measurement and recognition requirements that apply when there are uncertainties as to whether a particular income tax treatment will be accepted by the tax authority. Where the uncertainty concerns the tax authority's position regarding a specific transaction, the entity must make its best estimate and recognise corporate income tax assets and liabilities in light of IAS 12, not IAS 37 ("Provisions, contingent liabilities and contingent assets"), based on the expected value or most likely amount. IFRIC 23 may be applied using the full retrospective or the modified retrospective approach.

The Bank does not expect the abovementioned amendments, new interpretations and new standards to have any material impact.

This page intentionally left blank.

Auditor's Report

PricetvaterhouseCoopers (Angola), Limitada
Edifício Presidente
Largo 17 de Setembro, n.° 3, 1° andar - sala 137
Luanda
República de Angola
Tel: +244 227 286 109
www.pwc.com/ao

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Do Banco de Fomento Angola, S.A.

Introduction

1. We have audited the accompanying financial statements of Banco de Fomento Angola, S.A., which comprise the balance sheet at 1 December 2018, showing a total of 1 703 728 million Kwanzas, equity of 361 909 million Kwanzas and net profit of 174 259 million Kwanzas, together with the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the Notes to the financial statements.

Board of Directors' Responsibility for the Financial Statements

2. The Board of Directors is responsible for the correct preparation and presentation of these financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and for the internal control it considers necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. The Auditor's 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 Association of Accountants and Chartered Management Accountants of Angola (Ordem dos Contabilistas e Peritos Contabilistas de Angola, OCPCA). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from any material misstatement.

4. An audit involves carrying out procedures to obtain audit evidence of the amounts and disclosures contained in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control that is relevant to the preparation and presentation of the financial statements, so as to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

pwc

Basis for the Qualified opinion

6. As described in Note 3.5 to the financial statements, the Angolan Banks Association ("ABANC") and Banco Nacional de Angola (BNA) expressed the opinion that in the year ended 31 December 2018 not all the requirements for the Angolan economy to be considered hyperinflationary, as specified in IAS 29 - "Financial reporting in hyperinflationary economies", were met and so the Bank's Directors decided to continue not to apply the provisions of that standard to the Bank's financial statements at 31 December 2018, in line with the position adopted at 31 December 2017. At 31 December 2018, the cumulative inflation rate for the previous three years exceeded 100%, independently of the index used, which is an objective quantitative condition that leads us to consider, leaving aside the existence of other conditions specified in IAS 29, that the functional currency of the Bank's financial statements at 31 December 2018 is that of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements at that date having regard to that premise and in accordance with the provisions of IAS 29. However, we were unable to obtain sufficient information to allow us to accurately measure the effects of this situation on the Bank's financial statements at 31 December 2018, which we believe to be material.

7. At 31 December 2018, as described in Note 18 to the financial statements, the heading "Provisions" includes a provision in the amount of 16 592 400 thousand kwanzas that was set aside in 2017 for macroeconomic and financial stability risks, based on principles of prudence defined by the Bank's Directors. However, we consider that the requirements for recognition of such a provision under IAS 37 - "Provisions, contingent liabilities and contingent assets" were not met and so our opinion on the financial statements for the year ended 31 December 2017 was qualified in that matter. Our opinion on the financial statements for the year ended 31 December 2018 is also qualified in that matter to the extent to which the "Provisions" heading continued to be overvalued by 16 592 400 thousand kwanzas and the "Other reserves and retained earnings" heading is undervalued by the same amount.

Qualified opinion

8. In our opinion, except as regards the effects of the matters described in the section "Basis for the Qualified Opinion", the financial statements referred to in paragraph 1 above give, in all material respects, a true and fair view of the financial position of Banco de Fomento Angola, S.A. at 31 December 2018 and of its financial performance and cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards (IFRS).

1 April 2019

PricewaterhouseCoopers (Angola), Limitada
Registered with OPCA under no. E20170010
Represented by:

Ricardo Luís Ferreira Dinis dos Santos

Ricardo Santos, OCPCA member no. 20120086

Supervisory Board report and opinion

SUPERVISORY BOARD REPORT AND OPINION

To the Shareholders of
Banco de Fomento Angola, S.A.

1. Pursuant to the law and in accordance with the instructions given to us, in compliance with Article 22(1) of the Articles of Association, we hereby submit the report on the audit performed by our team, as well as our opinion on the annual report and the financial statements submitted by the Board of Directors of Banco de Fomento Angola, S.A. (the Bank) for the year ended 31 December 2018.

2. Over the course of the year, we monitored, as often and to the extent we deemed appropriate, the progress of the Bank's activity, the proper state of the accounting records and compliance with the legal and statutory regulations in force. In addition we obtained the information and clarifications we requested from the Board of Directors and the Bank's various business areas and departments.

3. We reviewed the content of the External Auditors' Report issued by PricewaterhouseCoopers (Angola), Limitada, which is fully incorporated herein and which contains a qualified opinion with reservations on the following matters:

   Point 6:
   "As described in Note 3.5 to the financial statements, the Angolan Banks Association ("ABANC") and Banco Nacional de Angola (BNA) expressed the opinion that in the year ended 31 December 2018 not all the requirements for the Angolan economy to be considered hyperinflationary, as specified in IAS 29 – Financial reporting in hyperinflationary economies, were met and so the Bank's Directors decided to continue not to apply the provisions of that standard to the Bank's financial statements at 31 December 2018, in line with the position adopted at 31 December 2017. At 31 December 2018, the cumulative inflation rate for the previous three years exceeded 100%, independently of the index used, which is an objective quantitative condition that leads us to consider, leaving aside the existence of other conditions specified in IAS 29, that the functional currency of the Bank's financial statements at 31 December 2018 is that of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements at that date having regard to that premise and in accordance with the provisions of IAS 29. However, we were unable to obtain sufficient information to allow us to accurately measure the effects of this situation on the Bank's financial statements at 31 December 2018, which we believe to be material."

   Point 7:
   "At 31 December 2018, as described in Note 18 to the financial statements, the heading "Provisions" includes a provision in the amount of 16 592 400 thousand kwanzas that was set aside in 2017 for macroeconomic and financial stability risks, based on principles of prudence defined by the Bank's Directors. However, we consider that the requirements for recognition of such a provision under IAS 37 - "Provisions, contingent liabilities and contingent assets" were not met and so our opinion on the financial statements for the year ended 31 December 2017 was qualified in that matter. Our opinion on the financial statements for the year ended 31 December 2018 is also qualified in that matter to the extent that the "Provisions" heading continued to be overvalued by 16 592 400 thousand kwanzas and the "Other reserves and retained earnings" heading is undervalued by the same amount."

4. As regards the reservation of the external auditors included in point 6 of this report, we inform the Shareholders that the Bank acted in accordance with the interpretation of Banco Nacional de Angola (the financial sector regulator) and ABANC, which considers that the Angolan economy is not hyperinflationary. Under the laws and regulations in force in Angola, instructions issued by Banco Nacional de Angola, as financial sector supervisor and regulator, are mandatory.

5. Within the scope of our duties, we examined the balance sheet at 31 December 2018 and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes thereto, including the accounting policies and valuation criteria used.

6. In addition, we reviewed the 2018 Annual Report drawn up by the Board of Directors and the proposal for the appropriation of profits included therein.

7. In view of the foregoing and based on the work performed, we are of the opinion that the General Meeting should:

    a. Approve the Annual Report for the year ended 31 December 2018,

    b. Approve the financial statements for that year, and

    c. Approve the Proposal for the Appropriation of Profits.

8. Finally, we would like to thank the Board of Directors and the Bank's various sections and departments for their cooperation.

Luanda, 1 April 2019
The Supervisory Board

Amílcar Safeca
Chairman

Rodrigo Aguiar Quintas
Member

Henrique Manuel Camões Serra
Chartered Accountant

08

ANNEXES

Glossary

- **Assets** – Property and rights held by an organisation that have economic value and can be converted into cash.
- **Real estate assets** – Rights in real property for commercial, residential or industrial use.
- **Depreciation/amortisation** – Reduction in the carrying amount of a company's fixed assets to reflect their use or wear and tear, or the decrease in their useful life.
- **ATM (cash machine)** – Device through which authorised users (generally holders of valid financial cards in a given system) can access financial and other services, including cash withdrawals.
- **Investments in securities** – Investments in fixed income assets issued by the National Treasury to finance the national public debt.
- **Capital account** – Shows the balance of Angolan assets owned by foreign investors and foreign assets owned by Angolan investors.
- **Trade balance** – The difference between the value of the goods and services a country exports and those it imports.
- **Current account balance** – The sum of the balance of trade and financial flows, especially interest paid to the foreign holders of debt issued by the country and dividends paid to foreign investors.
- **Balance of payments** – Reflects the total payments made and income received by residents of a country to or from the rest of the world. It is divided into the current account and the capital account.
- **Balance sheet** – Accounting statement that summarises a company's assets (fixed assets, receivables, cash) and liabilities (capital, debts).
- **Treasury bills (TBills)** – Short-term public debt security issued by the Treasury, with a maturity of less than one year. Treasury bills are issued at a discount and redeemed at their face value at maturity.
- **Shareholders' equity/Own funds** – Funds that belong to the company itself, as opposed to borrowed funds.
- **Cash Flow for the year** – Net profit for the year, plus depreciation and amortisation expense and provisions. It represents the company's capacity to generate funds to invest without borrowing.
- **Operating cash flow** – Net operating revenue, less administrative expenses.
- **Tripartite contracts** – Contracts between the bank, an oil sector service provider and an oil operator, with a view to the operator selling USD directly to the service provider without the intervention of the BNA.
- **Commodities** – Goods that can be bought and sold, such as farm products and natural resources. In international trade, the term is used to refer to raw materials and primary agricultural products.
- **Cost-to-income ratio** – A financial measure that shows a company's costs as a percentage of its income.
- **Deposit** – Funds placed with a bank.
- **Term deposit** – Funds placed in a bank account for a specified period (one month, three months, six months, one year), earning interest at an agreed rate.
- **EMIS –** Angolan company which, together with the banks, provides a range of services related to the use of bank cards. It manages the shared ATM and POS terminal network.
- **eMudar@BFA** – A system implemented by BFA, consisting of a front-end application for branches, Corporate Centres and Investment Centres that introduces mechanisms based on standardised workflow methodologies for processing various branch activities, so that they can be dematerialised, making them more efficient and mitigating the level of operational risk.
- **EMV** – A standard for cards with computer chips that generate a unique transaction code for each transaction to prevent fraud.
- **Euribor** – Euro Interbank Offered Rate. The Euribor rate is calculated daily based on the average interest rates at which 57 representative eurozone banks offer to lend funds to one another.

- **MT940 statement** – standard statement, developed by SWIFT and used internationally to electronically report daily bank account entries and end-of-day balances.
- **PSX file** – File format for batch processing of transfers, with the possibility of making payments to other countries (used mainly for payroll processing and frequent payments to suppliers).
- **Filtering** – Automatic screening of the database of new and existing customers against international sanctions lists.
- **MT101** – Standard SWIFT message containing a request for transfer of funds between bank accounts, which may even be in different countries.
- **FX transactions** – Transactions in the foreign exchange market.
- **H2H (host to host)** – A channel that allows bank customers, through the internet and mobile banking service provided by their bank, to access the bill payments service available in the Multicaixa ATM network.
- **Inflation** – Average increase in the level of prices, generally expressed in percent.
- **Financial institution** – A company whose purpose is to enter into financial contracts and which therefore is subject to prudential regulation and supervision.
- **Financial instruments** – Investment instruments including securities, derivatives and money market instruments.
- **Financial asset** – Contractual right to receive cash or another financial asset (securities, accounts receivable) from another entity.
- **Financial liability** – Contractual obligation to deliver cash or another financial asset to another entity.
- **Net non-interest income** – Sum of net fee and commission income, net trading income and other income.
- **Net interest income** – Difference between the interest earned on loans and advances granted (calculated using the asset interest rate) and the interest paid to savers on the amounts deposited with the bank (calculated using the liability interest rate).
- **Operating margin** – Operating profit divided by total income, multiplied by one hundred. It measures a company's operating profitability over a given period.
- **Interbank money market** – Market in which banks lend to and borrow from one another to meet their needs.
- **Treasury bonds (Tbonds)** – Public debt securities issued by the Treasury which pay interest (coupons) at regular intervals and are redeemed at their face value.
- **Liabilities** – An entity's total debts and obligations to pay. The opposite of assets.
- **Interest-bearing liabilities** – Liabilities such as bank borrowings and corporate bonds on which interest must be paid.
- **Monetary policy** – Set of measures taken to control the supply of currency and credit and thus also the interest rate in an economy. The central bank is responsible for implementing the country's monetary policy.
- **Net operating revenue** – Total revenue received by a financial institution: fee and commission income, interest income, trading income, income from interbank lending.
- **Gross domestic product (GDP)** – Sum of all the goods and services produced in a country in a given period, generally one year.
- **Profiling** – Any form of automated processing of personal data that involves using personal data to assess certain personal aspects of an individual, especially to analyse or predict a person's financial situation, reliability or behaviour.
- **Finance income** – Interest received from loans granted, calculated using the asset interest rate.
- **Past-due loans ratio** – Ratio of customer loans with past-due principal or interest payments to total loans.
- **Equity-to-debt ratio** – Measures the proportion of a company's assets that are financed by equity as opposed to debt. The equity-to-debt ratio is an indicator of a company's financial stability.

- **Regulatory capital ratio (RCR)** – The ratio of regulatory capital (RC) to risk-weighted assets.

- **Loan-to-deposit ratio** – Ratio of total customer loans net of loan loss provisions (carrying value) to customer deposits.

- **Rediscount** – A monetary control instrument whereby the Central Bank grants loans to commercial banks at above market rates.

- **Return on assets (ROA)** – An indicator of how profitable a company is relative to its total assets, calculated by dividing net profit by total assets net of accumulated depreciation and amortisation. It measures the percentage profit generated by each monetary unit of assets.

- **Return on equity (ROE)** – A measure of a company's efficiency in generating profit from net assets (shareholders' equity), i.e., the percentage profit generated by shareholders' equity.

- **Spread** – The difference between the price offered by buyers and the price asked by sellers in response to supply and demand in financial markets.

- **SPTR** – Angolan real-time payments system, operated, administered and owned by BNA.

- **STC** – Credit Transfer Subsystem.

- **Stress test** – A procedure for testing the performance of an investment portfolio in different scenarios. Stress testing is used to estimate portfolio performance in exceptional situations.

- **SWIFT** – Society for Worldwide Interbank Financial Telecommunication, a provider of secure financial messaging services for banks. Its services are used in the foreign exchange, money and securities markets for confirmation and payment messages.

- **Financial inclusion rate** – Rate of use of financial services by the population of a country.

- **Intervention rate** – The rate of exchange at which a country's national bank must buy or sell its own currency in order to return it to the same value it had before.

- **Benchmark rates** – Interest rates set by central banks to serve as the basis for commercial interest rates in an economy.

- **Interest rate** – Price a borrower must pay to the owner of borrowed capital for the use of that capital for a specified period, expressed in percent.

- **Main refinancing rate** – Minimum rate of interest on liquidity-providing operations, carried out through weekly auctions, for a term of two weeks.

- **TCX (Money Trade Coin X)** – App for financial transactions in cryptocurrency.

- **TLTRO (Targeted long-term refinancing operations)** – Operations that provide long-term funding to credit institutions.

- **POS terminal (Point-of-sale terminal)** – An electronic device used to process card payments in retail and other establishments.

- **NPV (net present value)** – Discounted value of the expected future cash flows of a transaction.

- **Way4** – EMIS card management platform.

- **Write-off** – Reduction to zero of the carrying amount of a past-due loan that is considered uncollectible. The write-off is done by recording an allowance for uncollectible accounts and so has no impact on the income statement.

- **Yield** – The main indicator in the real estate investment market. It should be understood as a measure of the risk of future returns: the higher the yield, the higher the price, the greater the associated risk and the greater the opportunities for future returns.

Contact

HEADQUARTERS BUILDING

Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telephone: (+244) 222 638 900

Website:
www.bfa.ao

Homebanking:
www.bfanet.ao
www.bfanetempresas.ao

BFA Customer Support:
(+244) 923 120 120

Follow us on:

INVESTMENT CENTRES

HEADQUARTERS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 900
Fax: (+244) 222 638 948

SERPA PINTO
Largo Serpa Pinto n.º 233, R/C
Ingombota
Luanda
Telephone: (+244) 222 392 094
Fax: (+244) 222 393 195

LOBITO CAPONTE
Av. Salvador Correia,
Zona Industrial da Caponte,
Benguela
Telephone: (+244) 923 165 500
Fax: (+244) 272 226 756

BAIXA
Rua Sequeira Lukoki
Ingombota
Luanda
Telephone: (+244) 222 337 030
Fax: (+244) 222 332 242

SOLAR DE ALVALADE
Rua Emílio Mbidi, Bairro Alvalade
Maianga
Luanda
Telephone: (+244) 222 696 487
Fax: (+244) 222 696 442

BENGUELA CASSANGE
Rua Comandante Cassange
Benguela
Telephone: (+244) 272 230 190

MAJOR KANHANGULO
Rua Major Kanhangulo
98/03 Ingombota
Luanda
Telephone: (+244) 222 394 456
Fax: (+244) 222 393 145

TALATONA
Rua Centro de Convenções S8
Bairro Talatona, Casa dos Frescos
Belas
Luanda
Telephone: (+244) 926 920 352
Fax: (+244) 222 696 442

LUBANGO
Rua, Pinheiro Chagas 117
Lubango
Huíla

CORPORATE CENTRES

HEADQUARTERS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 900
Fax: (+244) 222 638 948

VIANA ESTALAGEM
Estalagem do Leão
Estrada Principal de Viana
Luanda
Telephone: (+244) 931 964 715
Fax: (+244) 222 291 083

BENGUELA CASSANGE
Rua Comandante Cassange,
1º andar
Benguela
Telephone: (+244) 272 236 605
Fax: (+244) 272 236 606

LUBANGO
Av. 4 de Fevereiro, Laureanos,
Lubango
Huíla
Telephone: (+244) 261 225 689
Fax: (+244) 261 224 973

MAJOR KANHANGULO
Rua Major Kanhangulo,
N.º 93 / 103
Ingombotas
Luanda
Telephone: (+244) 222 394 022
Fax: (+244) 222 393 839

OIL & GAS OPERATORS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 986
Fax: (+244) 222 638 970

LOBITO CAPONTE
Av. Salvador Correia,
Zona Industrial da Caponte,1.º Andar
Zona Industrial da Canata
Benguela
Telephone: (+244) 272 226 240
Fax: (+244) 272 226 238

TALATONA
Rua do SIAC, Bairro Talatona
Talatona
Luanda
Telephone: (+244) 926 920 351
Fax: (+244) 222 447 041

OIL & GAS VENDORS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 696 430
Fax: (+244) 222 638 970

SANTA BÁRBARA
Av.ª Marginal 2,
Ingombotas
Luanda
Telephone: (+244) 222 696 419
Fax: (+244) 222 696 420

CACUACO
Estrada Directa de Cacuaco,
Largo da Igreja, Cacuaco
Luanda
Fax: (+244) 222 511 413

RAINHA GINGA
Rua Rainha Ginga, n.º 34
1ª andar
Luanda
Telephone: (+244) 222 392 952
Fax: (+244) 222 392 734

MORRO BENTO
Rua 21 de Janeiro, Morro Bento
Luanda
Telephone: (+244) 222 638 900
Fax: (+244) 222 696 493

CENTRO DAS GRANDES EMPRESAS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 900

VIANA POLO INDUSTRIAL
Estrada de Catete - Polo
Industrial KM 23
Luanda
Telephone: (+244) 222 696 487
Fax: (+244) 222 696 488

CABINDA - DEOLINDA RODRIGUES
Rua Comendador Henriques Serrano,
Bairro Deolinda Rodrigues
Cabinda
Telephone: (+244) 231 220 381
Fax: (+244) 231 220 382

This page intentionally left blank.