Annual Report'17

BFA

Firm Commitment to Trust and Quality of Service.

In 2017, a new Executive Committee of the Board of Directors was appointed with a clear mandate: to contribute to BFA's sustainable growth and maintain its financial identity as a benchmark bank in the Angolan market, not only for its soundness and management model, but above all for the primary focus on our Customers, restating a firm commitment to trust and quality of service.

2017 in Review

Market leader in banking services offering in December 2017, with the following market shares:

54,0%
SPI Visa cards (credit and prepaid)

22,9%
Debit cards

22,0%
POS

Increase of AOA

7 173
Million

in Net Profit

+11,6%
An increase over 2016

2 109

Businesses registered with the Angolan Stock Exchange (BODIVA).

+37,9%
An increase over 2016

BFA obtained an annual share of 58.9% of the business carried out

+10,9%

Number of Customers in December 2017 reached

1 742 703

Growth in Asset Portfolio to AOA

1 443 064
Million

+9,9%
An increase over 2016

"Best Bank in Angola 2017" award from EMEA Finance magazine

"Best Commercial Bank in Angola" award from International Finance Magazine

"Best Commercial Bank in Angola" from Global Banking and Finance Review

Increase of AOA

231 440

The Bank has maintain its lead buying position regarding bonds.

BFA is the bank of choice of

65,0%

of Private Customers, according to the national Customer Satisfaction survey

BFA has given its support in the "Saving Women and Children against Malaria" mosquito net distribution campaign

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

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Message from the Chairman of the Executive Committee of the Board of Directors.

The Financial Year 2017 was primarily characterised by a new three-year term of BFA's governing bodies, with the appointment of a new Executive Committee of the Board of Directors ('ECBD') with a clear mandate: to contribute to BFA's sustainable growth and maintain its financial identity as a benchmark bank in the Angolan market, not only for its soundness and management model, but above all for the primary focus on our Customers, restating a firm commitment to trust and quality of service. Against a backdrop of strong competition, BFA increased its Customer numbers by 11% to 1 742 703, and became the leader in Bankita accounts, with a clear strategy to promote financial inclusion in Angola; it increased the number of Multicaixa cards by 20%, with a corresponding market share of 23%; and its overdue loans ratio stood at 6,1% of total Customer loans, with overdue loans provisioned at 149,9%. These figures reinforce BFA's dynamic performance in Angolan retail banking, where it has once again confirmed its status as a market leader.

Despite the country's challenging macroeconomic environment, and bearing in mind the strict, ethical and transparent management values not only of the governing bodies but of all its Employees, BFA had the best net results in its history, and grew by 11,6% over the previous year. As a consequence, it improved its profitability and solvency indicators:

- Net interest income increased by 61,1%;
- The return on equity ratio stood at 35,4%;
- The cost to income ratio stood at 24,4%;
- The regulatory capital adequacy ratio stood at 37,9%.

From the organisational and regulatory point of view, as part of the ongoing concern to reinforce its organisational structure and practices, BFA approved the implementation of the general risk policy. This policy aims to centralise the Bank's risk analysis to ensure that the internal control system complies with the relevant regulatory notices issued by the National Bank of Angola ('BNA').

The position of Company Secretary was also created to provide support to the management bodies with respect to the Bank's corporate governance system, which includes the internal control and risk management system as defined in Notices Nos. 1/13 and 2/13, both of 19 April.

It is also noteworthy the strengthening of collegiality in BFA's decisions, with the creation of two committees to support the Board of Directors: the Assets and Liabilities Committee and the Information Technologies and Innovation Committee; and two ECBD support bodies: the Business Committee and the Fixing Committee.

It was established the setting up of BFA's Change Department, which will allow internal modelling of BFA's organisational transformation, currently under way as part of the strategic plan for 2018-2022. The development of the strategic plan, which will begin in 2018, will involve a very challenging implementation process and transformational effort by all BFA Employees.

As regards the strategic plan, BFA recognises that our Customers' needs are changing at an ever faster rate, so we

“Against a backdrop of strong competition, BFA increased its Customer numbers by 11%...”

are developing an ambitious strategy for digital transformation, which will include the strengthening of our service quality.

With respect to compliance, a key area in the Bank’s activities, we have significantly strengthened the Compliance Department, with a particular focus on preventing and combating money laundering and terrorist financing, thereby keeping abreast of the challenges of national and international legislation and regulations with regard to best practices within these matters.

The organisational model and the structure of credit departments were altered, with three fundamental objectives: (i) to update the General Credit Regulations in accordance with BNA regulations; (ii) to adapt to the new credit approval structure, through a reorganisation of decision-making bodies and levels, anticipating the start-up of the new organisational structure for lending, made up of the Business and Corporate Credit Risk Department and the Individual Credit Risk Department; and (iii) to improve processes in order to increase operational efficiency and risk control in credit approval.

BFA also began updating its model for calculating impairment losses, in line with internationally accepted practices, for the adoption of IRFS 9 rules during the 2018 financial year.

Concerning BFA’s human resources, it stands out not only the organisational restructuring of the Human Resources Department but also the start of the training programme to be developed in 2018, as provided for in the strategic plan. The aim of these two initiatives is to provide Employees with the tools and soft skills necessary to better serve our Customers, based on BFA’s code of conduct: rigour, professionalism, transparency and ethics.

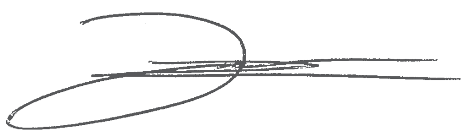
With respect to the capital market, BFA was very active in the secondary market of public debt securities, mediating between buyers and sellers and taking full advantage of the Treasury Bond Market (MBTT). As a financial market intermediary, BFA led the ranking in volume traded and in number of trades for the third consecutive year. It should be noted that BFA was the first financial market intermediary licensed by the Capital Markets Commission and the first authorised to operate in regulated markets on the Angolan Debt and Stock Exchange (BODIVA).

In 2018, BFA will continue to focus on supporting the development and diversification of the economy, including import replacement and export growth, particularly within the agricultural business sector.

Moreover, in view of the significant challenges of the foreign exchange market in general and of the new BNA regulations, BFA will encourage ethical, transparent and professional behaviour by all its Employees, in compliance with the regulations applicable to banking, foreign exchange operations and the efficient use of foreign currency.

We would like to express our deep appreciation to our Employees and their families for their permanent support, discipline and commitment in meeting the challenges faced in 2017, a key factor to BFA’s development.

Lastly, we would like to extend special thanks to our Customers for demonstrating their preference and trust, ensuring BFA’s commitment to continuing to do everything for the ongoing and sustained Customer service quality improvement and the level and safety of the service provided.



Jorge Albuquerque Ferreira

Our strategy

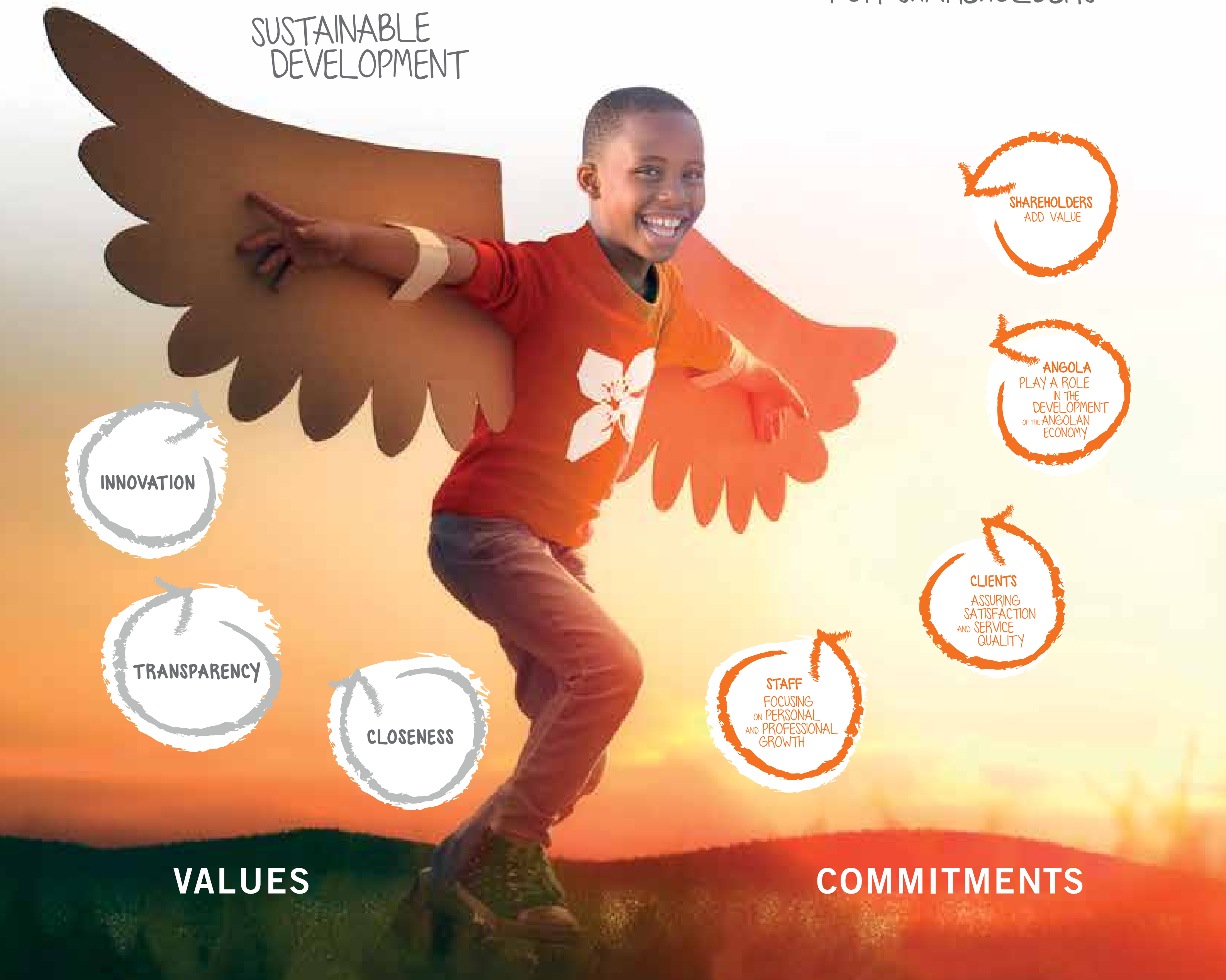
VISION, VALUES AND COMMITMENTS

VISION

BEING THE
Nº 1 BANK
FOR ALL
ANGOLANS
AND PLAYING A ROLE
IN ANGOLA'S
SUSTAINABLE
DEVELOPMENT

MISSION

DESIGNING
FINANCIAL SOLUTIONS,
PRODUCTS AND SERVICES
THAT FOSTER
LONG-LASTING RELATIONS
WITH ITS CUSTOMERS
AND GENERATE VALUE
FOR SHAREHOLDERS



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:

PURPOSE

Build distinction through propelling greater customer engagement

COMMITMENT TO THE CUSTOMER

- Improving customer service
- Expanding electronic channels
- Streamlining processes
- Diversifying products

STRATEGIC PRIORITIES

1. Investing in customer relationship.
2. Developing analytical skills to gain a better understanding of Customers.
3. Increasing innovation to keep pace with Customers' needs.
4. Investing in electronic banking.
5. Maintaining loan portfolio quality.

CRITICAL SUCCESS FACTORS

Speed up processes	Operational Excellence	BFA Culture
Speed up processes to better serve our customers, we need to streamline processes and make decisions in the shortest time possible.	Operational excellence plays a critical role to better serving our Customers in the digital environment.	The financial institution Culture is our third critical success factor. 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.

How we add 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 Employees, Customers, Shareholders and the Community.

VALUE FOR EMPLOYEES

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 equality in career opportunities;
- Talent management through general, initial and specialised training;
- Promotion of a common vision through mobility and internal progression of Bank employees;
- Careful induction of trainees through two training sessions, namely:
    - BFA's historical background and 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 Master's degrees in Bank Management and Postgraduate programmes in Accounting and Corporate Finance;
- Investment in training on key topical issues such as Compliance and Anti-Money Laundering;

VALUE FOR CUSTOMERS

Best Customer Bank – Build loyal relationships, offer the most appropriate products and ensure customer satisfaction and exceptional service through our branches and digital channels.

Best Customer Bank

- Offering simple, accessible and customised products and services for each customer's needs;
- Use of clear and succinct language, both when offering products and services and when handling inquiries and resolving problems;
- Innovation in payment methods and electronic channels that provide customers with security and convenience;
- Fulfilment of commitments and responsibilities to customers;
- Profitability and security of household savings;
- Creating a 'Mystery Customer' programme to evaluate service levels in branches.

VALUE FOR SHAREHOLDERS

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

Best Shareholder Bank

- 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 educational skills.

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;
- Establishing and managing a Social Fund amounting to USD 15 million in December 2017. This fund was built up with 5% of BFA's total profit over a period of five years.
- Reducing the Bank's environmental footprint by increasing file scanning and improving energy efficiency of bank branches.

Key Indicators

Amounts expressed in AOA Million

AOA	Dec. 15	Dec. 16	Dec. 17	Change % 15-16	Change % 16-17
Total Assets	1 229 579,2	1 312 879,6	1 443 064,4	6,8%	9,9%
Customer Loans[1]	220 796,0	235 310,9	194 808,9	6,6%	(17,2)%
Customer Deposits	1 017 159,6	1 079 702,0	1 058 241,4	6,1%	(2,0)%
Shareholders' equity and equivalents	126 455,5	173 221,1	217 421,7	37,0%	25,5%
Operating income	69 769,6	99 571,6	138 295,3	42,7%	38,9%
Net interest income	41 022,1	66 945,3	107 822,5	63,2%	61,1%
Net non-interest income	28 747,5	32 626,3	30 472,8	13,5%	(6,6)%
Operating expenses[2]	25 043,8	35 829,6	33 794,7	43,1%	(5,7)%
Net operating income	48 760,5	68 379,5	107 340,5	40,2%	57,0%
Net Profit	37 866,3	61 912,1	69 085,0	63,5%	11,6%
Return on assets (ROA)	3,2%	4,4%	5,0%	1,2 p.p.	0,6 p.p.
Return on equity (ROE]	32,0%	38,1%	35,4%	6,1 p.p.	(2,7) p.p.
Cost-to-Income	35,9%	35,9%	24,4%	-	(11,5) p.p.
Total assets per Employee	471,1	498,8	552,7	5,9%	10,8%
Loan-to-deposit ratio	21,7%	21,8%	18,4%	0,1 p.p.	(3,4) p.p.
Regulatory Capital Adequacy Ratio	24,3%	31,7%	37,9%	10,3 p.p.	+8,8 p.p.
Overdue loans / Total loans to Customers	4,6%	4,7%	6,1%	0,1 p.p.	1,4 p.p.
Provision coverage ratio, overdue loans	146,5%	125,4%	144,3%	-21,1 p.p.	18,9 p.p.
Provision coverage ratio, total loans	6,7%	5,8%	8,8%	-0,8 p.p.	3 p.p.
Number of branches[3]	191	191	191	-	-
Number of Employees	2 610	2 632	2 611	0,8%	(0,8)%
BFA Net penetration rate	40,4%	37,2%	28,4%	(3,2) p.p.	(8,8) p.p.
Debit card penetration rate	57,6%	57,6%	59,8%	-	2,2 p.p.

(1) Loans net of provisions
(2) Includes staff costs, third-party supplies and services, other operating expenses and depreciation and amortisation charges
(3) Retail branches + Corporate Centres + Investment Centres + Bank Service Points

Amounts expressed in USD million

USD	Dec. 15	Dec. 16	Dec. 17	Change % 15-16	Change % 16-17
Total Assets	9 086,8	7 913,5	8 697,1	(12,9)%	9,9%
Customer Loans[1]	1 631,7	1 418,4	1 174,1	(13,1)%	(17,2)%
Customer Deposits	7 517,0	6 508,0	6 377,9	(13,4)%	(2,0)%
Shareholders' equity and equivalents	934,5	1 044,1	1 310,4	11,7%	25,5%
Operating income	574,8	607,6	833,5	5,7%	37,2%
Net interest income	340,6	407,2	649,9	19,5%	59,6%
Net non-interest income	234,2	200,4	183,7	(14,4)%	(8,4)%
Operating expenses[2]	206,6	218,2	203,7	5,6%	(6,6)%
Net operating income	401,0	417,7	646,9	4,2%	54,9%
Net Profit	312,1	377,2	416,4	20,9%	10,4%
Return on assets (ROA)	3,2%	4,4%	5,0%	1,2 p.p.	0,6 p.p.
Return on equity (ROE]	32,0%	38,1%	35,4%	6,1 p.p.	(2,7) p.p.
Cost-to-Income	35,9%	35,9%	24,4%	-	(11,5) p.p.
Total assets per Employee	3,5	3,0	3,3	(13,6)%	10,8%
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(2) Includes staff costs, third-party supplies and services, other operating expenses and depreciation and amortisation charges
(3) Retail branches + Corporate Centres + Investment Centres + Bank Service Points

Business Performance: 2015-2017

Customers

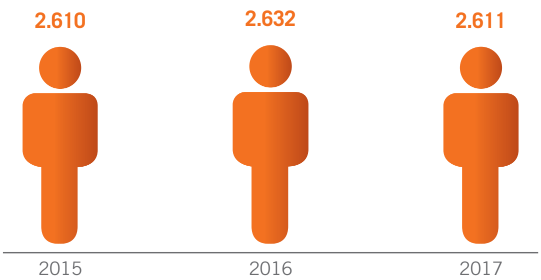
The upward trend in BFA Customer numbers remained steady, experiencing growth, in absolute terms, in line with 2016.

Service Outlets

BFA has maintained the number of service outlets in Angola, with a total of 191 including Branches, Corporate Centres, Investment Centres and Service Points.

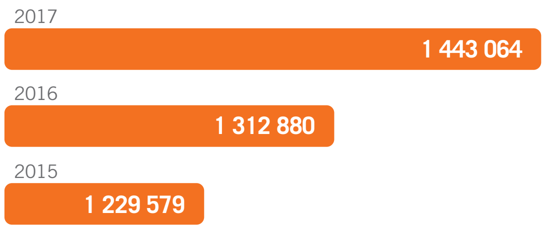
Employees

In 2017 the Bank recorded a slight negative change of 0,8% in the number of Employees.



Total Assets (mAOA)

BFA's business growth in 2017 is reflected in the 9,9% growth of Total Assets.

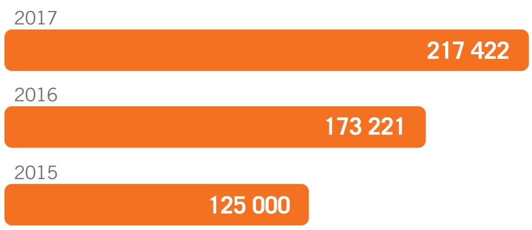


Total Deposits (mAOA)

There was a slight fall in the volume of deposits compared to 2016, which recorded a total of AOA 1 058 241 million.

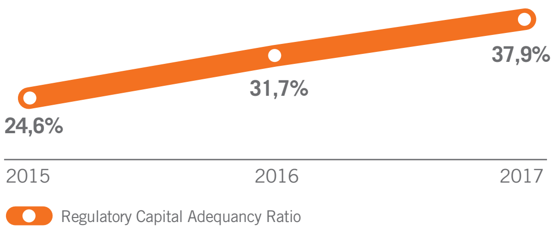
Total Shareholders' Equity (mAOA)

BFA's Equity continued to grow in 2017, with an increase of 25,5%, strengthening the Bank's financial standing and ability to meet its Customers' needs.



Capital Adequancy Ratio

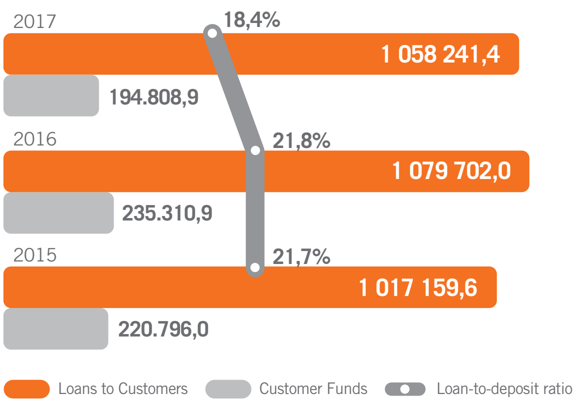
The Bank showed itself to be financially sound, with a regulatory capital ratio of more than three times the required minimum of 10%.



Note: Value of 2017 calculated in accordance with Notice N.º 2/2016

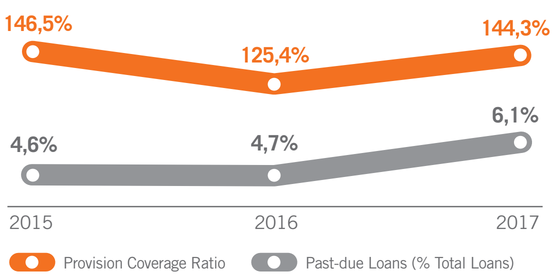
Activities with Customers (mAOA)

The loan-to-deposit ratio decreased slightly compared to the previous year, to reach 18.4%. This decrease is explained by a sharper decrease in loans than in deposits.



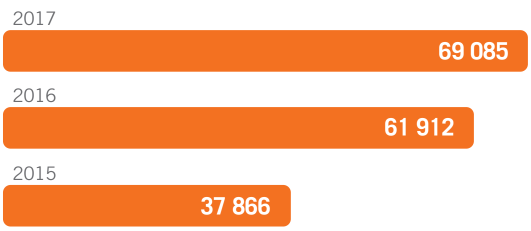
Credit Quality

There was a slight deterioration in the Overdue Loans Ratio, due to adverse economic conditions, accompanied by an increase in the Provision Coverage Ratio, in order to anticipate deteriorating risk in the loan portfolio.



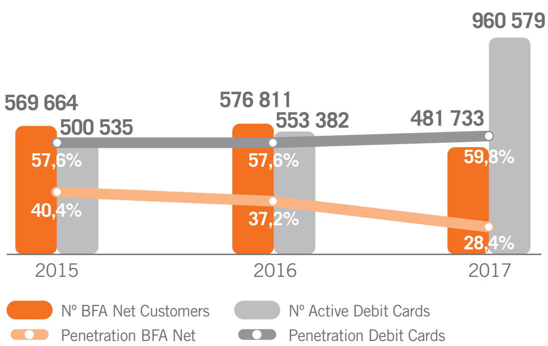
Net Profit (mAOA)

In 2017, BFA achieved a record high net profit of more than AOA 69 billion, corresponding to an increase of 11,6% over 2016.



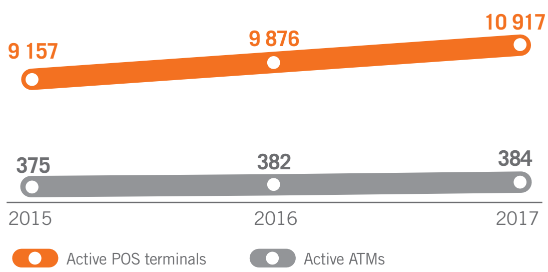
Services

In 2017, the Debit Card penetration rate increased by 2,2% to 60% and the BFA Net penetration rate fell to 28% (-8.7pp vs 2016). Two exceptional events had a significant impact on these figures: 1) A change in the classification criteria of active cards by EMIS[1] and 2) Cancellation of the BFA Net contracts of Customers who were not using the service.



ATMs and POS

The number of ATMs and POS terminals has continued to grow, which once again shows BFA's commitment to providing a wider choice of banking channels for its Customers.



Note 1: From January 2017, EMIS started to classify all cards that were used at least once in the last 6 months as active cards, when until December 2016 it had only looked at the previous month.

Outlook for 2018

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

I. Compliance

In order to promote and leverage compliance with existing legislation and regulations, and to ensure greater control over the collection and reporting of required information, BFA has updated its enhanced due diligence procedures for high-risk entities, tested the implementation of a profiling and filtering tool and started the first enterprise-wide audit of its Compliance function.

In 2018, BFA will:

- Implement a Profiling and Filtering tool in order to leverage current monitoring, supporting BFA in the full adoption of all existing legislation and regulations. In parallel with the development of processes and procedures, introduce new international techniques and methodologies, and adopt a continuous improvement approach in line with international best practices;

- Finalise its eLearning training project in the fight against Money Laundering and Terrorist Financing, through the *eFormar* platform;

- Create and update processes and procedures, as well as training, in the areas of Transparency, Bribery, Corruption, Ethics, Conflict of Interest and Conduct;

- Review and implement improvements in the information held on the Bank's Customer database;

- Publish relevant information on the subject of Compliance on the Intranet and the corporate website.

II. Customer relationship

Over the next year, BFA intends to leverage its relationship with Customers, reinforce its position as a **Trusted** Bank and be the No. 1 Bank for all Angolans. To do so, in 2018 BFA will:

- Carry out initiatives aimed at extending banking services to the Angolan population, promoting remote access to the Bank through BFA Net, the BFA App and MTCX;

- Continue the Mystery Customer study, carrying out further surveys to permanently evaluate the service and assistance provided by the Bank to its Customers, in order to identify and implement opportunities for improvement;

- Work to ensure the continued operation of the ATM Network, Multicaixa Cards, BFA Net and BFA App, demonstrating to Customers BFA's constant availability.

III. Risk Management

The year 2017 was marked by the institutionalisation of Risk Management through the creation of the Risk Management Department, which opens the way to better and more proactive risk management at BFA.

After careful planning and creation of teams, it finally came into operation at the end of the year. The year 2018 will be a year of challenges given the effective operationalisation of the Board's activities. Throughout the year, BFA will reach a higher level of coordination in terms of managing different types of risk, given the integrated, top-down vision the new structure can achieve.

IV. Human Resources

Throughout 2017, the HRD underwent a restructuring process in order to become a strategic area and provide solid support to the Executive Committee, with the aim of making BFA's strategy for the next three years a reality.

Among other issues, the transformation has led to a new structuring of competences, which are now organised by functional groups, in order to allow a better allocation of tasks/activities, as well as the development of qualifications in the medium term. In 2018, this transformation will extend to the remaining BFA Departments, which will enhance the alignment between Employees and the Bank's strategy.

In addition, in parallel to this change, HRD will focus on the following areas:

- Investing in the BFA Employee - focusing on the development of skills by setting up the BFA Academy and implementation of the Escola Branch;
- Reinforcement of Talent Management - prioritising the correct allocation of Employees to their functions;
- Reinforcement of the 'BFA culture': A Customer-centred culture - Conveying to the central services the idea that there are no Internal Customers, we all work for the satisfaction of the BFA Customer.

V. Innovation and Technology

The focus on technological innovation is one of BFA's strategy cornerstones. Investments in information systems and the projects undertaken in this area have yielded strong returns, allowing the systems not only to keep pace with the Bank's growth but also to become a driver of growth. The goals for 2018, building on the developments completed to date, are as follows:

- Proceed with the eMudar@BFA project;
- Strengthen the IS backbone in terms of capacity, performance, resilience and security by improving the Bank's core system, communication network and data protection mechanisms;
- Continue the Role-Switch Trials, in order to ensure, if necessary, an agile transition to the High Availability System;
- Implement a solution that allows BFA to trade on BODIVA in a fully electronic and integrated manner;
- Promote mobility and ongoing contact between Employees, through the assignment of laptop computers and the implementation of a communication solution.

VI. Strategic Plan 2018-2022

At the end of 2017, BFA defined the 2018-2022 Strategic Plan. This plan sets objectives for the next five years, centred on the development of a more diversified business model and a service model that is more closely adapted to the value contributed by Customers. It divides the strategy into four fundamental pillars: (i) optimisation of the Bank's business functions; (ii) innovation in products and services; (iii) digitisation; and (iv) organisational and cultural transformation.

This plan represents a profound transformation of BFA's business and operating model and will require robust implementation and monitoring. In 2018, a new organisational unit, the Transformation Department, will be created to support the implementation of the planned strategic initiatives, monitoring their impact and thus enhancing the success of BFA's Strategic Plan, promoting collaboration and alignment between teams.

02

ECONOMIC ENVIRONMENT

International Economy

According to IMF estimates, the world economy accelerated in 2017, growing by 3,8% (3,2% in 2016). Improved performance reflected more robust dynamics in both advanced and developing economies. In advanced economies, where GDP increased by 2,3% (+0.6 percentage points compared to 2016), the acceleration was general: US, UK, Canada, Japan and the Eurozone saw their economies expand at a faster rate than last year. The economy of the single currency particularly surprised by growing robustly (2,5%), breaking the rhythm of the anaemic GDP increases of recent years. In the emerging economies, there was also an acceleration in various regions, with the exception of the Middle East and North Africa, which saw growth slow from 4,9% to 2,6%, mainly due to a fall of 0,7% in Saudi Arabia's GDP, chiefly caused by the country's continued commitment to OPEC production quotas. Sub-Saharan Africa saw growth almost double from 1,4 per cent in 2016 to 2,8 per cent in 2017, although this increase was constrained by the poor performance of the largest economies in the region, Nigeria and South Africa, which grew 0,8% and 1,3%, respectively. China maintained very significant growth (6,9%), along with India, whose GDP rose 6,7%.

With regard to 2018, IMF predictions are for continued, albeit milder, acceleration to 3,9%. Improving this performance will fundamentally contribute to greater economic momentum in the emerging economies, whose GDP will increase by 4,9%, according to the Fund's estimate. On the other hand, advanced economies are expected to maintain their growth rates at 2,5%. In the case of emerging economies, the fastest growing region will be the Middle East and North Africa, with Saudi Arabia's return to economic growth. India will also see its growth rate accelerate to 7,4%, while the pace of growth of the Chinese economy is expected to slow to 6,6%. In Sub-Saharan Africa, GDP growth is expected to increase to 3,4%, also boosted by a 2,1% expansion in the Nigerian economy. The US economy will benefit in the short term from the tax reform approved by the Trump Administration, which will lead to growth of 2,9% in 2018, in contrast to the Eurozone, whose economic environment is expected to cool, leading to a GDP increase of 2,4%, one point lower than in 2017. These expectations are conditioned by the behaviour of the financial markets, given the slow normalisation of interest rates, which may pick up speed in 2018, with some volatility expected in response to monetary policy events, particularly in the US.

2017

Advanced Economies
- GDP growth of 2,3%
- Eurozone grows robustly
- Generalised growth

Emerging Economies
- Sub-Saharan Africa almost doubles its growth
- China and India with very significant growth
- Slower growth in the Middle East and North Africa

GLOBAL ECONOMY: GROWTH OF 3,7%

2018

Advanced Economies
- The rate of growth remains steady
- Growth of the US economy
- Slight cooling in Eurozone growth

Emerging Economies
- GDP growth of 4.9%
- Middle East and North Africa to be the fastest
- Return of Saudi Arabia to economic growth
- Increase in India's growth rate
- Slowdown in China's growth rate

GLOBAL ECONOMY: GROWTH OF 3,9%

MONEY MARKET AND BONDS

By 2017, the good, even surprisingly good, performance of some economies led monetary policy to switch to a less accommodating approach (if only with hindsight, in a number of cases). As a result, this good performance also led to higher sovereign debt yields.

FOREIGN EXCHANGE MARKET

In 2017, the foreign exchange market was marked by a substantial fall in the dollar. The depreciation of around 12% against the Euro resulted in the lowest level in the Dollar's aggregate exchange rate for the last two years (93,26). This trajectory led the EUR/USD to end the year at 1,20, mainly due to some disappointment with the implementation of policies by the US administration; at the end of the year there was also a sense of anxiety about the recent US tax reform.

On the other side of the coin, the Euro appreciated in value, boosted by the improved economic outlook for the Eurozone, thus creating pressure on the ECB to raise interest rates. The Dollar lost ground not only against the Euro but also against other currencies such as the Japanese Yen, the Canadian Dollar, the Swedish Krona and the Swiss Franc. Likewise, the pound recovered about 7% of its value against the Dollar, although in relation to the Euro it lost 4% in value.

INTERBANK MARKET

Euribor

1. The ECB reaffirmed its pledge to maintain key monetary policy instruments well beyond the end of the Quantitative Easing programme.

2. The solid economic performance of the single currency led to a reduction of EUR 20 billion in asset purchases in April, reaching a monthly figure of EUR 60 billion, and the announcement in October of a further reduction in 2018 to 30 billion.

Euribor 3-month rate: -0,33%

US Dollar Libor

1. The economy exceeded expectations as regards economic activity. In addition, the labour market led the US Federal Reserve to be able to raise the rate of Fed funds three times, in March, June and December.

2. Throughout the year, the monetary authority took steps to prepare the market for the start of the process of reducing reinvestment of principal payments on securities purchased by the Federal Reserve, before they are reinvested in full at maturity. Thus, in October it began a process of lower reinvestment of these assets purchased under non-conventional measures.

Rise of 3-month dollar Libor rate: 1,69%

PUBLIC DEBT MARKET

Yields

Rise in yields, influenced by the trend towards normalisation of various monetary policies around the world and by the positive outlook for growth. The 10-year Treasury yield closed the year at 2,4%, practically at the same level as at the beginning of the year (2.4%), having ranged between a maximum of 2,6% (in March) and 2,0% (in September).

Bund

The Bund rose from the beginning of 2017 (0,2%) to July (0,6%), correcting slightly until the end of the year, ending at 0,4%.
This movement was mainly due to the strength of the German and European economy, which made it possible for the ECB to start to withdraw the European asset purchase programme.

Angolan Economy

ECONOMIC ACTIVITY

ECONOMIC INDICATORS AND PROJECTIONS

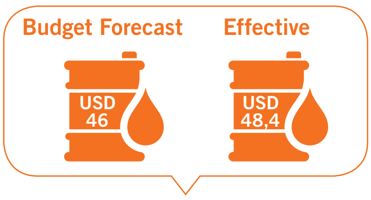
	2010	2011	2012	2013	2014	2015	2016E	2017E	2018P
Real growth of Gross Domestic Product (tvh, %)	3,4	3,9	5,2	6,8	4,8	3,0	(0,7)	1,5	1,6
Oil Sector	(3,0)	(5,4)	4,5	(1,1)	(2,6)	6,4	-	-	-
Non-oil Sector	7,6	9,5	5,5	10,9	8,2	1,6	(0,4)	1,3	1,5
Oil production (Million barrels/day)	1,76	1,66	1,73	1,72	1,67	1,78	1,74	1,65	1,70
Angolan oil price (average, USD/barrel)	76,5	108,7	110,9	107,7	96,9	50,0	40,9	48,4	50,0
Consumer Price Index (yoy change, end of period)	15,3	11,4	9,0	7,7	7,5	14,3	42,0	26,3	28,7
Budget balance (% of GDP)	3,4	8,7	4,6	(0,3)	(6,6)	(3,3)	(3,8)	(5,3)	3,4
Primary non-oil budget balance (% of non-oil GDP)	(47,4)	(51,1)	(53,7)	(48,3)	(44,6)	(21,8)	(12,2)	(10,7)	-
Gross international reserves (USD billion, end of period)	19,7	27,5	32,2	32,2	27,8	24,4	24,4	17,9	-
Average exchange rate (AOA/USD)	91,9	93,9	95,5	96,6	98,3	120,1	163,5	165,9	-

Source: IMF, INE, Fin., Min., BNA
Note: Except for the overall GDP growth data, all the other data are prior to the review of the National Accounts Quarterly series carried out by INE in February 2017

In 2017, according to the figures estimated in the State Budget (OGE) 2018, the Angolan economy grew by 1,5%, a moderate increase, but a significant recovery from the near stagnation of 2016 (+ 0,1%). This recovery was supported by an acceleration of non-oil GDP, which increased by 1,9%, in contrast to a 0,5% drop in oil GDP.

OIL GDP

The fall in oil GDP was a result of a drop in oil production, from 1,78 million barrels per day (mbd) in 2016 to 1,65 million bpd in 2017. Although the price of oil remained relatively low compared to pre-2015 levels, in 2017 the average price rose significantly to USD 48.4 a barrel, a price slightly higher than the Government forecast in the 2017 national budget (USD 46 a barrel).



Reduction in oil revenues:

- Lower public spending due to lower public revenue from oil taxes;
- Difficulty in importing consumer goods, but also the raw materials needed for domestic production and capital goods, due to the restriction on obtaining foreign exchange.

NON-OIL GDP

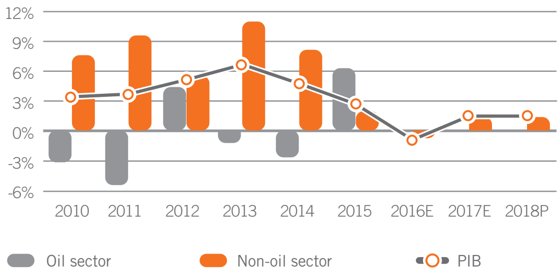
The recovery of the non-oil economy resulted essentially from moves to counteract the lower public spending, as the State pursued a moderately expansionary budgetary policy, as witnessed by the expected increase in the budget deficit to 5,3% of GDP in 2017 (3,8% in 2016). The second factor, relating to the scarcity of foreign exchange, continued to be a significant constraint on the economy, despite a slight increase in the amount of foreign currency available to banks compared to 2016.

These phenomena were felt differently in different sectors:

- Manufacturing production declined by 0,7%.
- The diamond sector saw output decline by 0,6%.
- The energy sector experienced very strong growth, 40,2%, due to the start-up of two turbines at the Lauca Hydroelectric Power Plant.
- The agricultural sector grew by 4,4%.

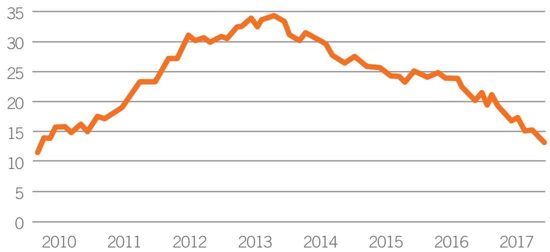
By 2018, economic activity is expected to accelerate, with the government forecasting 4,9% GDP growth, which could lead to a robust recovery. This expectation is based on an average oil price of USD 50. Even so, the IMF forecast (and that of other international institutions) is more modest, at around 2,2%. The Executive expects the oil sector to increase by 6,1% in GDP (supported by an increase in oil production to 1,85 mbd), with growth of 4,4% in the non-oil sector. To this end, the contribution of the energy sector will again be important, and is expected to grow by around 60%, with the addition of two more turbines at the Lauca dam and steam turbines in the Soyo Combined Cycle plant. Agriculture should also be a robust development sector, growing by 5,9%, supported by the implementation of several projects, including a World Bank-funded project in the provinces of Huambo, Bié and Huíla.

Real GDP Growth



Source: FMI

Foreign Exchange Reserves



Source: BNA

BALANCE OF PAYMENTS

	2010	2011	2012	2013	2014	2015	2016E	2017E	2018P
Current account (% of GDP)	9,1	12,6	12,0	6,7	(3,0)	(10,0)	(5,1)	(4,8)	(4,5)
Trade Balance (% of GDP)	41,1	45,2	41,1	33,5	24,1	12,1	13,9	13,8	12,3
Export of goods (% of annual change)	(3,4)	33,0	5,6	(4,0)	(13,3)	(43,9)	(17,2)	-	-
of which: oil (%of annual change)	24,0	32,9	6,3	(4,0)	(13,8)	(44,7)	(17,8)	-	-
Import of goods (% of annual change)	(26,4)	21,4	17,2	11,1	8,5	(26,6)	(32,2)	-	-
Capital and Financial account (% of GDP)	14,4	18,3	15,5	7,1	(5,8)	(12,6)	(8,3)	-	-

Source: IMF (Article IV, Fev. 2017; WEO Oct 2017; Regional Outlook Oct 2017)

EXTERNAL SECTOR

According to IMF forecasts, Angola's balance of payments imbalance improved slightly in 2017.

The current account balance showed a deficit for the 4th consecutive year, although 0.4 percentage points below the 5,1% registered in 2016, well below the 10% deficit recorded in 2015.

The trade balance in goods was positive, quite similar to that of the previous year, reaching 13,8% of GDP (13,9% in 2016), well below pre-2014 levels (before that year, with the exception of 2009, the trade balance in goods was always above 30%). This result was despite a substantial increase in the volume of imports (23,9%), well above the increase in exports (2,2%). The improvement in the balance, combined with a much greater volume increase in imports, is explained by the effect of the rise in the price of oil, which still accounts for about 95% of Angolan goods sales abroad.

External debt saw a significant decline, to 35,4%, almost 10 percentage points below the 2016 figure. Nevertheless, this was well above the levels observed between 2009 and 2013, at around 20%.

For 2018, a slight improvement is expected in the current account deficit, which is expected to be around 4,5%. At the same time, the surplus in the trade balance in goods is expected to decrease to 12,3%. This is because the growth of imports and exports is expected to be unequal: imports will increase by 2,9% in volume, while exports will increase by 1,8% - and in 2018 the oil price is unlikely to compensate for this phenomenon.

International reserves declined from USD 20,8 billion at the end of 2016 to USD 13,3 billion at the end of 2017. This performance was due, on the one hand, to the very low level of foreign exchange inflows (caused by the low oil price), and on the other, to the absence of exchange rate correction. In this scenario, net international reserves fell below seven months of imports of goods and services, once considered by the authorities as a benchmark. As previously mentioned, the exchange rate remained stable at USD 166,7, at a significant distance from the parallel exchange, which always traded above USD 400.

PUBLIC ACCOUNTS

Budget implementation in 2017 is expected to be relatively disciplined, particularly taking into account the constraints on the Government.

First, interest expense was significantly higher than government expectations (+ 46,8%). It should be noted that interest expense has grown steadily as a percentage of total expenditure in recent years, with expenditures totalling 17% in 2017, compared to only 3% in 2014.

On the other hand, only 72,8% of non-oil taxes were collected. Together these two factors created a deviation of almost AOA 700 billion.

Oil tax revenues were in line with budgetary expectations (the oil price only slightly higher than expected), resulting in a need to reduce expenses (excluding interest) by AOA 700 thousand million in order to meet the Government's plans. This was achieved through cuts in investment spending (AOA 146 billion), subsidies (AOA 179 billion), goods and services (AOA 316 billion) and pay (AOA 121 billion). Thus, as a result of budgetary discipline, the deficit was 5,3% of GDP, 0,5 percentage points lower than projected in the 2017 State budget.

In 2018, the strategy will be budgetary consolidation, with the deficit to be reduced to 3,4%. The assumed oil price level is again prudent, with an average of USD 50. Revenue will need to increase by significantly more than expenditure, but with final changes still unknown, due to changes to the State budget. The increase in revenue should be supported by both oil and non-oil taxes, with the latter increasing again as a percentage of total revenue.

PUBLIC DEBT

2017

The level of public debt as a percentage of GDP should, according to the IMF, have reached 65,1% at the end of 2017 (including Sonangol's debt), which is a fall of almost 10 percentage points compared to 2016, after several years of increases.

Government figures do not differ to a large extent, with total debt estimated at 72% in 2016, falling to 61% in 2017: this decline is thought to have been significantly influenced by the high inflation rate in 2017, together with the return of economic growth.

PUBLIC DEBT

2018

In 2018, the IMF predicts a further increase, albeit slight, to 66,0%, and the stock of debt is expected to remain at around the same level, as a percentage of GDP, until 2022.

Although net borrowing requirements are compatible with the State's debt capacity, the preponderance of short-term debt makes repayments in 2018 a very important variable, and the Government should try to lengthen government debt maturities.

According to the Annual Debt Plan, debt service (interest, amortisation and commissions) amounts to AOA 5 665 300 000, of which 65% is internal debt and 35% is external debt. Repayments accounted for nearly half of the debt stock in December 2017 (AOA 12,154.8 billion).

To meet net borrowing and disbursement needs, debt in the order of AOA 6 721 100 000 will be issued:

Internal debt

AOA 4 762 000 000 in domestic debt: 51,4% of this in Treasury Bonds, 46,6% in Treasury Bills and 2,0% in Loan Agreements.

External debt

AOA 1 959 000 000 will be raised externally: AOA 437 000 000 in the issue of Eurobonds.

In 2018, the strategy will be budgetary consolidation, with the deficit to be reduced to 3.4%. The assumed oil price level is again prudent, with an average of USD 50. Revenue will need to increase by significantly more than expenditure, but with final changes still unknown, due to changes to the State budget. The increase in revenue should be supported by both oil and non-oil taxes, with the latter increasing again as a percentage of total revenue.

INFLATION AND INTEREST RATES

The trend in inflation in 2017 was the reverse of 2016, although the average was fairly similar.

INFLATION RATE

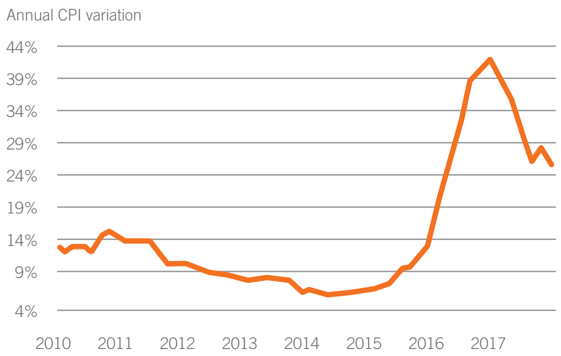
Average inflation stood at 31,7%, slightly below the 32,4% recorded in 2016, but, unlike the previous year, annual inflation took a downward path throughout the year, from the yearly high of 40,4% in January to a minimum of 26,3% in December.

Main causes:

- The return of monthly inflation to values lower than 3%, and in half of the months of the year monthly inflation was even lower than 2%;
- Stability in the value of the Kwanza, a result of exchange rate devaluation;
- Restrictive monetary policy

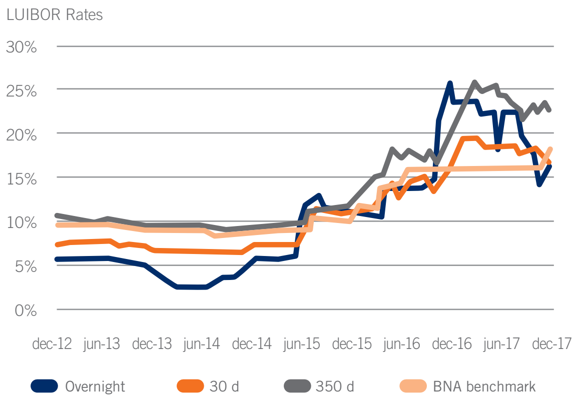
The BNA reference rate remained at 16% for most of the year, rising to 18% at the end of the year. The liquidity-providing rate and the rediscount rate remained at 20% throughout the year, while the 7-day liquidity-absorbing rate witnessed successive declines from 7.25% to 5.25% in June, 3.25% in July, 2.75% in August and 0% at the end of the year, in order to encourage loans in the interbank market.

Year-on-year Inflation Rate



Source: INE

Interbank Money Market Rates



Source: BNA

2017

Loans	Total loans to the economy declined by 5,5%, as opposed to the 17,3% growth experienced in 2016.	−	Loans to the private sector in 2017 contracted significantly, with an average annual decline of 10,1%.
		−	According to the latest data released by the BNA, in 2017 Angola's overdue loans ratio (overdue loans to total loans) reached 28.8%, up from 13.1% at the end of 2016.
Deposits	There was a slight reduction in deposits by 0,7%, compared to the average growth of 21,2% seen in 2016.	=	The proportion of deposits in foreign currency remained almost stagnant, standing at 32,8% at the end of 2017.

OIL RECOVERS TO MORE THAN USD 60 A BARREL

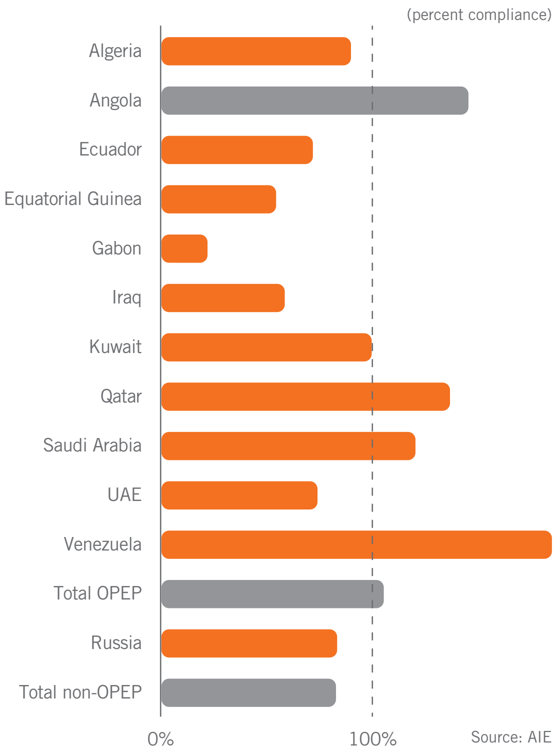
In 2017, there was an increase in the price of oil, supported by the relative success in the implementation of the OPEC agreement, together with a number of non-cartel members, including Russia. Moreover, stronger-than-expected growth also helped to sustain steady price growth in the second half of the year.

For 2018, stabilisation or even a slight decline is expected, given the expected increase in production by US producers.

Brent Crude Oil Price Performance

Fonte: Reuters

Compliance with Production Reduction Quotas

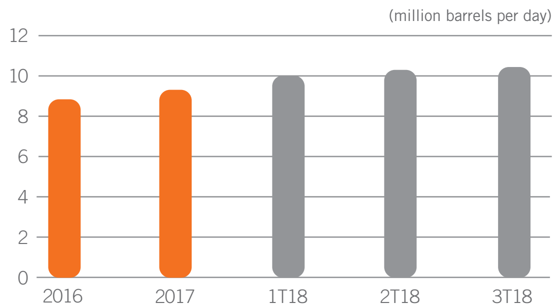


In the first half of the year, the Brent price began steady, with a later downturn to the annual low of USD 44 at the end of June. This was later offset by a gradual increase to the levels recorded at the end of the year, in particular due to the implementation of the agreement to reduce output between OPEC, Russia and a number of other countries which together account for around 2/3 of the world's oil production. This agreement eventually led to a decline in oil stocks from the middle of the year. The agreement was particularly persuasive for the markets after confirmation of the successive postponements of its end, from June 2017 to March 2018, and then to the end of 2018. There was a gradual increase in prices, which exceeded the resistance point of USD 58, setting the yearly maximum at USD 65,83 in November, after which trading remained close to that value until the end of the year. This resulted in higher revenues with a lower level of production, although the agreement was only relatively successful. There is still a trend for excess supply versus demand, although this excess has fallen during the year.

In fact, the prolongations of the agreement are, in part, evidence that OPEC now has reduced power in influencing prices, due to the growing importance of US production. Some factors unrelated to supply should also be mentioned:

- Stronger demand in the second half of the year, related to more dynamic economic performance;
- An increasing appetite for risk, which translated into a greater focus on the commodities market;
- The fall in the USD during 2017 also led to a necessary increase in the dollar price of a barrel - it should be noted that the Brent price measured in euros was exactly the same at the beginning and the end of the year.

USA - Crude Production

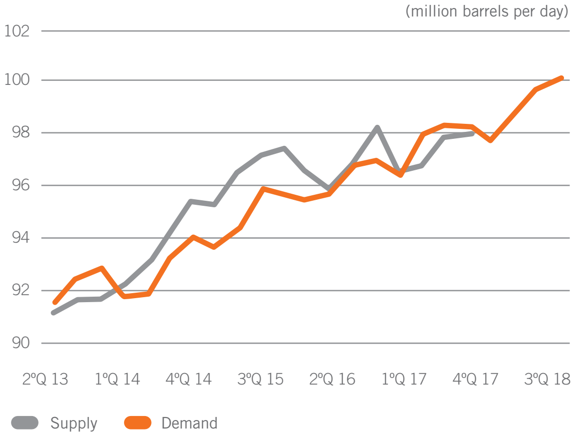


Source: AEI

Beyond the scope of the agreement, US producers once again gained market prominence, reaching near to 10 million barrels per day (mbd) by the end of the year, due to a 1mbd increase in shale oil production. It is expected that the historical landmark referred to above, which has not been reached since the early 1970s, will occur in May 2018. This performance has surpassed market expectations, and if it continues, will mean that in 2018 there will not be, as predicted and desired by OPEC, an opposite imbalance (with demand greater than supply), but rather, in the best scenarios for the oil-producing countries, a neutral, yet differentiated, situation throughout the year (with a supply surplus in the first half of the year for seasonal reasons). Moreover, this scenario assumes, on the one hand, the continuation of cuts with a level of compliance similar to that of 2017 (more than 100% for OPEC countries, and about 80% for the rest), and on the other hand, continued decline in production in Venezuela (and no changes in the current geopolitical risk scenario).

On the demand side, continued support is expected, with growth originating mainly in emerging markets, which should allow for a balance between demand and supply, given that demand is expected to continue to increase (from US and Canadian supply). There will not be a substantial increase from the more developed markets and there will also be a gradual fall in oil use by these economies. With regard to emerging markets, it should be noted that, despite growth, there will be a slowdown in China's additional demand, although this may be offset by an acceleration in the needs of the Indian economy. In view of this scenario, and as mentioned above, the price should stabilise or even correct slightly in 2018.

Trend in the Supply* and Demand for Crude Oil



Source: AIE * estimate

Regulatory Changes

The regulatory changes introduced by the Supervisory Authorities during 2017 are listed below:

Month	Event
JANUARY	**Instruction no. 1/17** This sets limits on amounts in Payment Systems, namely the maximum value for the issue of cheques, the maximum amount for clearing in the Credit Transfer System (STC) and a mandatory amount for gross settlement in the Real-time Gross Payments System (SPTR).
	Instruction no. 2/17 This regulates the performance of stress tests, according to guidelines issued by international benchmark organisations.
	Instruction no. 3/17 This determines the procedures for providing information on prudential limits for large risks.
FEBRUARY	**Notice no. 1/17** This defines the procedures for the application of funds from abroad for investments by foreign exchange non-resident entities in the securities market.
	Notice no. 2/17 This updates the rules for the opening and operation of deposit accounts held by foreign exchange non-residents and similar foreign currency accounts.
MARCH	**Instruction no. 4/17** This temporarily suspends the application of paragraphs 3 and 5 of Article 14 of Notice No. 19/12, of 25 April, in order to give greater flexibility to banking financial institutions in settling goods import operations while the current one prevails in the foreign exchange market.
	Notice no. 3/17 This establishes rules and procedures for the exemption of fees, commissions and other charges relating to banking services considered essential to the promotion of financial inclusion.
MAY	**Directive no. 1/DMA/2017** This adjusts interest rates for Permanent Lending and Liquidity Absorption Facilities.
	Directive no. 2/DMA/2017 This adjusts the basic BNA interest rate.
JUNE	**Notice no. 4/17** This adapts the standards regulating foreign exchange operations of goods exports to macroeconomic circumstances, to encourage exports in the country.
JULY	**Notice no. 5/2017** This adapts the regulation of Payment Cards and the Multicaixa (ATM) Network in force to the development needs of the Payment System in Angola.
	Notice no. 6/2017 This sets the service levels of the Multicaixa Network (ATM) for real-time operations.
NOVEMBER	**Notice no. 7/2017** This regulates the provision of payment services under the Angolan Payments System.
	Notice no. 8/2017 This regulates the classification of the clearing and settlement subsystems of the Angolan Payments System (SPA), to adopt risk control mechanisms, as well as the operation and operationalisation of said subsystems, and the responsibilities of the relevant operators.
	Notice no. 9/2017 This establishes deadlines for transfers and remittances, and the availability of funds to the beneficiary as a result of deposits of cash and cheques, transfers or remittances.

Month	Event
DECEMBER	**Instruction no. 5/17** This revokes Instruction No. 12/15 and sections 4.1.4, 4.1.5, 4.1.6 and 4.1.7 of Instruction No. 10/2015, of 4 June, under the Exchange Rate Policy.
	Instruction no. 6/17 This updates existing standards for the establishment and compliance of Mandatory Reserves to the current macroeconomic stability framework, with a view to improving the efficiency of monetary policy instruments.
	Directive no. 8/DMA/2017 This adjusts the BNA Rate and interest rates for Permanent Lending and Liquidity Absorption Facilities.

TAX REFORM

The year 2017 was marked by continued issues caused by the tax reform raised in previous years and by the absence of significant changes from the fiscal point of view.

Notwithstanding the foregoing, it should be noted that 2017 saw the revocation of the Special Levy on Bank Transactions ('CEOB') (whose application ceased on 31 December 2016). It should be recalled that the CEOB was approved in 2016 by Presidential Legislative Decree 1/16, of 24 February, and provided for the application of a 0,1% rate on all banking and financial transactions and movements. For some transactions the CEOB came into force from 1 June 2016 and for others, from 1 July 2016.

On the other hand, although most financial institutions, including BFA, already transitioned to International Accounting and Financial Reporting Standards in 2017, no changes had been made to the existing tax rules to adapt them to the new accounting framework.

In addition, it should be noted that 2017 was the year of entry into force of the rules on autonomous taxation on certain costs.

From 2017, insufficiently documented costs, undocumented costs and confidential expenses, in addition to not being considered as deductible expenses for the calculation of the Industrial Tax base, are also subject to autonomous taxation at rates of 2%, 4% and 30%, respectively. The taxable amount must be added to the taxable income of entities subject to and not exempt from Industrial Tax.

Donations or gifts in breach of the rules established in the Patronage Law do not constitute accepted costs for the purposes of calculating the taxable amount of Industrial Tax, but are also subject to autonomous taxation at 15% and are added to taxable income.

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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.

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 outlets.

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 Outlets, 139 Branches, 15 Business Centres, 8 Investment Centres and 5 Service Points.

Service Outlets 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.

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, thereby making the first credit card available to 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 Outlets, 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.

2014
Inauguration of the BFA Customer 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.

Corporate Governance

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

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 System 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 26º of Notice no. 1/13 and Article 22º 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 the Internal Control System as of 30 November 2017, which contains the opinion of the Supervisory Board and the External Auditor.

GUIDING PRINCIPLES OF CORPORATE GOVERNANCE

The guiding principles of the Corporate Governance policy in force at BFA are based on strict compliance with applicable national and international laws and regulations, internationally recognised best practices and adherence to the best ethical principles. The main principles are:

Management Transparency	Internal	Ongoing, full reporting. This allows non-executive members of the Board of Directors (BD) and members of the Supervisory Board to comply efficiently with their controlling and supervisory duties.
	External	Extensive, 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 autonomy in relation to Shareholders and individual interests.	
Fairness	Fairness within the scope of Shareholder, Customer and Employee relationships.	
Loyalty	Loyalty achieved through the implementation of tools that prevent the occurrence of conflicts of interest.	
Efficiency	Functional and interactive efficiency between all Corporate Management and Supervisory Bodies.	
Strictness	Strictness in managing the various risks inherent in the Bank's business.	
Participation in Decision-making	Participation in decisions by adopting corporate models in decision-making processes and encouraging teamwork.	
Performance and Merit	Performance and merit as key criteria of the Employee and Management remuneration policy.	
Harmony	Harmony in the alignment of Shareholder, Management and Employee interests.	
Value Creation	A consequence of the aforementioned principles and the main goal of BFA's Management and Employees.	

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 the Official Gazette [Diário da República] III Series - No. 11, of 17 January, 2017, 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.

Shareholding Structure

- Unitel, S.A.
- Grupo BPI
    - i. Banco BPI, S.A.;
    - ii. Banco BPI, Cayman, LTD.
    - iii. BPI Madeira, SGPS, Unipessoal, S.A.;
    - iv. BPI Vida e Pensões – Companhia de Seguros de Vida, S.A.;

BFA has holdings in the share capital of EMIS, Sociedade de Fomento Habitacional and Instituto do Mercado de Capitais. The two latter companies currently do not carry out any business.

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 cheque clearing system with images.

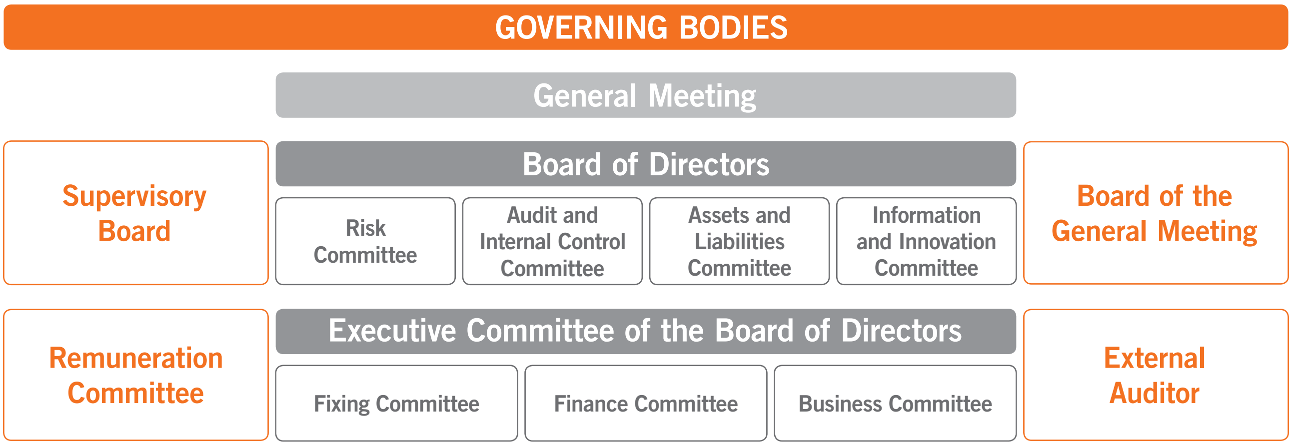
In accordance with EMIS's AoA, approved at the General Meeting of 17 December 2010, corporate management is carried out by a Board of Directors, while current management is delegated to an Executive Committee.

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

- Board of Directors: Dr. Paulo Alexandre Gomes; and
- Remuneration Committee: Dr. Jorge Albuquerque Ferreira.

GOVERNANCE MODEL

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



The following corporate bodies are statutory bodies:

i. General Meeting;

ii. The Board of Directors;
 and the Supervisory Board;

iii. The Board of the General Meeting, 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	
Composition	The General Meeting is the governing body made up of all the Bank's Shareholders and its proceedings are governed by the AoA.
Powers	The General Meeting 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 Board's Chairman 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

As reuniões do Conselho de Administração são realizadas no mínimo mensalmente e sempre que convocadas pelo Presidente do Conselho de Administração.

The 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's 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.

Assets 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 committee's Chairman and, should it so decide, a Vice-Chairman.
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;
Periodicidade	The Assets and Liabilities Committee meets on a quarterly basis or whenever convened by its Chairman.

Informatics 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 specialists in the field of Informatics and Innovation. 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 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 Informatics and Innovation Committee meets on a quarterly basis or whenever convened by its Chairman.

Fixing Committee

Composition	It is comprised of ECBD members and the heads of the Operational Departments (Finance and International, and Foreign Sector and Treasury) and the Commercial Departments (Corporate Banking, Individuals and Businesses, 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. • Monitor 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 shall meet at least once a month, or 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 Financial Committee is an advisory body to the ECBD whose mission is to frame DFI's business, namely: • 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.
Frequency	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 agenda items. 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 deems it appropriate, persons who do not belong to that body, who are freely chosen by it, taking into account their specialised knowledge in the area of the Business Committee, namely the Operational Departments (Marketing, Protocol Management, Means of Payment and Transformation Office) and the Commercial Departments (Corporate Banking, Individuals and Businesses, and Investment Centres). Members of the Fixing Committee are appointed by the ECBD, which also appoints the committee's Chairman and, should it so decide, a Vice-Chairman.
Powers	It is incumbent upon the Business Committee to: • Monitor the development of the business and the commercial performance of the different networks; • Monitor the competitive environment and prospects for business development; • Define commercial policy by identifying priorities, opportunities and constraints to business activity; • Monitor the implementation of the commercial policy, namely: • Request the drafting of proposals to be submitted to the ECBD to resolve major constraints for business activity; • Monitor the implementation of defined priorities, in particular, by analysing deviations and their impacts. • Develop and streamline the implementation of new products to be launched onto the market and monitor their commercial performance; • Monitor and streamline business activity by identifying process implementation opportunities or new methods; ensure 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 which is a chartered accountant. Its members must be natural persons with full legal capacity (Article 433 of Company Law) and must have the technical qualifications and professional experience, including the operational banking expertise, to allow them to effectively fulfil the tasks entrusted to them.
Powers	• To audit 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 assessment of its assets and results; • Prepare an annual report on its auditing activities, including its opinion on the Annual Report, Statements and proposals submitted by Management; • Call a General Meeting whenever the Chairman of the Meeting fails to do so; • Comply with any other provisions of the law, the Articles of Association and BNA directives.
Frequency	O Conselho Fiscal reúne pelo menos uma vez por trimestre.

External Auditor	
Composition	The external audit is provided by PricewaterhouseCoopers (Angola), Lda. Notice no. 4/2013, of 22 March, lays down the rules governing the provision of external auditing services. 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 of 30 June and 31 December; • Issue an opinion as to whether the Annual Report on Corporate Governance and the Internal Control System is accurate and appropriate.
Frequency	The External Auditor carries out an annual review of the procedures of selected departments and/or processes, always including the General IT Controls.

COMPOSITION OF GOVERNING BODIES

The General Meeting held on 6 June, 2017 approved the appointment of BFA's corporate bodies for the 2017-2019 period.

BOARD OF THE GENERAL MEETING

Chairman	Jorge Brito Pereira
Vice-Chairman	Luis Graça Moura

BOARD OF DIRECTORS

Chairman	Mário Leite Silva
Vice-Chairs	Isabel dos Santos António Domingues
Members	Jorge Albuquerque Ferreira António Matias Vera Escórcio Manuela Moreira Rodrigo Guimarães Paulo Gomes Carlos Firme
Non-Executive Members	Otilia Faleiro Francisco Costa Diogo Santa Marta

EXECUTIVE COMMITTEE

Chairman	Jorge Albuquerque Ferreira
Members	António Matias Vera Escórcio Manuela Moreira Rodrigo Guimarães Paulo Gomes Carlos Firme

SUPERVISORY BOARD

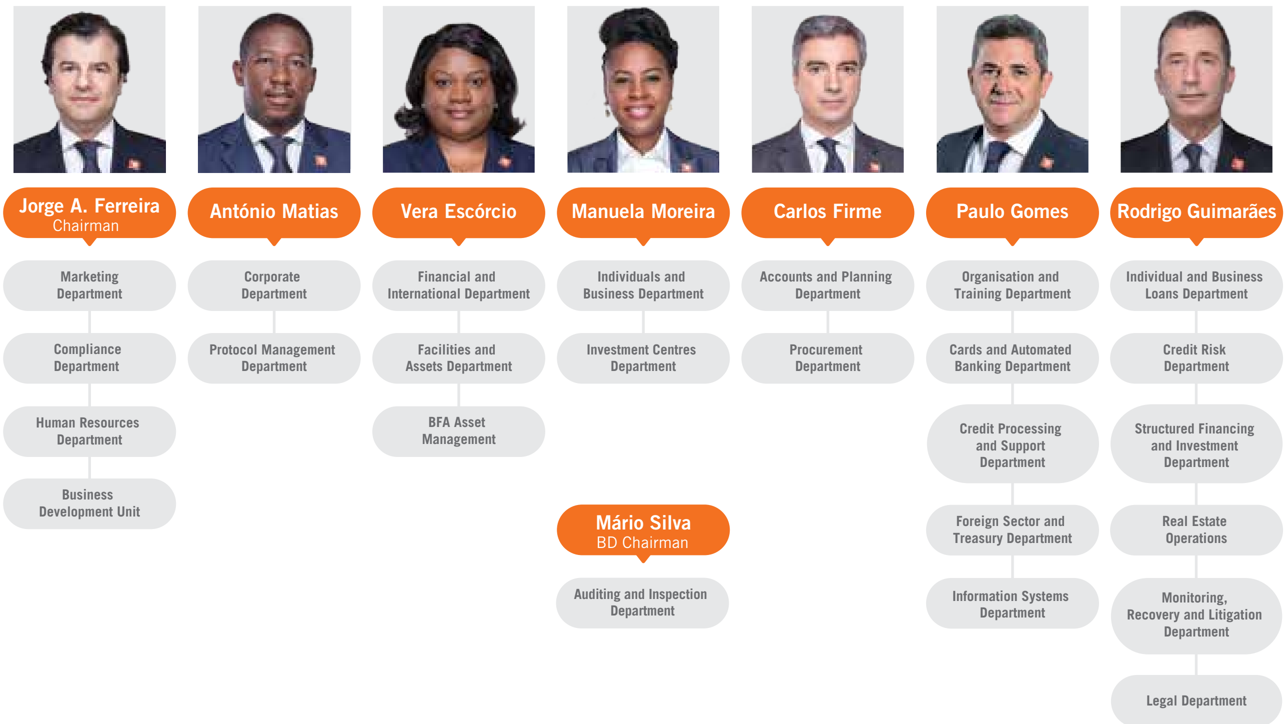
Chairman	Amilcar Safeca
Vice-Chairman	Rodrigo Aguiar Quintas
Chartered Accountant	Henrique Camões Serra

EXTERNAL AUDITOR

PricewaterhouseCoopers (Angola), Lda.

ORGANISATION CHART

BFA's organisation chart is based on a functional structure, with a clear separation between the areas and functions of each Directorate, each headed by one of the executive directors.



The Executive Committee of the Board of Directors

Manuela Moreira
Director

António Matias
Director

Jorge Albuquerque Ferreira
Chairman

Carlos Firme
Director

Rodrigo Guimarães
Director

Vera Escórcio
Director

The 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).

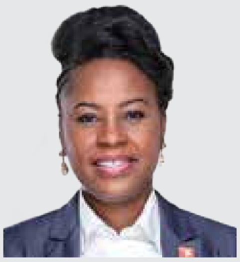
VERA ESCÓRCIO

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.

PAULO GOMES

Director
Date of Birth:
15 September 1968

Paulo Gomes has been a member of the BFA Board of Directors since 2017 and is also a non-executive member of the Board of EMIS. He has 27 years of professional experience in the banking sector; for approximately 20 years he built a career in commercial areas, where he occupied all positions up to and including Commercial Director, a post he held for 6 years; in 2013 he was appointed Director of Operations at the Bank, a position he occupied until the end of 2016, as part of the Espanhol Popular group. He has a degree in Banking Management from ISGB and has an MBA from Universidade Europea in Madrid.

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.

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 aim of the Risk Management System is to establish a set of integrated policies and processes that ensure that risks are correctly identified, evaluated, monitored, controlled and reported. It should consider all relevant risks and ensure that they are managed effectively, consistently and in a timely manner.
Information and Communication	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 implies the 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 GOVERNING BODIES

Remuneration structure of the 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 structure of Non-Executive Directors, Supervisory Board and Board of the General Meeting

Non-executive members of the Board of Directors, the Board of the General Meeting and the Supervisory Board are compensated for the performance of their duties exclusively with a fixed remuneration and receive no variable remuneration for the performance of those tasks.

The amount of remuneration paid to members of the Board of Directors, the Board of the General Meeting and the Supervisory Board is determined by a Remuneration Committee made up of Shareholder representatives, when such a committee is elected, or directly by the Shareholders at the General Meeting.

Remuneration amounts paid out in 2017

In 2017, the aggregate remuneration paid to members of the Board of Directors, the Supervisory Board and the Board of the General Meeting amounted to AOA 730 million, as follows:

- Members of the ECBD, AOA 600 million, including both fixed and variable remuneration;
- Non-executive members of the Board of Directors, Supervisory Board and Board of the General Meeting, AOA 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.

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.

The 2015 and 2016, 40% of profits were paid out as dividends and 60% were allocated to free reserves.

The proposal for the appropriation of profit for 2017 is that 40% be paid out as dividends, while the remaining 60% be transferred to free reserves.

ETHICAL PRINCIPLES AND CONFLICTS OF INTEREST

The 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 Customers 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 Customers and the Bank, its Employees or its Directors, arising from the Bank's current activities, must be resolved in favour of the Customer, 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 Customers 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 Customer or third party information they are privy to while performing their duties.

BFA makes the institutional Code of Conduct available 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 and formalised the creation of the Risk Management Department.

Direct responsibility for managing risks at the Bank was assumed by the Board of Directors, which delegated partial control and reporting responsibilities to the Departments within whose scope of activity each type of risk falls. New supervisory and control bodies were also created, as follows:

- Risk Committee;
- Informatics and Innovation Committee;
- Financial Control Committee.

In this area, BFA has also developed an extensive review plan of internal procedures, processes and regulations, in order to identify and correct possible failures and improve its scope and objectivity. At the preliminary stage of creating the Risk Management Department, special attention was given to measures to prevent operational, reputational, compliance and money laundering and terrorist financing (MLTF) risks.

Moreover, in 2017 BFA adopted a systematised set of measures and practices (risk management system) for the identification, evaluation, monitoring and control of risks, distributed by the Bank's Departments:

Corporate Communication

- **Individual and Business Loans Department:** Monitoring developments in individual and business credit risk;
- **Corporate Credit Risk Department:** Monitoring developments in corporate credit risk;
- **Structured and Investment Financing Department:** Credit risk monitoring of operations based on project risk;
- **Real Estate Operations:** Valuation of assets and assumptions of operations with exposure to real estate;
- **Financial and International Department:** Monitoring developments in exposure to the financial sector;
- **Monitoring, Recovery and Litigation Department:** Participation in the process of calculating provisions and impairments on the credit portfolio and monitoring of overdue loans and recovery.

Operational risk

- **Internal Audit Department**: Analysis of overall exposure;
- **All Departments**: Identification of processes and critical points.

Liquidity risk

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

Market Risk

- **Financial and International Department:** Analysis of risks per instrument and overall risk analysis - interest rate, exchange rate, trading portfolios.

Country risk:

- **Financial and International Department:** Individual country risk analysis using external ratings and analyses.

Compliance Risk:

- **Compliance Department/Legal Department:** Compliance risk analysis.

INTERNAL REPORTING

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.

INTERNAL MAGAZINE - BFA YETU

BFA continues to focus on its internal communication strategy.

The BFA Yetu magazine was launched in 2013. The word ‘yetu’ means ‘ours’ in the Kimbundu language. The magazine is printed every four months and aims to inform all Employees about the Bank’s activities.

In-house Magazine Nº9 July 2017

In-house Magazine Nº10 November 2017

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. Moreover, the DAI is responsible for verifying that the various control procedures in place are sufficient to deal with new risks as they are identified and are in line with applicable legislation affecting each process.

Core Business Areas

STRENGTHENING OF LEADERSHIP POSITION AND BUSINESS DEVELOPMENT

Increase in banking services within the population

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 the Financial Institutions, provisions have been made for progressive implementation, reflected in the steady growth of the banking services index.

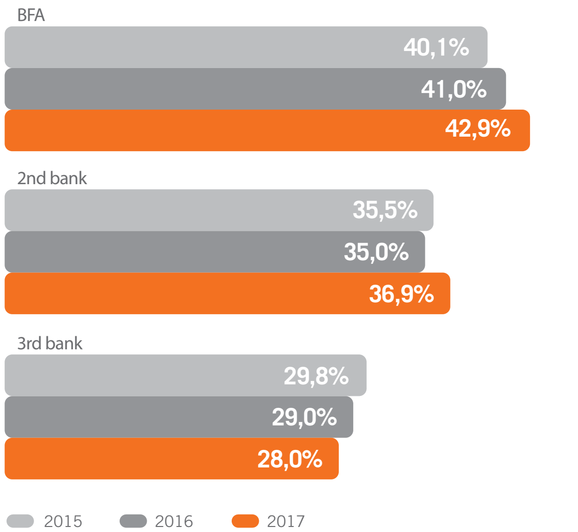
A 2017 survey carried out on Luanda residents aged 15 and over recorded a Banking services index of 58%, accounting for a 7 pp increase over 2016 and 11 pp over 2015.

Development of the Banking Services Index[1]

[1] Angola All Media & Products Study – Luanda 2017 (AAMPS). As part of the All Media & Products Study (AMPS), Marktest, Angola carries out an annual study of the viewing and consumption habits of the Luanda and Benguela population. The surveys cover a sample based on more than 2 709 000 inhabitants of both genders aged 15 or more. This study is also subject to a three-stage quality control: monitoring, answer consistency checks, and supervision.

Closely aligned with the banking services rate of development, BFA's penetration rate within the population of Luanda province aged 15 or more has shown an increase. Hence, BFA's leadership position in relation to other banks remained unchanged, with a market share of 42,9% in 2017. This result highlights BFA's efforts and momentum in Customer acquisition and in relations with the market and its Customers.

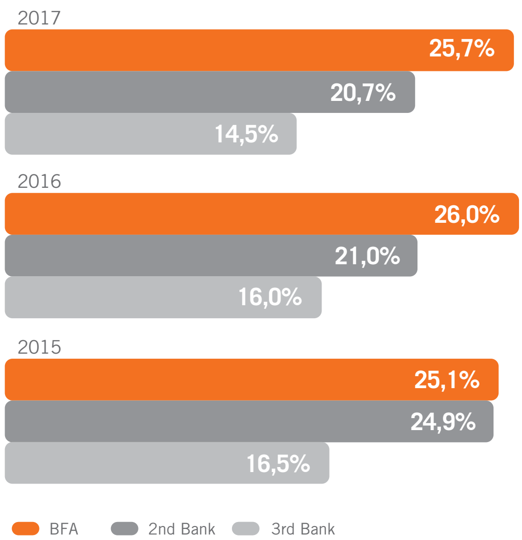
Changes in the Penetration Rate[2]



[2] Angola All Media & Products Study - Luanda 2017 (AAMPS). Uses a sample of respondents who are bank account holders residing in Luanda aged 15 and over.

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 2017, BFA maintained this leadership, with approximately 26% of the market.

Development of Market Share as Leading Bank



Sustainability and Consolidation of Leadership 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 170 000 new Customers in 2017, representing an 10,9% increase over 2016.

MAINTENANCE OF THE SERVICE OUTLET NETWORK

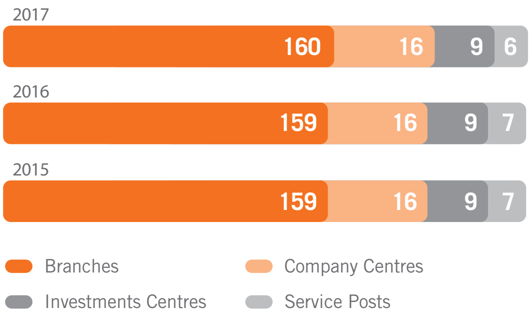
Restructuring of the Commercial Network

With a view to better serving its Customers, BFA's commercial network is underpinned by a market segmentation strategy within three areas of activity: Branches, the basic retail banking format, specialising in banking services for individual Customers, entrepreneurs and businesses; Corporate Centres, aimed at medium and large-sized companies, offering tailored solutions to their specific needs; and Investment Centres, for high-income or high-net-worth Customers, with a focus on personalised Customer care.

In 2017, BFA inaugurated 1 service outlet, refurbished and reopened 3 service outlets and permanently closed one service desk (PAB). Overall, the BFA network comprises 160 Branches, 16 Corporate Centres, 9 Investment Centres and 6 Service Points. The Facilities and Assets Department is responsible for the growth of BFA's commercial network and is required to search for premium service outlet locations, project approval and licensing, work execution and refurbishment of existing service outlets.

Opening new service outlets and refurbishing existing ones are strategic measures to be taken in 2018, with a view to expanding the network and modernising the design of old and run-down outlets.

BFA Network Distribution



Increased efficiency in Customer support

Within the scope of service quality improvement, it is worth highlighting the broadening of operations covered by the eMudar@BFA project. This project introduces a new exterior image for Branch, Corporate Centre and Investment Centre operations, which operates through an automated management workflow, thus increasing operational efficiency and security, and contributing to the decentralisation of basic banking operations. Throughout 2017, the following were integrated into the platform: intra-bank wire transfers in foreign and domestic currency and interbank transfers in domestic currency, the processing and management of counter cheques, the issuance of automatic alerts for transactions involving PEPs and PPREs, the processing of term deposits and cheques returned in clearing.

Furthermore, for the fourth year running, BFA carried out a Mystery Shopper survey in all its service outlets 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 issues of Customer Service quality.

In 2017, BFA continued the Customer Satisfaction Survey project: from a sample of more than 8 000 individual Customers, we were able to determine that 65% of them consider BFA as the leading Bank in Angola.

START OF STANDALONE INSURANCE MARKETING

In November 2017, consolidating its strategy of diversifying supply, BFA started marketing its first insurance product that is not associated with loan processes, namely, Funeral Insurance.

Funeral Insurance is an innovative insurance which is simple to deal with. This insurance is intended to help with the organisation and costs of funeral services in Angola for the insured person and is aimed at any Angolan citizen between the ages of 18 and 65 residing in Angola.

PREMIUM SERVICE

Mystery Shopper Survey

Between 2014 and 2017, BFA carried out seven Mystery Shopper surveys throughout the entire banking service outlets network (individual and business). The aim of this quality survey is to assess the Customer service and support offering, as well as to set goals and areas for improvement with regard to branch and staff image, proactive Customer support and behaviour in sales situations.

Detailed records showing aspects for improvement are drawn up for each business unit based on the information collected. These records are made available on the Intranet and are discussed during sales meetings.

BFA's response within this area is aimed at strengthening the commercial team's focus on improving Customer service quality.

Customer Satisfaction Survey

In 2017, the second phase of the National Customer Satisfaction Index Study (ISCN) was carried out. This was applied to a representative sample of more than 8 000 individual Customers, and it was found that 65% use BFA as their main bank.

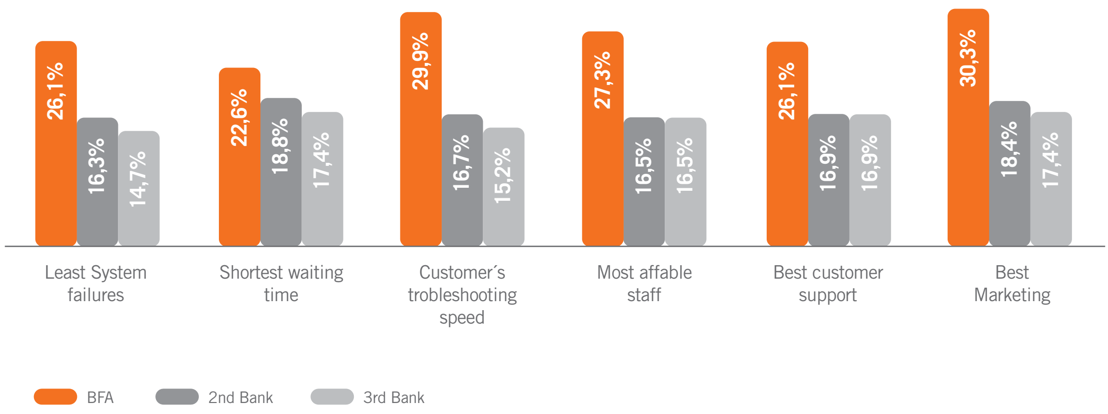
The ISCN creates a satisfaction standard for domestic Customers by province and allows a comparative analysis with BFA's main competitors.

AMPS Study: Bank Perception

A survey was conducted in Luanda province in 2017 to find out about Customers' perceptions of banks. The study found that BFA has a positive standing in all categories in relation to second and third banks.

The category in which BFA excelled was best advertising, with a difference of 11,9 percentage points over the second place bank. This was followed by the categories of speed in solving problems, with a difference of 13,2 percentage points over the second bank; friendlier staff, with a difference of 10,8 percentage points over the second bank; and the bank with fewest system failures, with a difference of 9,8 percent over the second bank.

Bank Perception[1]



[1]Angola All Media & Products Study - Luanda 2017 (AMPS).

Success in attracting Customers

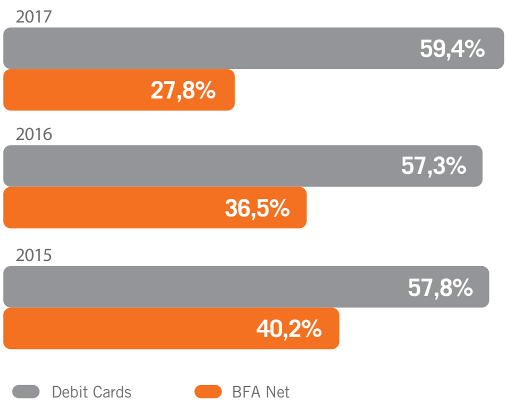
In 2017, the number of Customers in the Individuals, Entrepreneurs and Businesses segments increased by 10,7% compared to 2016, which corresponded, in absolute terms, to 167 446 Customers. This figure reinforces the dynamics of BFA's performance in retail banking, where it has once again asserted itself as the market leader.

CUSTOMER BASE AND SERVICE DEVELOPMENT

	2015	2016	2017	Δ% 15-16	Δ% 16-17
Customers (no.)	1 400 234	1 560 313	1 727 759	11,4%	10,7%
BFA Net (no.)	563 053	570 013	480 855	1,2%	(15,6)%
Debit cards (no.)	808 871	893 558	1 026 637	10,5%	14,9%
Credit cards (no.)	14 117	13 006	10 149	(7,9)%	(22,0)%
Salary Account (no.)	80 701	90 169	101 210	11,7%	12,2%

There was a positive sales trend in debit cards and current accounts, with increases in the order of 14,9 and 12,2 percentage points, respectively. As in the preceding year, credit cards maintained their downward trend, falling by 22%. This decrease was due to restrictions imposed on credit card issuance as a direct result of the country's foreign exchange situation during the period, and to the cancellation of cards following a decrease in Customer borrowing capacity, closely related to the termination of contractual ties, particularly with companies in the Oil & Gas sector.

Debit Card and BFA Net Penetration Rate



The debit card penetration rate increased by 2,2 percentage points, offsetting the decrease in 2016. In contrast, BFA Net's membership base decreased, with a fall of 8,7 percentage points. This was due to the cancellation of access for security reasons through lack of use for long periods and the inability to contact Customers.

Customer deposits

Customer deposits allow the Bank to maintain high levels of liquidity, financing the economy and preparing the BFA for future challenges.

The volume of Individual and Business deposits decreased by 6.6%, amounting to AOA 396 021 300 000.

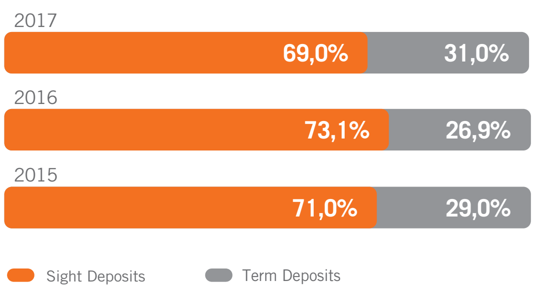
CUSTOMER FUNDS

Millions AOA

	2015	2016	2017	Δ% 15-16	Δ% 16-17
Funds	372 619,0	423 822,4	396 021,3	13,7%	(6,6)%
Deposits	372 522,4	423 706,8	395 960,4	13,7%	(6,5)%
Sight deposits	264 673,7	309 824,5	273 186,7	17,1%	(11,8)%
Term deposits	107 848,6	113 882,3	122 773,6	5,6%	7,8%
Other funds	96,6	115,6	60,9	19,7%	(47,3)%

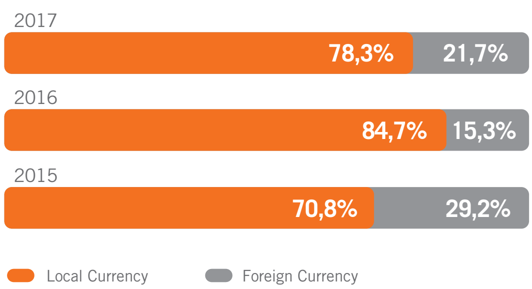
The largest source of funds, as in previous years, is demand deposits, which make up close to 69% of the portfolio, although they show negative growth of 11,8% in comparison with 2016. By contrast, the volume of term deposits increased by about 7,8% (AOA 8 891 million) compared to last year.

Customer Funds



The process of de-dollarising the economy helped maintain the proportion of deposits in domestic currency well above the amount in foreign currency, despite a 6,4 percentage point decrease compared to 2016.

Deposits Structure by Currency and Type - Individuals and Businesses

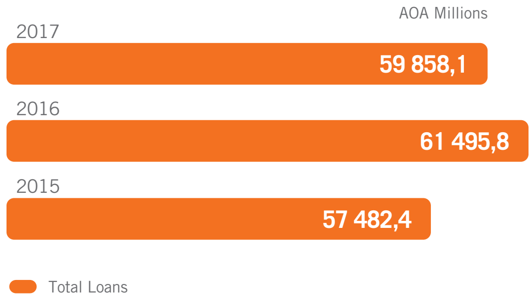


Fall in Loans and Advances to Customers

In relation to credit, unlike in the previous year, the credit portfolio contracted by 2,7% to AOA 59 858 million. This reduction is mainly due to early settlement of financing caused by the termination of contractual links with indemnification payments, especially for companies in the Oil & Gas segment. As a consequence of the national economic and financial crisis, most companies reduced jobs, which reduced the portfolio of direct debit salary payments and as a consequence reduced the potential for lending to individual Customers.

From another perspective, DPN commercial teams were focused on the sale of credit to MPMEs, where good results were obtained with several important operations.

Customer Loans



Note: loan volume 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 said Institutions and Corporations who open a salary account at BFA.

Throughout 2017, the Protocol Management Department signed 2 816 new protocols, covering a total of around 43 420 Employees with Direct Deposit of Salary (DDS).

With regard to the granting of credit under the BFA Protocols in 2017, 5 589 operations were disbursed, 564 more than in 2016, amounting to a total of AOA 12 343,91 million, representing an increase of AOA 1 126,42 million over the previous year.

Continuing the effort made in 2016, the Protocol Management Team, in line with the strategy defined in the Action Plan for 2017, undertook 201 commercial initiatives nationwide, 72 more than in 2016. This took BFA to the Customer within the facilities of public and private sector employers with a BFA Protocol, and provided information to around 16 874 people, 2 701 more than last year.

These information sessions, in addition to encouraging proximity and raising the level of Customer satisfaction, create a window of opportunity to promote business. They contribute to the Bank's results by attracting new Customers from the sale of products and services in the individual segment, direct deposit of salary and granting of loans with conditions which are different from what is generally on offer.

In 2018, in line with the Bank's five-year Strategic Plan, the DGP aims to grow 30% in winning Protocols and Salary Accounts, adding greater persistence and commercial aggressiveness to the current strategy for companies in Angola, whether they are already BFA Customers or not, by promoting an increase in DDS market share.

INVESTMENT CENTRES

CUSTOMER PORTFOLIO GROWTH

The network of Investment Centres is one of the pillars of the segmentation and specialisation strategy carried out by BFA, in that it develops specialised teams focused on the personalised relationship with its Customers. In this way, Investment Centres were structured to attract Customers and develop solutions adapted to the needs of high-net worth Customers or Customers with high potential for accumulating assets.

LAUNCH OF THE FIRST INVESTMENT FUND - BFA OPORTUNIDADES

In August 2017 the first Investment Fund was marketed at BFA service outlets. BFA Oportunidades was available for subscription between 10 July and 15 August. The total amount available in the fund amounted to AOA 10 billion and was subscribed by more than 600 Customers.

BFA Oportunidades is a Securities Investment Fund that invests in opportunities detected in Angolan Public Debt, in domestic currency, with a residual maturity of up to 12 months. It may also have a residual portion of its assets invested in bank deposits of Banco de Fomento Angola, S.A.

It is a fund directed to high-end Customers, individuals and companies, and its main advantages are that it offers a diverse portfolio with high potential returns (compared to Term Deposits) and greater tax benefits (exempt from IAC).

CUSTOMER BASE AND SERVICE DEVELOPMENT

	2015	2016	2017	Δ% 15-16	Δ% 16-17
Customers (no.)	3 722	4 214	4 377	13.2%	3.9%
BFA Net (no.)	3 039	3 093	3 177	1.8%	2.7%
Debit cards (no.)	2 932	2 874	3 186	(2.0)%	10.9%
Credit cards (no.)	2 270	2 195	1 715	(3.3)%	(21.9)%

Customer Base and Service Development

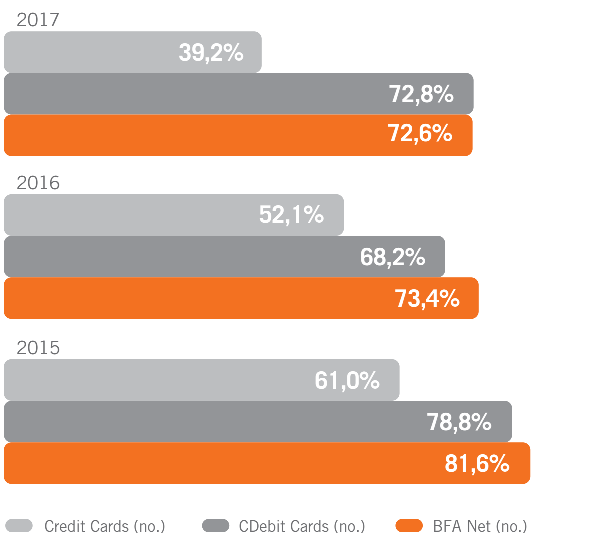
In 2017, the number of Investment Centre customers grew again, albeit not as strongly as in 2016, with a total of 4 377 customers.

The total number of Customers with active homebanking services reached 3 177, which translates into a 2,7% rise in comparison with the previous year.

In terms of debit card sales, contrary to 2016, there was an increase of 10,9%. By contrast, credit cards maintained the downward trend of the previous year, with a fall of 21,9%.

In recent years, the Bank has placed special attention on increasing the number of solutions available to maximise Customer loyalty and satisfaction. This effort is reflected in the high penetration rates, particularly for debit card services.

BFA Net, Debit Card and Credit Card Penetration Rate - Investment Centres



CUSTOMER FUNDS

Millions AOA

	2015	2016	2017	Δ% 15-16	Δ% 16-17
Funds	181 582,3	211 917,8	196 482,1	16,7%	(7,3)%
Deposits	181 477,6	211 817,9	196 445,4	16,7%	(7,3)%
Sight deposits	24 483,3	34 096,7	32 843,5	39,3%	(3,7)%
Term deposits	156 994,1	177 721,2	163 601,9	13,2%	(7,9)%
Other Funds	104,7	99,9	36,8	(4,6)%	(63,2)%

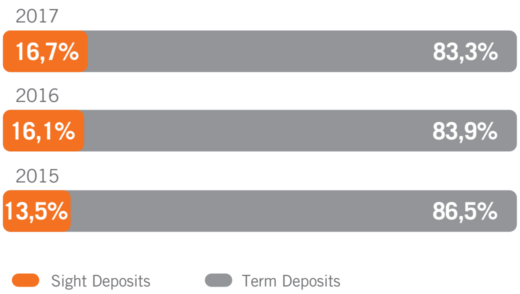
Fall in Customer Funds

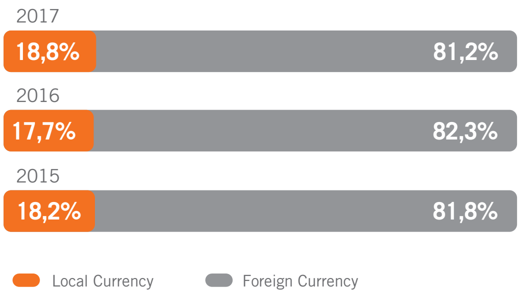
In contrast to the growth of recent years, Customer funds in 2017 fell by 7.3%, to reach AOA 196 482,1 million.

Term deposits amounted to AOA 163 601,9 million, down 7,9% in comparison with 2016. The difference in the proportions of Term Deposits and Demand Deposits is apparent, with term deposits accounting for 83,3% of total Customer deposits, as a consequence of the high interest rates in the country, allowing a significant return on investment at all times. As with term deposits, demand deposits also decreased by 2016, amounting to AOA 32 843,5 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



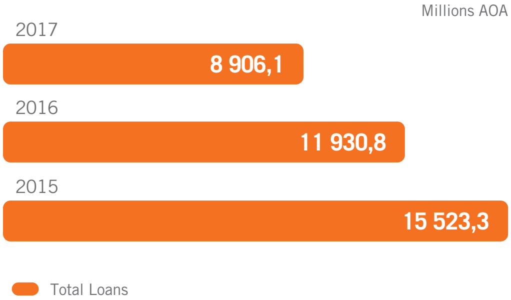


Looking at the resource structure of Investment Centre Customers, it has been found that term deposits represent the great majority of resources, and that they can be characterised essentially as savings.

An in-depth analysis per currency type shows that the proportion of foreign currency deposits is down 1 pp compared with the previous year, accounting for 81,2% of Customer funds.

Customer Loans
Investment Centre Segment

Millions AOA



Development of Loans and Advances to Customers

The loan portfolio continued its downward trend, with a fall of 25,4% in 2017, totalling AOA 8 906 million.

CORPORATES

Improvement in Service Quality

The economic climate remained recessionary in 2017, a year of elections and major changes, and retained a negative impact on the business community, with a noticeable reduction in business activity and closure of companies. These obstacles were used as an opportunity for commercial teams to remain on the ground, to support entrepreneurs in greater difficulty as well as the more resilient. This initiative encouraged proximity with Customers and boosted and reinforced one of the main priorities for the Bank's corporate network - in 2017, more than 11 300 visits were made. As a way of following up on this programme of visits, meetings were held between the Regional Directors and their teams.

Development of the Customer Base and Service Penetration Rate

The number of Corporate Banking Customers rose once again in 2017, reaching 6 688 Customers.

CUSTOMER BASE AND SERVICE DEVELOPMENT

	2015	2016	2017	Δ% 15-16	Δ% 16-17
Customers (no.)	6 389	6 524	6 688	2,1%	2,5%
BFA Net (no.)	3 562	3 690	3 972	3,6%	7,6%

O serviço BFA Net Empresas, com funcionalidades adaptadas às necessidades específicas das Empresas, verificou em 2017 um incremento de 7,6% no número de novas adesões, bem como um aumento da taxa de penetração, que atingiu os 59,4%.

Este serviço especializado para os Clientes do segmento empresarial, permite a realização de operações bancárias com a máxima conveniência e comodidade.

BFA Net Empresas Penetration Rate

Growth of Customer Funds

In 2017, Customer deposits in the Corporate Banking segment increased by 4.7% compared to 2016, totalling AOA 460 378,2 million. This increase, caused by the acquisition of new Customers, was accompanied by an increase in term deposits of 32,2% (AOA 54 618,6 million), enough to offset the decrease of 12,6% in current deposits.

The value of Customer funds continues to increase (+ 10,2%), boosted by the positive change of 20,6% in the securities portfolio (Treasury Bonds) raised in 2017.

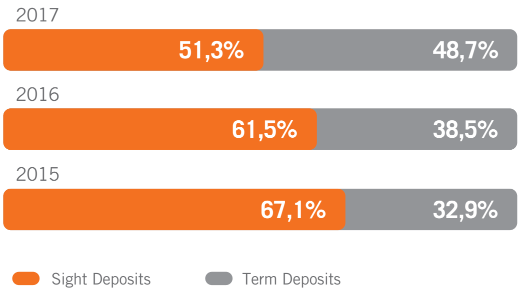
CUSTOMER FUNDS

Milhões AKZ

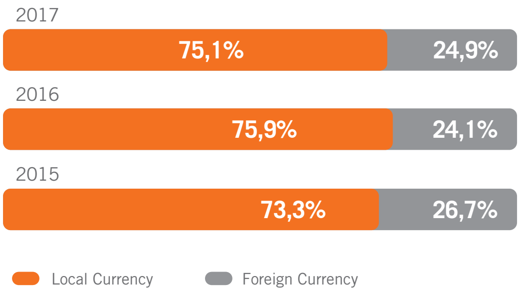
	2015	2016	2017	Δ% 15-16	Δ% 16-17
Funds	572 218,7	673 053,0	741 517,9	17,6%	10,2%
Deposits	459 918,9	439 921,0	460 378,2	(4,3)%	4,7%
Sight deposits	308 663,7	270 371,6	236 210,2	(12,4)%	(12,6)%
Term deposits	151 255,0	169 549,4	224 168,0	12,1%	32,2%
Securities *	112 299,8	233 132,0	281 139,7	107,6%	20,6%

** Customer securities held in custody by BFA and recorded under off-balance-sheet headings; accounted for off-balance-sheet.*

Customer Funds



Deposits by Type and Currency



An in-depth analysis per currency type shows there was a slight fall in the aggregate volume of deposits in domestic currency. As a proportion of total deposits it decreased by 0,8 percentage points compared to 2016. This decrease is explained by the purchase of indexed Treasury bonds as a form of protection against possible devaluations in AOA.

Development of Loans and Advances to Customers

In relation to the corporate banking credit portfolio, there was a decrease of 18% over the previous year. The foreign exchange constraints experienced in the country caused a sharp decline in guarantees, letters of credit and performance bonds, as a result of the Government's decision to cut back on public works projects.

CUSTOMER LOANS - CORPORATE SEGMENT

Millions AOA

	2015	2016	2017	Δ% 14-15	Δ% 15-16	Δ% 16-17
Total loans	203 242,60	196 610,40	161 223,30	(10,8)%	(3,3)%	(18,0)%
Companies	203 242,60	196 607,80	161 214,00	(10,8)%	(3,3)%	(18,0)%
Loans and advances to Customers	149 339,60	159 985,40	126 269,10	(11,4)%	7,1%	(21,1)%
Guarantees and Letters of Credit	53 903,00	36 622,30	34 944,90	(9,2)%	(32,1)%	(4,6)%
Cr. Doc. Imports	23 534,60	8 796,90	7 357,20	(4,2)%	(62,6)%	(16,4)%
Guarantees Provided	30 368,30	27 825,50	27 587,70	(17,3)%	(8,4)%	(0,9)%
Other	2,01	2,63	9,29	63,4%	30,8%	253,1%

Note: loan volume excluding accrued interest

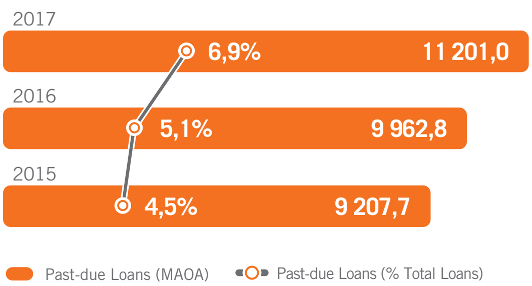
Overall, the credit portfolio for the productive sector decreased 21,1% in domestic currency, with a significant volume of refinancing operations for Treasury bonds, whose maturity was reached. In addition, some financially strong companies with liquidity prepaid their loans, so as to eliminate costs in this climate of uncertainty and indecision for possible future investments.

Overdue Loans Portfolio

The volume of overdue loans in the Corporate Banking sector increased AOA 1 238,2 million, a 12% growth in comparison with 2016. Despite the fall in loans granted and the rise in overdue loans in this segment, corporate loan portfolio key indicators remained stable, with an overdue loan ratio of approximately 6,9%.

The provision coverage ratio was 128,2% in 2017, showing the high quality and strength of the loan portfolio.

Loan Quality - Corporate Banking



SALES SUPPORT AND PROMOTION OFFICE

The Sales Support and Promotion Office (GADC) is accountable to the Corporate Department (DE) and its mission is to support, monitor and stimulate sales within this department.

The GADC is responsible for helping define and monitor DE's sales targets, overseeing the outcomes, and proposing courses of action, as well as promoting products and services that ensure BFA's competitiveness and market leadership position.

The GADC is made up of two specialised areas:

Products and Operational Support, focused on:

- Formulating Customer support practices aimed at optimising sales and service quality;
- Constantly monitoring the offering of the main market rivals;
- Setting, creating and implementing cross-selling and business acquisition methods for the Corporate segment;
- Supporting the Marketing Department in developing sales content;

Sales Promotion, Corporate Support and Cooperation Office, focused on:

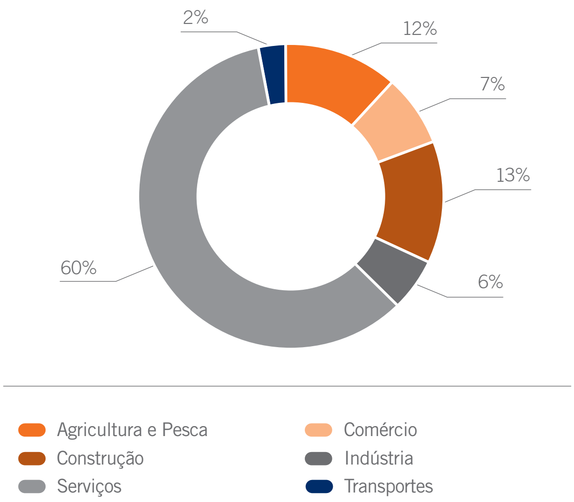
- Ensuring that sales teams are trained/informed about specific product and service offerings;
- Visiting Corporate Centres on a regular basis;
- Implementing the main elements of sales operations and management of the sales teams;
- Participating in key Customer meetings for the purpose of showcasing products;
- Identifying improvements in products and services;
- Taking part in the setting and monitoring of the Corporate Department's (DE) sales targets;
- Ensuring that the information provided to the Corporate Centres about products, services and campaigns is disclosed across the organisation with due quality control;
- Taking part in, dynamising and monitoring the Corporate Centres' teams in Customer meetings for the promotion of Banking products;
- Monitoring the validity date of the powers of attorney of account contracts registered in *e-mudar*;
- Providing Customer support with the aim of optimising sales and service quality;
- Operational support for products;
- Reviewing the DE database in order to provide support in the design of sales campaigns.

Structured Financing 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, namely:

- 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.

BFA prioritised not only the agricultural and manufacturing sectors, which contribute significantly to import substitution and diversification of the national economy, but also sectors with limited access to the importation of commodities that transform national resources and stimulate the diversification of the economy.



ANGOLA INVESTE

Angola Investe is a programme to support micro, small and medium enterprises (MSMES) and micro, small and medium Individual Entrepreneurs by financing investment projects.

It has two important mechanisms to stimulate investment:

- Subsidised interest rates, resulting in a maximum rate of 5%;
- A public guarantee mechanism to provide entities that have no assets with a government guarantee covering up to 70% of the value of the investment.

As of December 2017, BFA had approved 64 loan applications amounting to AOA 9 228 million and paid out 61 loans amounting to AOA 7 946 million, which supported 45 companies in 14 provinces and the creation of around 1 750 jobs. The Credit Guarantee Fund issued 49 government guarantees and 19 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 ranks second in the Angola Investe programme's loan portfolio out of 16 banking institutions, with 15% of the total, and the average amount per operation indicates a strong investment in micro and small companies.

OIL & GAS

Oil sector Customers are demanding and rigorous with respect to banking services. To ensure that the challenges posed by companies in this sector are addressed in a solid and structured manner, the area is based on three pillars of action:

Specialised Support

The Specialised Support pillar enables the unique needs of different companies in the oil sector to be met through two specific Corporate Centres:

- **Oil & Gas Operators Corporate Centre;**
- **Oil & Gas Vendors Corporate Centre.**

The existence of two distinct areas allows greater specialisation in monitoring companies, reiterating and confirming a commitment to personalised service, availability and close monitoring of companies in the oil sector, which earns BFA the title of preferential partner.

The Specialised Support pillar provides sector Customers with exclusively dedicated teams and a high capacity to present solutions fully aligned with their needs. This fulfils the objective of providing support from professionals with in-depth knowledge of the transactional specificities of the sector, as well as swift service in handling their instructions.

Operational Efficiency

The Operational Efficiency pillar recognises the transactional needs of the companies in the sector. The operational structure of BFA's payment and transfer processing systems is governed by demanding standards, as required by oil companies:

- The Bank provides automated file upload options from Customer systems in order to fulfil its commitment to support and encourage the use of electronic means of payment;
- BFA ensures greater payment confidentiality by enabling Customers to receive statements with the chosen frequency by MT940 and Swift for transactions processed by MT101, in addition to PSX file batch payments that allow processing for beneficiaries and other Banks;
- The Bank has created a transactional profile with restricted access for BFA Net Empresas, making it possible to carry out payment operations through homebanking.

Soundness and Security

The Soundness and Security pillar is based on BFA's sound balance sheet and high liquidity structure, which ensures total preparation for close collaboration with oil segment Customers, guaranteeing timely satisfaction of their financial and operational needs.

In addition to a solid balance sheet structure and high liquidity, the application and technological solutions that the Oil & Gas Operators and Vendors Business Centres offer their Customers are based on processes and technologies aligned with industry best practices. They ensure that transaction processing takes place in a secure, fast, efficient and integrated manner through the use of Access and Confirmation Keys, so that different authorisation profiles can be set up, depending on the nature of the transactions to be performed.

Lastly, BFA's strong financial health has enabled the setting up of alternative sources of finance. Hence, for Customers with surplus liquidity, BFA has provided Treasury Bonds in domestic currency indexed to the US dollar as insurance against the devaluation of the domestic currency.

The focus on these three pillars allows the Bank to provide a **superior** service and ensure operational **transparency**, acknowledging daily the trust shown by its Customers.

Throughout 2017, in keeping with its commitment to its Customers, BFA continued to carry out the following operations with the same level of efficiency:

- FX transactions with BNA to secure contract compliance and payment of local expenses in Kwanza;
- Oil Tax Payments (PIT);
- Tripartite agreements, since for these Customers BFA will not be restricted in the purchase of USD from operators.

CAPITAL MARKET

Public Debt Brokerage

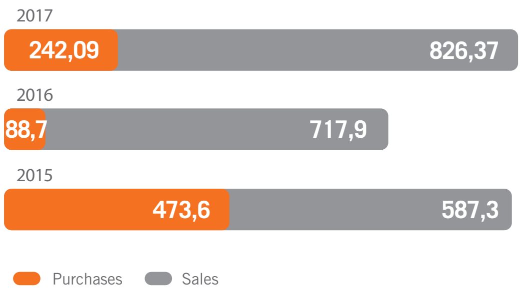
BFA began its Public Debt Securities Brokerage business at the start of 2014 as an additional tool for providing its Customers with excess liquidity and investment opportunities.

From November 2013, the Finance Ministry began to issue Negotiable Public Debt, namely Treasury Bonds indexed to the USD, to meet the payment of supplier and contractor debts (mainly in the Public Works sector).

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

During 2017, BFA brokered Public Debt with its Customers in local and foreign currency with a total trading volume of USD 1 068,5 million. BFA was able to meet the high demand for USD-indexed securities through its participation in the primary market, where BFA cemented its leadership with a 32,4% market share.

Public Debt Transactions with Customers in USDM

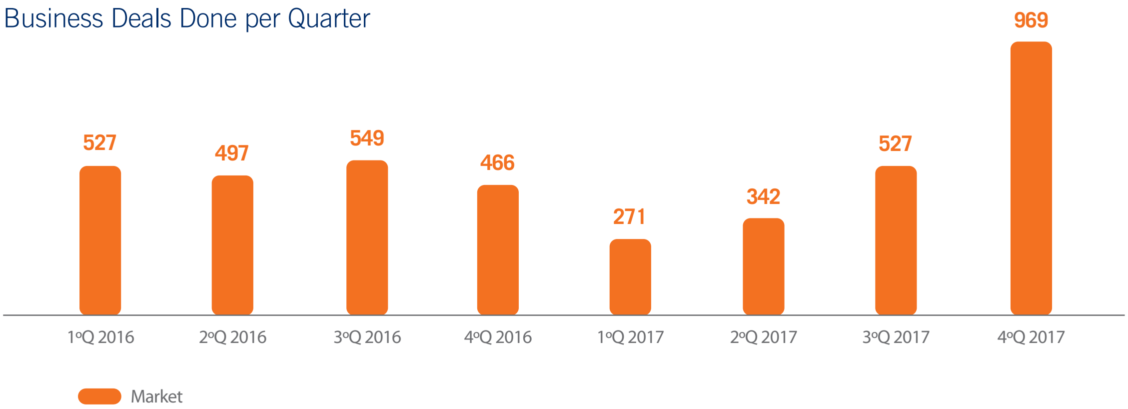


BODIVA

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.

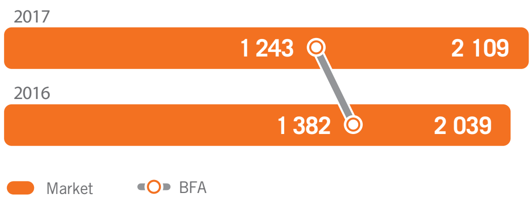
In 2017 BODIVA registered a total of 2 109 trades, an increase of 3,4% on 2016, for a total of AOA 1 054 420 million traded.

Business Deals Done per Quarter



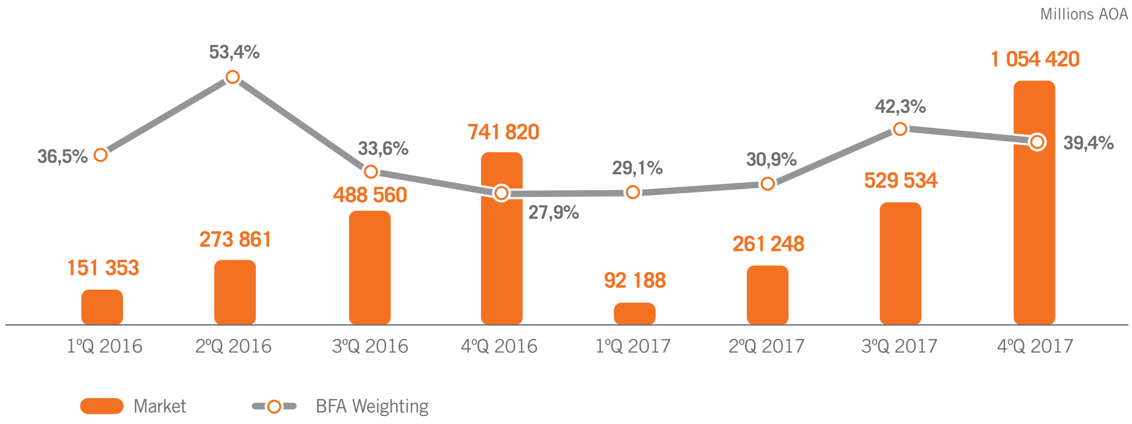
Of the total business conducted in 2017, 58,9% was made by BFA, which reflects the Bank's ability to offer its Customers access to the capital market.

No. Business Deals Total



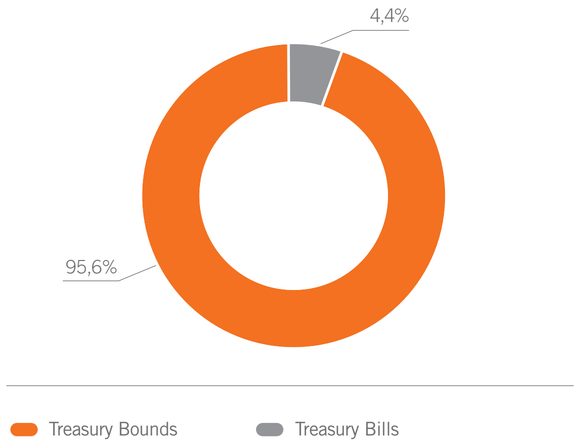
An analysis of the total amount traded in 2017 on the BODIVA markets shows that BFA has achieved an annual market share of 37,87%, maintaining its leading position in the market, not only in relation to the number of trades, but also in relation to the amount traded.

Accumulated Amount Negotiated

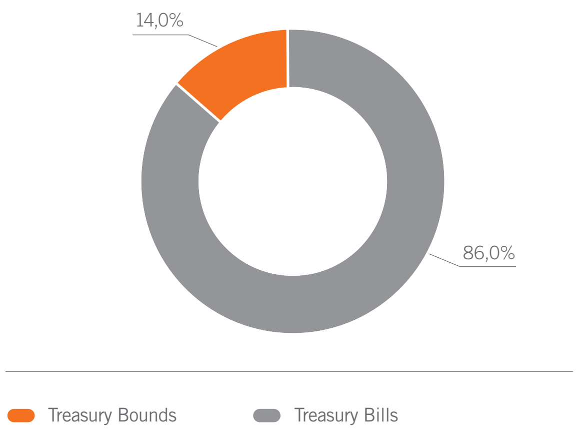


Type of Business

Number of Trades



Amount Traded



Analysis of the type of trading carried out in 2017 in terms of number of trades shows that there is a clear predominance of trading in Treasury bonds (95,6%), to the detriment of Treasury bills (4,4%). As regards the distribution of the amount traded, the predominance of the Treasury bonds was confirmed, representing 86%.

BODIVA awarded BFA the Most Active Member Certificate of Merit 2017.

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 pass on 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 2017, the number of accounts opened by CEVAMA (the BODIVA Central Securities Exchange) increased significantly, from 244 accounts in 2016 to 3 589 in the year in question.

This analysis considers own portfolio accounts of Members and the Issuer, and individual Customer accounts.

As of 31.12.2017, BFA had 2 004 active accounts open, representing 55,8% in CEVAMA.

Capital Market Commission

As part of constructing the legislative groundwork for the creation of a Capital Market, since the enactment of Law no. 12/05 of 23 September (Securities Law), Angolan legislation has developed to establish the capital market, and to this end a set of regulations were approved, as follows:

- 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 this legislation guaranteed the conditions for BFA to initiate its business activity in the various sectors.

As a significant step in BFA's strategy vis-à-vis the creation of the capital market in Angola, the Capital Markets Commission registered BFA as a financial intermediary, so that it became an entity eligible for:

- Receiving the transmission of orders for others;
- Executing orders on behalf of third parties on regulated markets or outside them;
- Trading for its own portfolio;
- Registration, deposit, as well as providing safe custody facilities;
- Assisting in public offerings and advising on capital structure, industrial strategy, mergers and acquisitions;
- Unsecured placement in public offerings;
- Underwriting and placement with guarantee in public offers;
- The granting of credit, including the loan of securities, to carry out operations in which the credit granting entity intervenes;
- Foreign exchange services indispensable for the performance of the services in the previous paragraphs under the terms defined by the foreign exchange legislation.

Insofar as the management of Investment Funds requires a corporate structure, BFA went ahead with the implementation and startup of BFA Gestão de Activos - Sociedade Gestora de Organismos de Investimento Colectivo, S.A. ('BFA GA'). BFA therefore has the opportunity to extend the offer of financial products to its Customers.

In 2017, BFA submitted an application to create a Pension Fund Management Company, in order to allow the Bank to market pension funds.

A COLLECTIVE INVESTMENT SCHEME MANAGEMENT COMPANY

Having been registered with the Capital Markets Commission since December 2016, BFA GA is one of the largest asset management companies in Angola and provides investment, consulting and investment services to institutions, individuals and government.

BFA GA's investment strategy covers a broad spectrum of asset classes, decided by careful monitoring and analysis of the opportunities and trends the market presents.

After its first year in business, BFA GA is already in second place in terms of Investment Fund market share, with 10 million units in circulation, AOA 10 975 million in assets and the FIMF - BFA Oportunidades fund under its management.

BFA Oportunidades is a closed-end Securities Investment Fund set up in August 2017 to invest in opportunities detected in Angolan Public Debt, in domestic currency, with a residual maturity of up to 12 months. This fund may also have a residual part of its assets invested in other money market instruments.

The main purpose of setting up the Fund was to allow an attractive investment alternative that would meet Customers' needs in the Angolan context. It was very well received and was commercialised within a month and fully subscribed (AOA 10 billion) by more than 600 investors.

We believe that this success was a result of the dynamics, transparency, democracy and commitment that the various Customers/investors recognise exist within the BFA group, as well as the responsibility assumed by Angola, in particular with partners who entrust their savings to a solid institution.

The BFA Asset Management Team

BFA GA has a young team of professionals specialising in Financial Markets.

- **7 Staff**
- **Financial Market specialists**
- **89% of Employees with Higher Education (Bachelor's/Master's degree)**
- **Average age 27**

Focus for 2018

In 2018, in order to boost its growth and development, BFA GA set out the main strategic areas to focus on, which include Team Training, Service Quality, Operational Risk and Revenue Growth.

Team training will include the implementation of the Training Plan established for 2018, which has several courses offered by the CMC Securities Academy. In addition, specialised training is provided for some of the members, namely training in English, CFA - level I, and CAIA - level I.

The promotion of service quality has two main objectives:

- Efficiency in Complaints Management, which will include management centralisation processes and handling of complaints, and;
- Implementation of improvements in time and responsiveness, and Information Duties, where the focus is on providing information to all stakeholders in a timely manner, as well as providing clarification to investors and marketing entities whenever necessary and timely.

In controlling Operational Risk, the focus will be on the Infrastructure Improvement Process, in term of communications and access, compliance, internal procedures and compliance of the activities flow chart, and finally, systematisation of audit practices through the hiring of external auditors and the preparation of reports.

Lastly, in order to boost revenue growth, in 2018 the BFA GA intends to create and launch new investment funds, build new strategic partnerships with international players, and work on promoting the Management Company through participation in events and publication of articles in leading journals.

BUSINESS DEVELOPMENT UNIT

A Specialised Team with Experienced Professionals

The activities of the Business Development Unit (BDU) focus on identifying investment opportunities in Angola. Particular emphasis is given to the sectors with the greatest potential for growth, looking for the players at both national and international levels who are best placed to promote the opportunities identified. The BDU's activities can be divided into four phases:

PHASE I
Business information

- Information about companies and sectors
- Strategic partners
- Tax and legal information
- Government investment promotion programmes
- Supply sources
- Financing sources

PHASE II
Market research

- Macroeconomics
- Selected economic sectors/ areas
- Supply/ demand for products and services
- Competitive analysis

PHASE III
Analysis & Assessments

- Entry strategy
- Preparation of Business Plans
- Feasibility studies
- Advice on investment decisions

PHASE IV
Implementation

- Assistance and support in implementing strategic partnerships
- Support in selecting locations/ spaces
- Support for obtaining official authorisations
- Installation support

The BDU's provision of advisory and financial consulting is carried out by a specialised team, made up of Angolan and Portuguese professionals, experienced and accredited in Investment Banking and in the provision of advisory and financial consulting services.

In its seven years of business, the BDU has intensified its institutional marketing efforts for 'Angola's Opportunity', in different geographical areas through roadshows, in order to identify potential investors for new opportunities in the country.

In addition, the BDU has several mandates for advisory and financial advice in areas such as:

BDU SERVICE LINE

Corporate Finance	Project Finance	Capital Market*
Corporate and sector restructuring	Advice to the State	Share Offering
M&A and Joint Ventures	Private Investment	Debt Offering
Privatisations and Public Tenders	PPP (structuring, negotiation, implementation)	Privatisations and other capital market operations
Assistance in investment projects in Angola	Credit Facility Structuring (Specific Projects)	Trading
Business Plans and support in raising and structuring financing		
Advice on company entry into the Angolan market		
Advice to companies in internationalization		

Moderate predictable growth

Given the current situation of the Angolan economy, which is still suffering from the continued historically low level of the price of a barrel of Brent, the BDU expects moderate business growth in financial year 2018.

Following from the previous year, Angola continues to attract foreign investment. The greater degree of professionalism in reorganising and optimising business portfolios and assets for groups and companies in Angola provides the BDU with a solid base, conducive to sustained growth in its business.

Human Resources

Human Capital Strategy

Our human resources have always contributed the best and most in achieving the results we have pursued since BFA was founded. After 24 years of notable success, it is the institution's professionals who we recognise as our most valuable asset.

To boost this important asset, BFA started an organisational restructuring project in 2017, starting with the restructuring of the Human Resources Department (HRD).

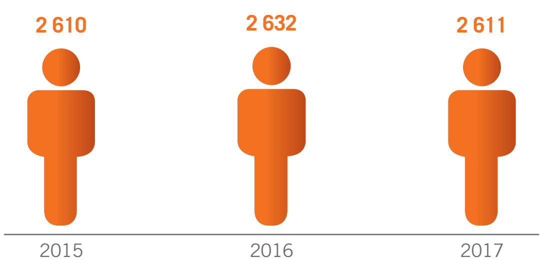
These changes are focused on aligning Employees' skills with the Bank's objectives, classifying competencies into functional groups, to allow a better attribution and adaptation of tasks and development planning in the medium/long term, and transforming HRD into a strategic area offering solid support to the Executive Committee for the implementation of BFA strategy.

After the restructuring, HRD plans to redefine its Personnel Management Policies and Models in terms of Recruitment and Selection, Performance Evaluation, Training, Careers, Talent and other areas. This restructuring is intended to promote the desired BFA culture and align human resources with BFA's strategic objectives.

2017 in Numbers

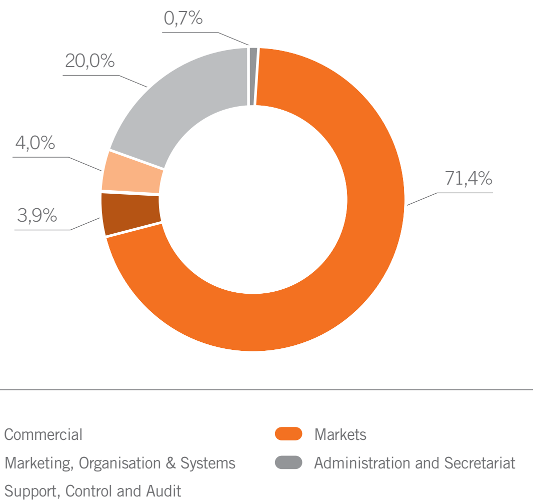
In 2017, the number of BFA's permanent Employees decreased and now stands at 2 611, which represents a fall of 1% over the previous period.

Changes in Permanent Staff



As expected, BFA's main driving force comes from its commercial areas, which account for 71,4% of Employees out of the total 2 611 Employees at the end of 2017. The remaining 28,6% are in Support, Control and Supervision.

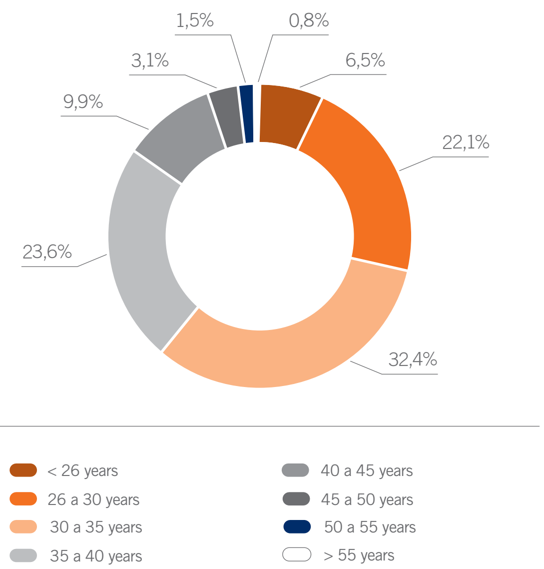
Distribution of Staff by Business Area in 2017



A youthful profile

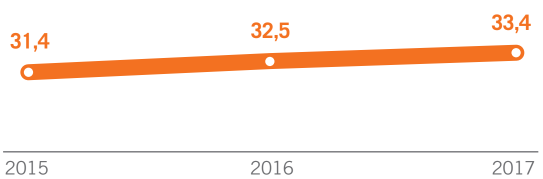
In addition to attracting human capital, BFA invests in training and growth and seeks to increase the potential for career progression and skill development within the Bank's structure. BFA policy thereby maintains its investment in a young team, where approximately 61,2% of Employees are under 35 years old.

Breakdown by Age Group

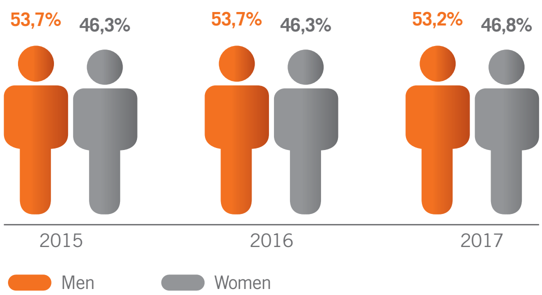


In 2017, the average age of Employees was 33,4 years, a higher figure than last year. This increase demonstrates not only that the Bank offers career opportunities, but also the commitment made by Employees in continuing to choose BFA to work and develop their careers. This shows the increasing job security and stability and the development of the country's economy.

Average Age of Employees



Distribution of Employees by Gender

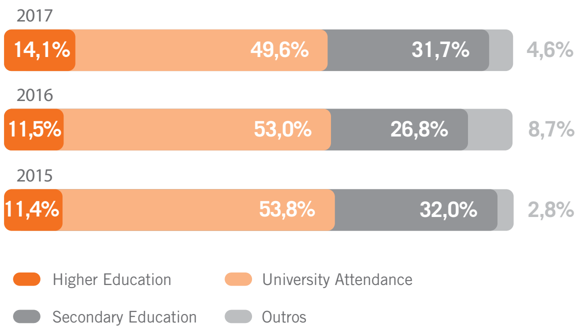


BFA maintains a balance with regard to the distribution of Employees by gender, with 53,2% of the workforce being male and 46,8% female. This balance demonstrates BFA's concern for promoting gender equality, which is reflected in a 0,3% growth in the proportion of female Employees.

A Healthy Workforce

In 2017, the absenteeism rate at BFA continued to be sustainable, with an absenteeism rate below 10%.

Employees' Qualifications



With regard to qualifications, in 2017 there was an increase in the number of Employees with a certificate of higher education, reaching 14,1%. Overall, 63,7% of BFA Employees are studying for or have a college degree.

HRD activities

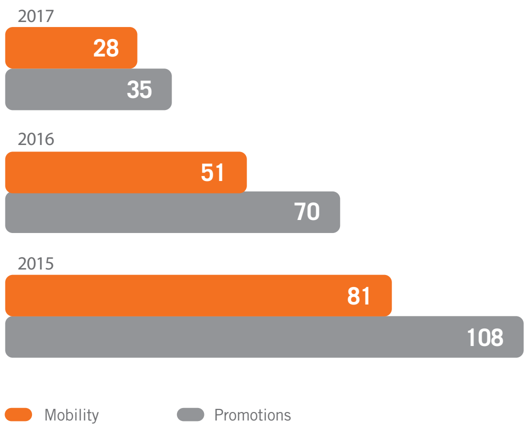
Internal staff rotation, mobility and promotion:

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 373 Employees were affected by these processes between 2015 and 2017.

This significant increase in mobility, transfers and internal promotions has been accompanied by restructuring and the creation of several departments, which enhance Employees' knowledge and skills by gaining cross-departmental insights into the organisation.

Support areas for the Commercial Network have played an important role in strengthening the relationship with BFA Customers and have encouraged the ongoing commitment of internal staff, who, with their knowledge of the business, add value to the Commercial Network's new business support departments.

This turnover of tasks or functions is in line with Human Resources' commitment to the seniority of BFA staff, since it develops Employees' competences, involves business knowledge and related areas and nurtures professional growth and specialisation in the banking sector.



In 2017, 21 of the 35 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.

Induction of new staff

The integration of new Employees into BFA is becoming an activity common to all areas from the start. The Induction Programme involves all BFA Departments with its 'all aboard' approach, giving new Employees a greater connection and proximity to the organisational culture.

Training

Staff development continues to be a focus for BFA's Human Capital. In 2017, a total of 10 304 hours of training were delivered.

Training in BFA covers several training approaches:

- Theoretical sessions with a practical dimension adapted to the real-world context, to prepare trainees to respond to Customer expectations;
- Training on BFA Products and Services for the Commercial Network;
- Training directed at organisational units according to Customer segmentation;
- Continuous, on-the-job training in the Investment Centre teams - this training follows the exclusive behavioural sessions to improve guidance for the ever-more-demanding Customers in this segment.

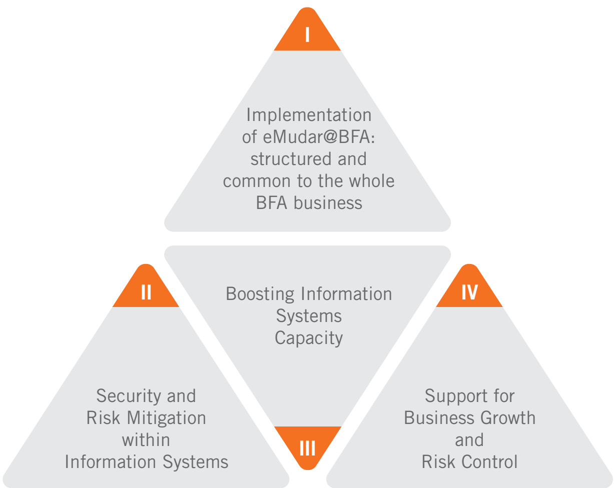
Innovation and Technology

STRENGTHENING OF BFA SYSTEMS MODERNISATION

Continuation of Investment in Systems Modernisation

During 2017, BFA maintained its investment in Information Systems as a pillar of Bank Innovation, Modernisation and Risk Control. 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 2017 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 2017, 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, allowing dematerialisation, increased efficiency and a reduction in operational risk.

This system is structurally relevant for the development of BFA's business, in that:

- It allows a **significant reduction in operational risk**;
- It introduces **standardised procedures**, making processes simpler and more intuitive;
- It ensures service levels and **processing time reduction**;
- It enables **process automation**, providing greater security and speed in the regular approval channels;
- It allows **the dematerialisation of physical processes and documents**, replacing them whenever possible with digital documents, allowing decentralised consultation, monitoring and auditing;
- It ensures **process standardisation** regardless of the access channel (Commercial Network, Central Services, Telephone, Internet);
- It ensures **compatibility of application accesses to the database** by Employees, allowing high levels of security in application management;
- It allows unquestionable improvement in **Customer service quality**.

By the end of 2017, almost all of the Bank's most important processes were implemented on this platform, with the exception of cash and cash flow processes, which were under development. Throughout the year, several features were introduced which contributed to greater platform robustness and ergonomics, as well as to the continuous reduction in operational risk.

Of the features made available in 2017, the following stand out:

- Individual Compliance - Automatic identification of PEPs/PPREs, with centralised processing by the Compliance Department;
- Issuing, managing and controlling stocks of counter cheques;
- Execution, approval, validation and control of domestic, intra-bank (DC and FC) and interbank (DC) transfers.

In addition to the digitisation of these processes, the control mechanisms for adhesion and activation of products were strengthened, using SMS, which made it possible to notify Customers at different stages of the subscription and activation process. In 2017, an average of 103,000 SMS were sent per month, with high response rates for activation processes.

No. eMudar@BFA processes in 2017
+ 2,3 Million

SMS sent
+ 1,2 Million

Automatic activation of Multicaixa cards **82,0%**

Automatic activation of BFA Net Access **99,3%**

Automatic activation of cheques **74,0%**

Particular focus was given in 2017 to the resilience, availability and capacity of the systems assigned to the eMudar@BFA platform, to ensure that resources were safe and reliable to use and offered the desired levels of performance, given the growth of the processes carried out on the platform.

II. Security and Risk Mitigation within Information Systems

BFA recognises that the security and availability of its systems directly affects the ability to conduct its business on a regular basis. During 2017, BFA's security components were strengthened with the adoption of several initiatives, namely:

- **Migration of infrastructures**: continued migration of sensitive systems to the main data processing centre (DPC), a process that was already more than 90% complete by the end of 2017;
- **Internet access**: internet access security mechanisms were strengthened by the use of state-of-the-art equipment and software, with a greater capacity for detecting and neutralising threats and malicious content;
- **Traceability**: the ability to track activity on information assets for timely detection of anomalous behaviour has been improved;
- **Neutralising computer attacks**: the ability to detect and neutralise threats on the application servers has been extended;
- **Vulnerability check**: a vulnerability check and remediation program was implemented;
- **Disaster Recovery**: work continued on programmes to improve systems and procedures and to strengthen the essential components that ensure effective capacity to overcome contingencies;
- **System Monitoring and Management**: the systems management and monitoring contract signed with IBM is fully operational, with visible results in the detection and timely correction of potential risks to systems. The scope of this agreement, extended in 2016, maintained a steady course and the main sensitive points in BFA systems are being proactively monitored;
- **Process optimisation and fault reduction**: To improve service quality and reduce failures, new operational procedures, checks and monitoring of indicators were implemented.

III. Boosting Information Systems Capacity

Aware of the importance of the IS response capacity to business development, the main components of BFA's information systems have been strengthened:

- **Boosting core banking capacity**: A review of systems that support core banking has been carried out, to significantly improve their performance, thereby benefiting all business support applications and the service provided to Customers. In a particularly sensitive area, the daily closing process, it was possible to obtain gains of around 30% with the replacement of storage by newer technology with better performance;
- **Improvements in communication networks**: the implementation of a new communications standard for service outlets based on fibre optics with double the speed, making the mobile network redundant. The communications network linking central buildings and the DPCs has also been improved in terms of capacity, performance and resilience to ensure the various bank departments function properly and to enable the DPCs to work cooperatively;
- **Migration of software and hardware to more recent versions**: as part of the programme to reduce technical debt, various IS support infrastructure components and business solutions were updated;
- **Backup solutions**: A new integrated backup solution has been implemented that has made data management more efficient and data recovery more effective, where necessary;
- **Role-Switch Tests:** In order, where necessary, to provide an agile transition to the High Availability System, in 2017 the programme of periodic role-switching tests was resumed (transition between Primary and High Availability System, and vice versa). This programme will continue in subsequent years.

IV. Support for Business Growth and Risk Control

2017 was a year of transition for BFA, a chance to reflect on business priorities and for the new corporate bodies to prepare the ground for new challenges. Thus, during 2017, greater focus was placed on the robustness of existing platforms, on increasing their resilience and efficiency, rather than launching new solutions. With this positioning in mind, the following are noteworthy:

- **New Accounting Application:** once the implementation of the new accounting application adapted to all CONTIF and IAS/IFRS requirements was completed, a number of improvements were made to ensure safer and more efficient use;
- **Transactions on BODIVA:** a solution was implemented that will allow BFA to trade on the Angola Stock Exchange in a totally electronic and integrated manner. At the end of 2017, this process was already being tested and validated, with the launch expected in the first half of 2018. The implementation of the necessary links for BFA to be the first bank to carry out transactions on BODIVA, which would enhance its leadership position;
- **Improvements in file processing:** continued reinforcement of the validation features of the file processing application, minimising situations which generate errors;
- **Foreign currency management:** continued implementation of new features to ensure compliance with regulations;
- **Developments in Information Management:** The number of reports made available has been substantially increased, supporting the new regulatory requirements and the need for information to support the business.
- **Internal applications.** During 2017, internal applications for more efficient management of Employees' needs were revised and adapted, which resulted in a more ergonomic use and a better control of the processes they support;
- **Mobility.** Employee mobility is increasingly an imperative to which technological areas must respond, to safeguard the security and resilience requirements for managing information systems. In 2017, BFA started two high-impact pilot projects, especially for Employees whose job is most demanding in terms of mobility: the use of the "Skype for Business" communication solution and the assignment of portable computers, in addition to or as a replacement for desktops. These pilots, which primarily aim to test the safety of these solutions in adverse contexts, should be completed by the beginning of 2018, after which they will start to be implemented.

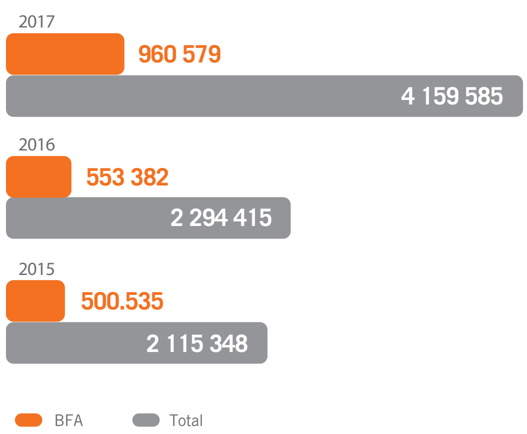
Payment Systems

AFFIRMATION OF BFA'S LEADERSHIP IN THE OFFERING OF SERVICES AND PAYMENT METHODS

DEBIT CARDS

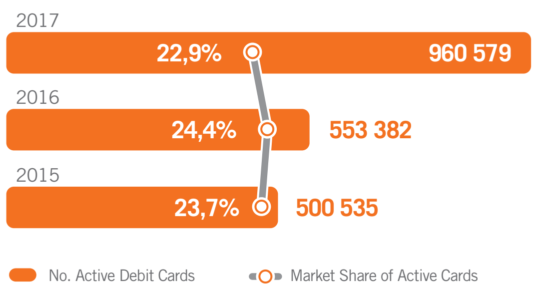
In 2017, BFA's total active debit cards saw substantial growth of 74%, totalling 960 579 cards, a change in line with changes in the market (81%). This increase reflects a 23,1% share of BFA Debit Cards as a proportion of the total number of active cards.

Active Debit Cards (no.)



The significant change in the number of Active Debit Cards is due to a change in the criteria EMIS uses to determine the number of Active Debit Cards. From 2017, EMIS counted the total number of cards as all the cards with at least one transaction in the previous six months, while in previous years only cards with at least one transaction in the last month were counted.

Changes in the Number of BFA Debit Cards



EMIS - TRADITIONALLY STRONG TIES

EMIS (Empresa Interbancária de Serviços) is the body that currently manages the entire Angolan Payment System and whose mission it is to encourage the overall efficiency of this system, ensuring security, effectiveness, convenience and innovation.

EMIS was founded in 2002 and BFA is one of the founding Shareholders, currently the largest private Shareholder, with 6,5% of its capital, as well as the main Customer and user of the services provided by EMIS. The main Shareholder is BNA, which holds 43,03% of the capital.

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, such as the implementation of the new Data Processing Centre in EMIS-built facilities, the use of the new Card Management Platform or the new cheque clearing system using images.

EMIS currently provides Card Management Platform services for the Multicaixa (debit cards) and Visa (credit cards) networks, as well as Wire Transfer and Cheque Clearing Systems. EMIS also provides Payment Network members with a Host-to-Host (H2H) channel that allows users to utilise BFA channels (BFA Net, BFA Net Corporate, BFA App and service outlets) to access payment options available in the Multicaixa network.

MIGRATION OF MULTICAST CARDS TO EMV CHIP TECHNOLOGY

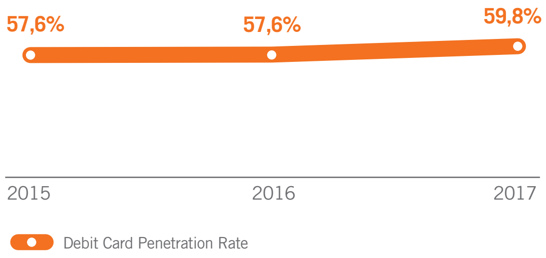
EMV chip technology is a system that ensures information is protected and makes it difficult to commit fraud, such as card copying.

Certification for this new system began in 2016. After the end of the certification, tests are expected to start so that the bank can then issue EMV chip cards.

Once the testing phase is completed and the process is approved, BFA will start issuing Multicaixa EMV chip cards and replace existing Multicaixa Magnetic Strip cards with safer EMV Chip cards.

The penetration rate of debit cards increased compared to 2015 and 2016, amounting to 59,8%.

Debit Card Penetration Rate

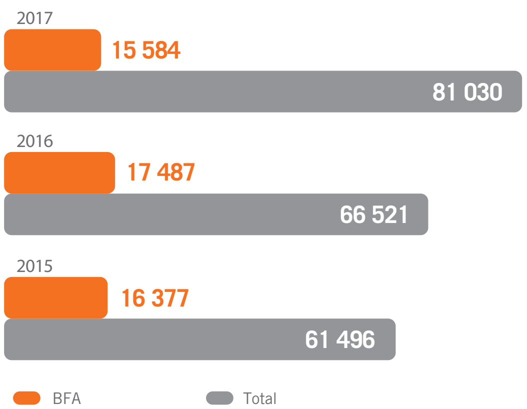


Growth of the POS and ATM network

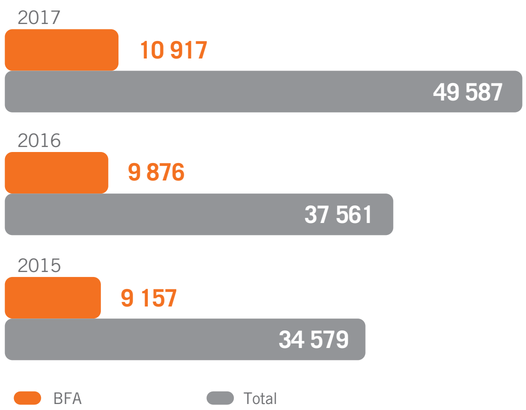
The number of active and registered POS terminals in Angola continued to grow, increasing by 18% and 24%, respectively. As a result, EMIS ended 2017 with a total of 49 587 active POS terminals, 12 026 more than in 2016. The number of BPA registered POS terminals declined by 11% to 15 584. This decrease was a result of contract cancellation and collection of equipment that had been inactive for more than 24 months, and where Customers did not express an interest in reactivating the service.

In contrast, the number of active POS units increased by 11%, reaching a total of 10 917 at the end of the year. In 2017, BFA remained the market leader, accounting for 22% of total POS units on the market.

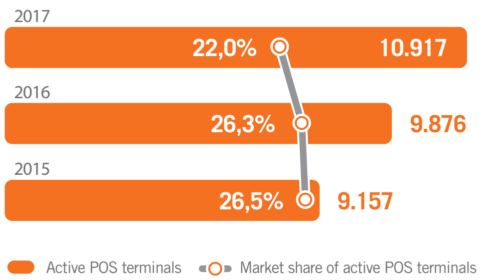
Registered POS Terminals (no.)



Active POS Terminals (no.)

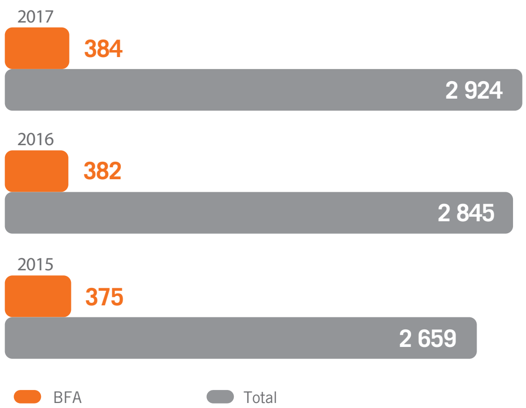


BFA POS Growth Trend



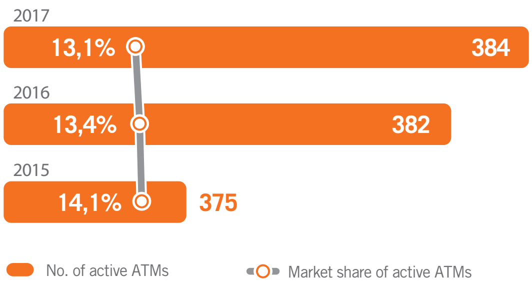
ATMs allow Customers to carry out various transactions without the assistance of a banking agent, namely cash withdrawals, service payments, wire transfers, telephone account top-ups, mobile phone top-ups, IBAN inquiries, and so on. All the Multicaixa system member banks are responsible for making these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

Active ATMs (no.)

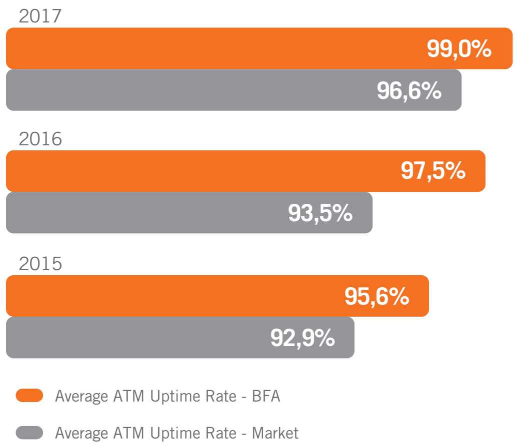


In 2017, the active ATM market grew 3%, whereas BFA recorded a mere 1%, with a drop of 0,3 pp in market share and a penetration rate of 13,1%, corresponding to 384 active ATMs.

BFA ATM Growth Trend



Average Annual ATM Uptime Rates



Note: The Uptime Rate is a measure of the degree of ATM use and is calculated as follows: Uptime Rate=1- ((No.Days Downtime)/(No.Days in Month)), considering an ATM to be down if it registers no transactions for a month.

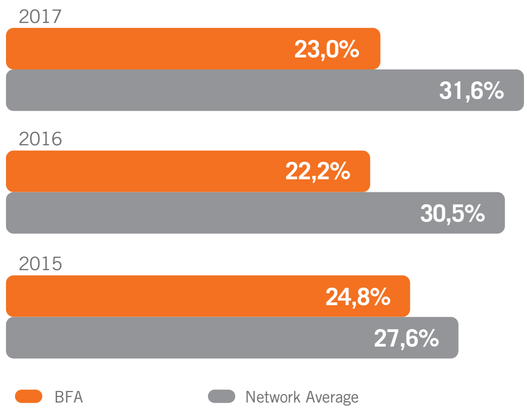
Following the trend of previous years, the average annual uptime of ATMs in 2017 increased by 3,1 percentage points compared to 2016, which for BFA represents an uptime rate of 99%, 2,4 points above the market average.

Downtime Due to Lack of Notes

In 2017, the percentage of downtime owing to lack of notes increased by 1,1 percentage points.

In comparison with the market average in 2017, BFA continued significantly below the network average, at 8,6%, although downtime owing to paper shortage increased by 0,8 pp, compared to the previous year.

Downtime Due to Lack of Notes

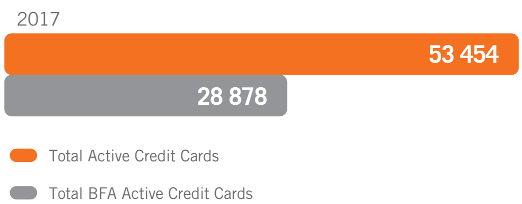


CREDIT CARDS

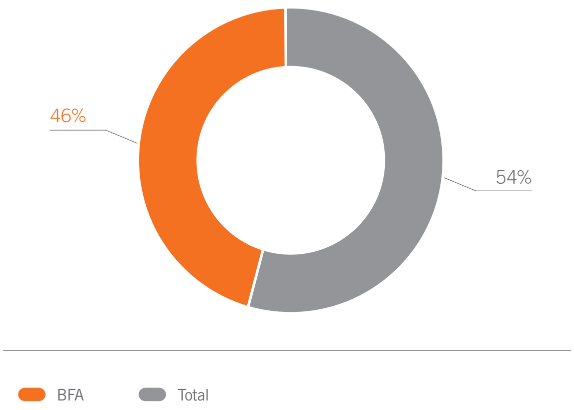
Development in number of active Credit Cards

At the end of 2017, of the 53 454 active credit cards under EMIS management, 28 878 belonged to BFA, representing a market share of 54%.

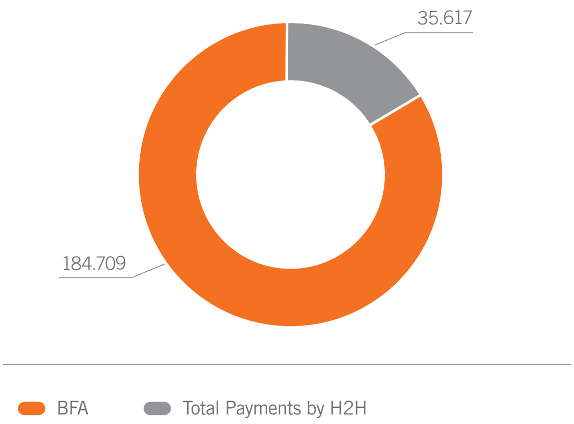
Active Credit Cards (no.)



Market Share of Active Credit Cards



H2H Payments



CREDIT WIRE TRANSFER SUBSYSTEM

The Credit Wire Transfer Subsystem (STC) is an instrument of the Angolan Payment System (SPA) which promotes currency circulation in the country.

In 2017, BFA decentralised the implementation of national transfers, which allowed for faster execution of operations, while reducing operational risk, since the new process is entirely digital and dispenses with paper processing.

H2H Payments

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.

In 2017, payments made to BFA (BFA Net, BFA Net Empresas and BFA App) accounted for 19,3% of total payments, which positions BFA as one of the leading Banks in making this service available to Customers.

DIRECT DEBIT SYSTEM

In 2017, BFA took part in meetings that led to the drafting of a Standards and Procedures Manual, a document that will guide the development and implementation of this service to take place in 2018.

The introduction of direct debits represents an important step for the Angolan Payments System, since it allows consumers to make payments through their bank account, without having to travel to the Bank or make any other interaction.

This service will be supported in the Debit-to-Account (ADC) Authorisations that Customers will give to their Banks and in the Debit Instructions that the service providers will send to the Banks to cover these.

BFA in Digital Banking

In 2017, BFA consolidated its presence in the digital era. This year the focus was on the enrichment of information, features and procedures inherent in digital channels, aimed at further modernisation of Customer relations.

PUBLIC BFA WEBSITE - COMMUNICATION HUB

In 2017, BFA's Public Website continued to predominate as the Bank's key digital communication channel.

During 2017, BFA's Public Website was visited more than 280 000 times, mostly originating from search-engine results.

Visits via mobile devices (smartphones and tablets) registered growth of 62% in 2017. Access by these means accounted for around 42% of the total visits to BFA's Public Website in December 2017.

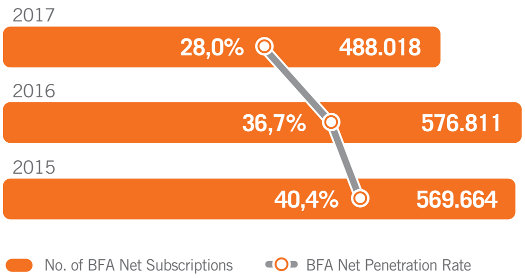
The pages with the largest number of visits were the home page, the currency exchange rate page and the BFA Net page.

BFA NET - IMPROVED FEATURES AND CONTINUED DEVELOPMENT

For homebanking services, the year 2017 was marked by significant improvements in accessibility and operation, making it more intuitive and easy to use. These changes were accompanied by a series of translations for the English version.

At the end of 2017, BFA Net had a total of 488 018 members and a penetration rate of 28%. The negative trend in these figures over the previous year is explained by the screening out of unused BFA Net accounts.

Penetration Rate vs. Number of Members



BFA APP - BFA'S MOBILE APPLICATION

QR-CODE

Faça o *download*
da BFA *App*

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

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

Every App user, including non-homebanking members, can simulate loan requests, check exchange rates, call the BFA Support Line and find the nearest BFA Branch.

During 2017 the BFA App was downloaded over 65 000 times on mobile devices, of which 15,7% were Apple and 84,3% Android. By the end of 2017, the BFA App had been downloaded 129 158 times.

BFA ON SOCIAL NETWORKS - CLOSER TO THE WORLD AND ITS CUSTOMERS

In 2017, LinkedIn was another institutional communication vehicle for BFA, which helped promote 141 publications. By the end of the year Banco de Fomento Angola on LinkedIn had over 10 864 followers, of which 4 203 were acquired in 2017.

A total of 17 new videos were uploaded to the BFA YouTube channel in 2017, with close to 7 600 views registered throughout the year. The video illustrating the workings of BFA Balance and Operations Inquiries received the most hits during 2017, with a total of 2 006 viewings.

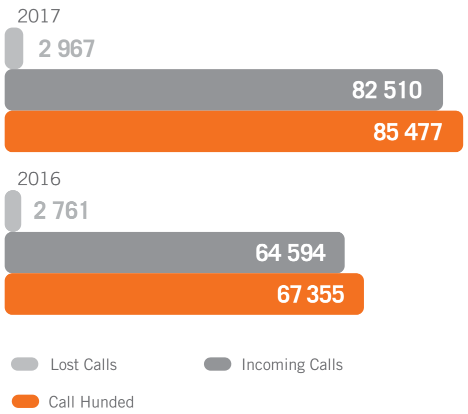
BFA CUSTOMER HELPLINE - 923 120 120

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

The BFA Customer Helpline remains committed to improving the quality of Customer support, broadening access to product and service information, reducing queue length at service outlets and, of course, delivering a more timely Customer response.

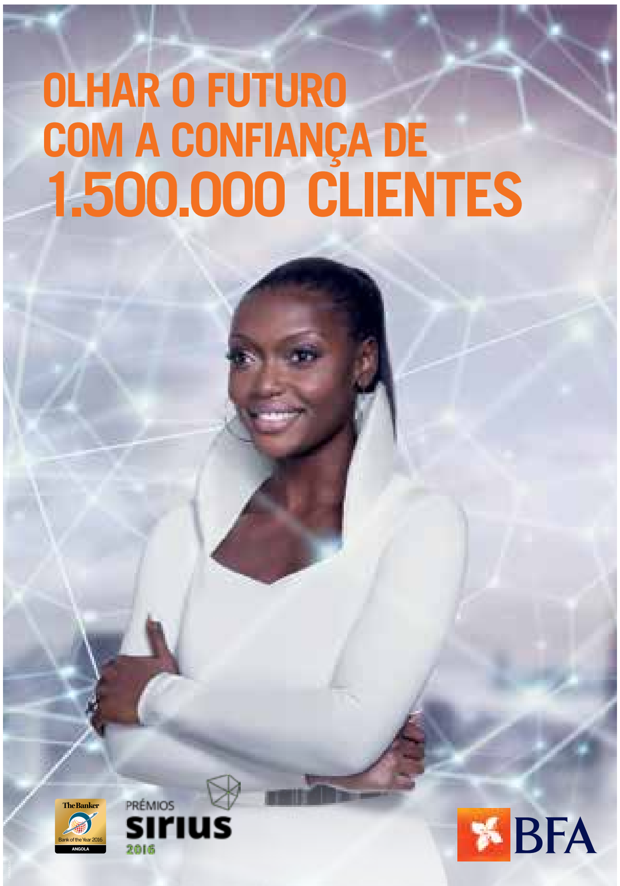
The number of calls received and handled by BFA Customer Support grew steadily over the course of 2017. Calls increased by 27% between January and December. The ratio of incoming calls to calls handled translated into an overall efficiency rate of 96,5%.

Distribution of Calls 2016 vs. 2017



Communication

CAMPAIGNS



1 500 000 Customers Campaign
Looking to the Future with the Trust of 1 500 000 Customers

To mark the historical milestone of 1 500 000 Customers, BFA launched the 'Looking to the future with the Trust of 1,5 million Customers' campaign, which aimed to promote BFA's leadership in the Angolan market, as well as its capacity to embrace new challenges that can make its business and involvement with Customers increasingly differentiated.

BFA Net /BFA Net Empresas and BFA App
Wherever you go, take BFA with you

In September 2017, BFA launched the campaign with the motto 'Wherever you go, take BFA with you'. The aim of this campaign was to offer a combined solution of all the alternatives for invoice payments using the various BFA channels, namely via BFA Net, BFA APP and BFA Branches.
The 'Wherever you go, take BFA with you' campaign was intended to promote BFA's homebanking service as an effective solution to help Customers, individuals and companies manage their day-to-day needs, especially when outside Angola.

CAMPAIGNS

Payment of Invoices
"Pay where you are, pay at BFA"

The Payment of Invoices campaign - 'Pay where you are, pay at BFA' was aimed at communicating all the alternatives for invoice payment available using the various bank channels, namely BFA Net, BFA Net Empresas, BFA App and BFA Branches.

Road tax
"Buy your road tax disc here"

As an authorised agent for the sale of road tax discs, in 2017 BFA launched the 'Buy your road tax disc here' campaign as a way of promoting sales of road tax discs through its service outlets. The main objective is to increase the sales of discs and thus improve its profit margin.

Did you know... that on BFA Net you can contact BFA online?

The digital campaign 'Did you know... that on BFA Net you can contact BFA online', took place during the month of April 2017. The goal was to explain the Contact Form's features and show how users can initiate an online contact with BFA through BFA Net.
The Contact Form features are available to subscribers and non-subscribers to BFA Net.

Did you know... on BFA Net you can buy top-ups online?

Campaign aimed at publicising the features of buying telephone, internet and TV top-ups via BFA Net.

To purchase a top-up on BFA Net, the BFA Customer must select the Payments menu, choose the Top-up option, then select the operator name (telephone, net or TV), enter the amount and confirm the payment.

Multicaixa D'Agosto Card

BFA is the official sponsor of the 1º de Agosto senior men's soccer team and the first bank in Angola to offer the debit card branding with the 1º de Agosto Club, the Multicaixa D'Agosto Card.
This campaign's objective was to commemorate the second anniversary of the Multicaixa card of 1º de Agosto.

You can be one of us, apply now

The digital campaign 'You can be one of us, apply now', aimed at publicising Online Applications to BFA through the public website. These can be done in two ways:

- Job Offer Page, which displays the vacancies available/advertised;
- Speculative Application page.

BFA Customer Helpline

The BFA Customer Helpline is the preferred communication channel for Customer support, to clarify queries about BFA products and services and to handle complaints.
In October 2017, to strengthen the channel's communication, the second phase of the BFA Customer Helpline was introduced.

Did you know... on BFA Net you can order cheques online?

The aim of this campaign was to communicate the cheque ordering feature via BFA Net.
To request cheques on BFA Net, the BFA Customer must select the Cheques Menu, select the Requisition option, and then enter the required data for the option selected: the amount, type of cheques and the service outlet where they would like to pick up the cheques, and finally confirm the request transaction.

SPONSORSHIPS

6TH YEAR JAANGO

BFA sponsored the 6th YOUNG ANGOLAN ARTISTS (JAANGO) - a Modern Angolan Art Movement that includes five artists from a wide range of fields, from painting, photography, decoration and sculpture, who participate for two weeks in an artistic residency in Espaço Luanda Arte.
BFA's support for JAANGO reinforces BFA's position as patron of the fine arts.

MODA LUANDA

Regarded as a leader in the presentation of new collections, Moda Luanda (ML) is one of the most prestigious fashion events held in Angola. Over the years, ML has promoted the début of new talents, both national and international, on the catwalks of Angola.
The motto of the 20th event, sponsored by BFA, was 'Diamonds'.

PANDA & CARICAS

For the 10th time in a row, BFA, in partnership with ZAP, sponsored the 2017 edition of the Panda & Caricas children's show.
In addition to providing a unique moment for the BFA Kandengues, Bank Employees were further challenged to participate in a hobby and think up a creative phrase with the words BFA, Panda and Children.

ORDER OF MERIT

The Order of Merit is a golf championship organised by Mangais. The championship is made up of 11 monthly events, held at Mangais Golf Resort, to promote interaction between amateur and professional golfers living in Angola.
In 2017, more than 106 players took part in the championship.

SPONSORSHIPS

LUANDA CARNIVAL

Luanda Carnival promotes our values and is Angola's biggest cultural event. At the 2017 carnival, the BFA put the spotlight on the biggest icons of the Carnival - the king and queen.

CARTOON FESTIVAL

BFA supported the 14th 'Luanda Cartoon' International Cartoon Festival, held from 25 August to 1 September at the Centro Cultural Português in Luanda. The Luanda Cartoon Festival is an art form that combines text and images to make stories in the most varied genres and styles.

The event is co-organised by the Portuguese Cultural Centre and Studio Olindomar and every year brings together comic book authors, cartoonists, illustrators and animators, amateurs and fans alike. As in previous years, the event featured works by international cartoonists from Portugal, Spain, Italy, France and Brazil.

NEW YEAR'S EVE RUN

In 2017, BFA sponsored the New Year's Eve Run in Luanda. This athletics event takes place on a 10km course and is held annually on 31 December. The event enjoys the usual participation of national and international athletes, professionals and amateurs. BFA has been sponsoring the New Year's Eve Run for over 10 years.

SPONSORSHIPS

THE NOSSA SENHORA DO MONTE FESTIVITIES

The Nossa Senhora do Monte Festivities, in honour of the patron saint of Lubango, take place in August every year. In 2017, the event took place between 10 and 28 August, with the usual iconic festive activities, the Expo-Huíla, the Agro-Livestock Fair, Huíla-Fashion, Clay-Pigeon Shooting and 200 km from Huíla.
For the first time, the 2017 event included an in-house communications activity for BFA Employees in Huíla square - a CROSSFIT and ZUMBA class. For BFA, the Lubango City Festivities are unique, not only for being a powerful cultural event, but also for the opportunity to promote the business.

UNITEL/BFA GOLF TOURNAMENT

BFA, in partnership with Unitel, held the Golf Company National Tournament for the fourth consecutive year.
The Unitel/BFA Golf Cup is a two-player team championship exclusively organised for companies operating in Angola.
The championship consists of four qualifying stages, with 72 players per stage. The winners of each stage are chosen to participate in the grand final, which this year was played at the Omeya Golf Club - Windhoek, Namibia.

THE KIZOMBA AND SEMBA COMPETITION

BFA sponsored the 9th Kizomba and Semba National Dance Competition which took place on 22 April in Luanda. This event is a great promoter of two styles of music typical of Angolan culture, kizomba and semba.
The objective of this contest is to enhance the Kizomba and Semba dance and promote networking among dance professionals.

SONG FESTIVAL

BFA sponsored the 20th Luanda Song Festival, which took place on 22 September, in Largo da LAC. The Luanda Song Festival is a musical contest held annually in Luanda that promotes and celebrates music, giving voice to new talents. In 2017, the theme of the festival was ‘The Blue Wave’. The 20th Festival honoured songwriters from previous years and featured a special appearance by Angolan singer Selda.

SPONSORSHIPS

1ST MEETING OF ANGOLAN SPECIALIST DOCTORS

The Association of Angolan Doctors promoted the 1st Meeting of Angolan Specialist Junior Doctors in 2017. The aim of the event, which was attended by around 430 doctors from various specialities, was to discuss the range of specialist medical internships in Angola by means of a workshop.

ANGOLA - PORTUGAL ENCOUNTERS

BFA sponsored the Angola - Portugal business meeting on 27 July at the Trópico Hotel in Luanda under the theme 'Angola Producer and Exporter'.
The purpose of the meeting was to promote business exchange between the two countries, facilitating the discussion of the terms and conditions by which bilateral partnerships can take place.
It enjoyed the support of official Angolan, National Banking and European Union authorities, as well as sharing success stories in sectors such as production, export and distribution.
The meeting was attended by leaders from different national and international institutions.

INTERNAL COMMUNICATION ACTIVITIES

BFA CHRISTMAS KINDNESS

As part of the Christmas celebrations, BFA held an in-house communications activity for BFA Employees and their families. 'Offer a Toy, Win an Experience' was designed to appeal to the spirit of solidarity, as well as involving Employees in a social welfare activity.

In exchange for offering a toy to donate to the *Mamã Muxima* children's home, the Bank provided Employees and their children with a special treat, which included 1 movie ticket and parking, 1 packet of popcorn and a drink.

At the end of this activity, about 150 toys were donated to the *Mamã Muxima* home.

WORLD SAVINGS DAY

To mark World Savings Day, which is celebrated on 31 October, BFA held an in-house activity for BFA Employees. The main motivation was to raise Employee awareness of the importance of saving and to give some saving tips.

The activity took the form of a competition in which participants were challenged to write a sentence that included the words 'Savings and BFA'. The winners of the competition received a BFA gift kit.

WORLD HELLO DAY

BFA was associated with World Hello Day, celebrated on 21 November around the world.

In the belief that cheerfulness and cordiality make all the difference, BFA offered all its Employees the gift of an emoji to remind them of the importance of saying 'Hello' in the workplace.

INTERNAL COMMUNICATION ACTIVITIES

WORLD HEART DAY

As part of World Heart Day, which took place on 29 September in partnership with FarmaClinic, BFA held an in-house awareness campaign on the risks of cardiovascular disease from 25-29 September and promoted healthy behaviours to prevent the causes of heart disease.

The campaign included an arterial hypertension screening for central services Employees, the provision of a leaflet in digital format and an anti-stress heart to all Bank Employees.

The event was supported by 18 BFA volunteers, who accompanied the nurses during the screening process and the participation of 1,200 Employees, who were given a test for high blood pressure at their workplace.

BLOOD DONATION INITIATIVE

On 8 June, a blood collection was carried out at the BFA headquarters, which again showed Employees' generosity and altruism in response to an appeal from the National Blood Institute (INS).

This INE initiative was part of the celebrations for the World Blood Donor Day, celebrated on 14 June and aims to alert everyone to the importance of giving blood.

Social Responsibility

GEM STUDY

The Global Entrepreneurship Monitor (GEM) project is one of the largest studies of entrepreneurship in the world. The study aims to assess entrepreneurial activity, attitudes and aspirations, as well as determine the conditions that favour and create obstacles to entrepreneurship dynamics in the various participating countries.
The GEM Angola project is an international benchmarking exercise that compares the level of entrepreneurship in Angola with that of other types of economies, grouped according to geographical and state of development factors. This study is carried out by the Portuguese Innovation Society (SPI) in partnership with the Centre for Studies and Scientific Research at the Catholic University of Angola and has been supported by BFA since 2008.

USAID I SAVING WOMEN AND CHILDREN FROM MALARIA

BFA supported the USAID mosquito net distribution campaign, entitled 'Saving Women and Children from Malaria' to the tune of AOA 5,2 million. This support made it possible to promote and distribute 1 million mosquito nets in 15 provinces of Angola. This USAID campaign was implemented in partnership with the Ministry of Health (MINSA) and focused on the distribution of mosquito nets to hospital facilities for pregnant women and children under five, considered the groups most vulnerable to malaria.

ANGOLA HEALTH RESEARCH CENTRE

In 2017, BFA sponsored the creation of a microbiology service at the Bengo General Hospital (HGB) Laboratory. The objective of this initiative was to strengthen the diagnostic capacity of the HGB laboratory and thus improve the levels of treatment for children attending the paediatric emergency unit as well as adults. This initiative will also allow studies to be carried out on groups in the population of Bengo Province which are essential for taking measures to prevent and combat bacterial agents.

CISA
CENTRO DE INVESTIGAÇÃO EM SAÚDE DE ANGOLA

FOOD BANK AGAINST HUNGER IN ANGOLA - 6TH AND 7TH FOOD COLLECTION

In 2017, BFA supported two food collection campaigns promoted by the Food Bank Against Hunger in Angola (BACFA). The campaigns were held on 24/25 June and 24/25 November in eight shopping centres in Luanda.

BACFA's food collection campaign, similar to previous events, had the financial support of the Bank as well as the participation of 130 BFA Solidarity Workers (80% of the total number of participants), who embraced this cause as volunteers.

Campaigns collected more than nine tons of food which was distributed to social welfare institutions such as the Solidarity Association for the Elderly (AASTI), Horizonte Azul Girls Care Centre, Nossa Senhora da Boa Nova Centre, Santa Bárbara Social Centre, Obra Don Bosco, Obra Divina Providência and the Centro Arnaldo Janssen.

PANDA AND CARICAS - INTERNATIONAL CHILDREN'S DAY

On 1 June, International Children's Day, 30 BFA Solidarity Workers gathered to provide a day with a difference for a group of children. Workers invited 200 children from the Santa Bárbara and Kuzola Care Homes to attend the Panda and Caricas Festival at the Belas Conference Centre in Luanda.

MERCEDARIAN SISTERS CHILDREN'S HOME

The BFA held a visit to the Mercedarian Sisters Children's Home, in Malange, on 12 October, with the aim of donating some goods to the institution. A freezer, a refrigerator and a stove were among the goods delivered to the Home.

The purpose of this initiative was to meet the needs of the Mercedarian Sisters Children's Home which is responsible for the care of 39 orphaned children from the Maxinde neighbourhood and surrounding area.

INTERNATIONAL BOOK DAY

On 23 April, International Book Day, BFA held a volunteer event in three childcare institutions in three Angola provinces: Centro Stª Rita de Cássia (Luanda), Nossa Sra. do Perpétuo Socorro Care Centre (Benguela) and Santas Innocentes Orphanage (Huambo).

The aim of the International Book Day event was to encourage and cultivate reading habits in children, as well as to mark the date with play activities such as theatre, music and painting. Lasting three hours, this initiative involved 220 children, from the ages of 3 to 12, and 40 Solidarity Workers, in the three provinces. Non-perishable goods and clothing were also distributed to the aforementioned children's homes donated by the Bank's Employees.

Awards

BEST BANK IN ANGOLA

EMEA Finance Magazine

BFA was voted ‘Best Bank in Angola 2017’ by EMEA Finance magazine for the seventh year running. This award recognises the Bank’s sustained growth trajectory and reflects the consistency and rigour of its management model. *EMEA Finance* is a magazine aimed at the financial community in Europe, the Middle East and Africa, which analyses and ranks the performance of the main banking institutions in various countries.

BEST CORPORATE BANK IN ANGOLA

International Finance Magazine

International Finance Magazine awarded BFA the prize for Best Corporate Bank in Angola for the fifth year running. *International Finance Magazine* is a British online publication with readers in more than 180 countries. Each year it selects the top companies in the banking sector in each business segment.

BEST BRANCH NETWORK

Capital Finance Magazine

For the third year running BFA won the Best Branch Network prize, awarded by *Capital Finance International* (CFI) magazine. The prize was given in recognition of the Bank’s very large branch network, comprising more than 191 service outlets.

BEST CORPORATE MANAGEMENT

World Finance Magazine

World Finance magazine voted BFA the bank with the Best Corporate Management for the fourth year in a row. The main points considered by *World Finance* in awarding this title were the consolidation of the Bank’s operations, its contribution to Angola’s economic development and the creation of specific solutions for Customers.

BEST COMMERCIAL BANK IN ANGOLA

Finance Digest Magazine

BFA won the Best Commercial Bank in Angola prize for the second time, awarded by *Finance Digest* magazine. *Finance Digest* is a British online quarterly magazine specialising in financial analyses in the fields of banking, business, finance and technology.

BEST COMMERCIAL BANK

Global Banking and Finance Review

BFA was voted Best Commercial Bank in Angola for the fifth year running by the UK-based *Global Banking and Finance Review* portal. This award was primarily in recognition of the Bank’s wide range of products and services, its extensive commercial network and its social responsibility programme, focused on education, health and social welfare.

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04

RISK MANAGEMENT

Governance and Organisation of Risk Management

The BNA has published various Notices and Instructions in the last two years that have established a broad set of requirements on the governance of the risk management system. It has promoted a systematic approach to the basic principles for implementing this system. This followed the concepts which have been proposed, recognised and accepted internationally and the recommendations issued by the Basel Committee on Banking Supervision.

In the light of this framework, BFA's Board of Directors has put an action plan in place to strengthen the supervision and monitoring of the Bank's risk management system, by reformulating the approach to Risk Management under the requirements of Notice no. 2/2013 and the other Notices and Instructions, particularly those issued in 2016.

The Bank has prepared a diagnosis of the risk management system in place, resulting in an action plan that is supported by a timetable of strategic initiatives on the overall strengthening of the supervision and control of the Bank's risk management system.

In 2017, BFA thereby institutionalised Risk Management policy through the creation of the Risk Management Department (DGR).

The Board of Directors (BoD) is the body responsible for defining the Bank's overall risk strategy, supported for this purpose by the Executive Committee, the Risk Committee, the Assets and Liabilities Committee and the Audit and Internal Control Committee. The BoD and its Committees monitor changes in the various risk indicators and determine the risk appetite and the risk tolerance level.

The Risk Management Department is responsible for supporting the Board of Directors in defining the risk management policy and for timely reporting of all information.

BOARD OF DIRECTORS

- RISK COMMITTEE
- EXECUTIVE COMMITTEE
- ASSETS AND LIABILITIES COMMITTEE
- AUDIT AND INTERNAL CONTROL COMMITTEE

RISK MANAGEMENT DEPARTMENT

In order to operationalise the Risk Management Department's activity and develop the necessary specialisation and control over the different risks, the department is organised as follows:

RISK MANAGEMENT DEPARTMENT

OVERALL RISK	BALANCE SHEET RISK	CREDIT RISK	OPERATIONAL RISK
RISK INTEGRATION ANALYSIS TEAM	CONTROL AND REPORTING TEAM	MANAGEMENT AND CREDIT RISK MODELS TEAM	OPERATIONAL RISK MANAGEMENT TEAM
	MONITORING TEAM	CREDIT IMPAIRMENT TEAM	

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

Principles of Risk Management

- Involvement of senior management and directors in risk management and decision making
- Integration and assignment of clearly defined responsibilities for ongoing risk management
- Independence in risk monitoring and control through the separation of risk oversight functions from the risk-taking areas
- Periodic review and audit of risk management mechanisms
- Conservative stance in defining assumptions and setting limits

Materially relevant risks

The Bank has a risk identification process to determine which risks are materially relevant. Once the risks are classified, the Bank defines a strategy and policy, from which indicators and their limits and appetite can be defined. The risks considered material are:

Risk Management model

BFA has created an organisation in which risk control and management is an integral part of the activities and responsibilities of every area in the Bank. This is achieved by defining and disseminating internal regulations based on the measures laid down in BNA Notice no. 2/13 of 22 March, which regulates the risk function as a component of the Internal Control System.

To ensure robust risk control and risk management, so as to ensure separation and independence of functions, BFA sets up three lines of defence:

1st Line of Defence
Business Departments

It is the responsibility of the heads of each of the Bank's business units to manage the risks of their activities on a day-to-day basis, following the established principles, rules and limits, and to submit regular reports.

2nd Line of Defence
Risk Management Departments and Risk Committees

The risk management departments are responsible for ensuring that risks are actively managed and controlled and for implementing recommendations.
The Risks Committee is responsible for monitoring the management of all the risks inherent in the Bank's activity and for advising on risk strategy.

3rd Line of Defence
Internal Auditing

Internal Auditing is responsible for ensuring independence and objectivity in the assessment of compliance with applicable procedures and internal and external rules and regulations.

Along with the three lines of defence, the responsibility for identifying, evaluating, monitoring and controlling the various risks to which the Bank is subject is distributed among the Bank's Departments:

Credit and Counterparty risk

- **Individual and Business Loans Department:** Monitoring changes in individual and business credit risk.
- **Corporate Credit Risk Department:** Monitoring changes in company credit risk.
- **Structured and Investment Financing Department:** Credit risk monitoring of operations based on project risk.
- **Real Estate Operations Department:** Valuation of assets and assumptions of operations with exposure to real estate.
- **Financial and International Department:** Monitoring developments in exposure to the financial sector.
- **Monitoring, Recovery and Litigation Department:** Participation in the process of calculating provisions and impairments on the credit portfolio and monitoring of overdue loans and recovery.

Operational risk

- **Internal Audit Department**: Analysis of overall exposure;
- **All Departments**: Identification of processes and critical points.

Liquidity risk

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

Market risk

- **Financial and International Department:** Analysis of risks per instrument and overall risk analysis - interest rate, exchange rate, trading portfolios.

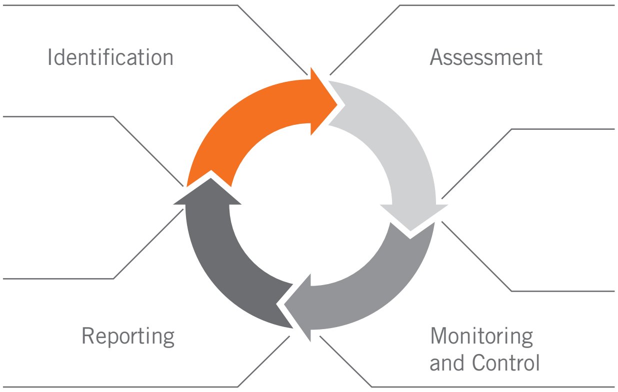
Country risk:

- **Financial and International Department:** Individual country risk analysis using external ratings and analyses.

Compliance risk:

- **Compliance Department/Legal Department:** Compliance risk analysis.

BFA's risk management model consists essentially of 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

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 the results of risk management 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.

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 Risks are managed 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 no. 02/2016 - Regulatory Capital;
- Instruction no. 18/2016 - Provision of Information on the Composition of Regulatory Capital and the Capital Adequacy Ratio.

Regulatory Capital Requirements for Credit Risk:

- Notice no. 03/2016 - Regulatory Capital Requirements for Credit Risk and Counterparty Credit Risk;
- Instruction No. 12/2016 - Calculation and Regulatory Capital Requirements for Credit Risk and Counterparty Credit Risk;
- Instruction no. 13/2016 - Provision of Information on Regulatory Capital Requirements for Credit Risk and Counterparty Credit Risk.

Regulatory Capital Requirements for Market Risk:

- Notice No. 04/2016 - Regulatory Capital Requirements for Market Risk and Counterparty Credit Risk in the Trading Portfolio;
- Instruction No. 14/2016 - Calculations and Regulatory Capital Requirements for Market Risk and Counterparty Credit Risk in the Trading Portfolio;
- Instruction No. 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 no. 05/2016 - Regulatory Capital Requirements for Operational Risk;
- Instruction No. 16/2016 - Calculation and Regulatory Capital Requirements for Operational Risk;
- Instruction No. 17/2016 - Provision of Information on Regulatory Capital Requirements for Operational Risk.

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 shall 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 and formalises a specific Risk Appetite Framework for Solvency Risk, incorporating whenever applicable the metrics, internal limits and tolerance levels appropriate to the Bank's strategy.

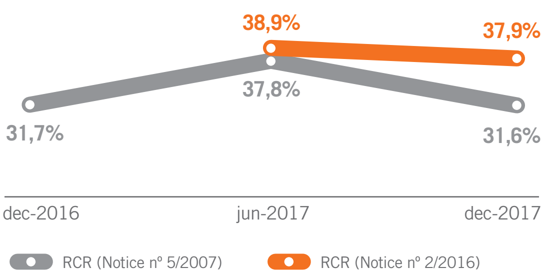
WHAT WERE THE MAIN DEVELOPMENTS EN 2017?

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 Capital Adequacy Ratio and introduced the additional limits stipulated.

The new methodology, applied from June 2017, implied an increase in the Capital Adequacy Ratio, motivated by the inclusion of new requirements for market risk and operational risk, a change in the method for calculating credit requirements and a change in the methodology for determining Regulatory Capital:

	BNA Notice 5/2007	BNA Notice 2/2016	Comments
Regulatory capital	AOA 187 714 million	AOA 189 462 million	Marginal change due to methodology change
Credit Risk Requirements	AOA 36 157 million	AOA 19 732 million	The requirements for credit risk have been substantially reduced due to the change in the weighting mix provided for in the new methodology
Market Risk Requirements	AOA 13 529 million	AOA 7 543 million	
- Securities Portfolio	-	AOA 2 637 million	Introduction of requirements for credit portfolio risk (in the case of BFA this does not apply since the portfolio is exclusively public debt) and interest rate risk
- Foreign Exchange	13 529 milhões de AKZ	AOA 4 906 million	Change in methodology which requires 8% of the open currency position
Operational Risk Requirements	-	AOA 10 829 million	Introduction of this requirement which is calculated as a proportion of the banking business. BFA applies the 'Basic Indicator Method', one of the two options allowed by the BNA
Total Requirements	**AOA 49 687 million**	**AOA 38 104 million**	
Capital Adequacy Ratio	**37,8%**	**38,9%**	**1,1 pp increase as total requirements fall**

Note: Figures presented refer to June 2017, when the calculation methodology was changed.



	Regulated Minimum Value [31-12-2017]	BFA
Total Capital Ratio	10,0%	37,9%
Tier 1 Ratio	8,5%	37,7%
Core Equity Tier 1 Ratio	7,0%	37,0%

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, and is responsible for developing and maintaining it. 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 operations in the Individuals and Businesses segments;

Corporate Credit Risk Department - responsible for assessing credit operations in the Corporate segment;

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

Real Estate Operations Department - responsible for the assessment of loan applications and the monitoring of the mortgage-backed or commercial real estate loan portfolio. The loan portfolio is composed of real estate and hotel developments;

Credit Monitoring, Recovery and Litigation Department - responsible for monitoring the quality of the loan portfolio by assessing and managing its level of provisioning and impairment. This department is equally responsible for the recovery of overdue loans, in or out of court.

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 considers the Bank's total exposure to the Customer, or to the group to which the Customer belongs, in accordance with the legislation in force from time to time.

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;

- Any real estate collateral is appraised before the loan approval decision is taken.

Based on BNA Notice no. 11/2014, BFA has defined the following criteria for classifying new loans in 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 in 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 no. 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.

The consolidation of BNA'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 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.

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

- IT Systems team – responsible for extracting information from IT systems and maintaining the support solution;

- Credit Monitoring, Recovery and Litigation Department - responsible for monitoring the periodic calculation process and also for model governance. The Investment Centres, Loans to Individuals and Businesses, Corporate Credit Risk, Investment and Structured Financing, and Real Estate Transactions departments also play a role in performing and supervising individual Customer analyses;

- Executive Committee – responsible for final validation and approval of the results.

Impairment losses are measured using calculation methods defined by BFA, based on historical series and the characteristics of the Bank's loan portfolio. The Bank classifies its portfolio based on evidence of impairment. Loans up to 30 days past due are considered to show no evidence of impairment, whereas loans between 30 and 90 days past due are classified as impaired. Loans more than 90 days past due are classified in default. In addition to this evidence of impairment and default, the Bank considers other criteria, such as whether a Customer has had one or more loans under litigation in the last five years; whether a loan has suffered a material loss in value (more than 20%); whether a Customer has had one or more restructured loans in the last 12 months; as well as the criteria described in paragraph 1 of BNA Instruction no. 5/2016 for Customers subject to individual analysis.

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 and public sector, and financial institutions.

Restructured loans require special treatment and are considered to remain at increased risk of default until the regulatory cure period has been completed.

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 exposures of more than AOA 50 million and all exposures of more than AOA 25 million where there is a past-due balance of more than AOA 1 million;

- In the Corporates segment, all Customers with exposure of more than AOA 25 million;

- Additionally, all loans to Customers who have restructured or reclassified loans or loans under recovery are subject to individual assessment, 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)** - probability of becoming more than 30 days past due;

- ***Loss Given Default*** **(LGD)** – percentage of expected loss due to default. LGD is divided in two areas: zero LGD is applied to transactions that are not yet in default and so is intended to reflect the loss given this probability; durational LGDs are applied to transactions that are already in default, reflecting the associated loss, which increases with the time spent in default. Impairment losses are assessed on a monthly basis, in accordance with the Customer's evidence of impairment.

The value of impairment losses is calculated as the difference between the balance sheet value and the net present value of the loan. This calculated as the discounted value of the expected future cash flows from the loan.

The provisions recorded at 31 December 2017 comfortably cover the losses estimated by the model.

WHAT WERE THE MAIN DEVELOPMENTS IN 2017?

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.

BFA regularly subjects the model to sensitivity analyses and back-testing in order to ensure a good fit with the portfolio's actual behaviour.

Under BNA Notice no. 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 30 June 2015, BFA submitted the new loan impairment 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 2017, in relation to BFA's Impairment Loss Calculation Model and BNA Notice no. 10/14, work continued on the action plan launched in 2014 to assess real estate loan collateral. In summary, properties held as collateral were reappraised by expert valuers where the following circumstances obtained:

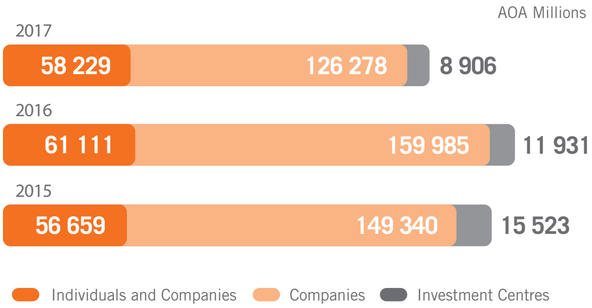
- Properties associated with loans more than 90 days past due, if the previous appraisal was more than two years old;
- At least every two years, where the positions at risk amount to more than 1% of the total loan portfolio at the previous year-end or to more than AOA 100 million;
- Other evidence of 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 2018, assisted by the launch of a new database specifically developed for processing data on real estate loan collateral.

Loan Portfolio Structure

In 2017 the overall loan portfolio (excluding guarantees and letters of credit) decreased by 17% in relation to 2016. This change was generated by a reduction in the loan portfolio in all Customer segments: the Individuals and Businesses loans portfolio decreased by 4,7%, the Corporate loan portfolio by 21,1% and the Investment Centres loan portfolio by 25,4%.

Loan Portfolio

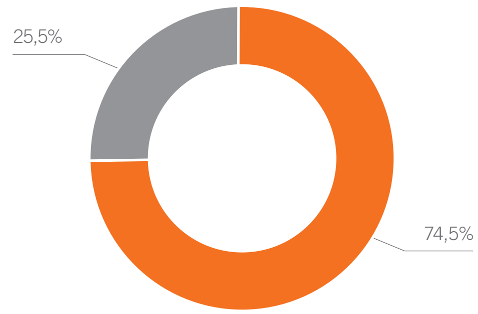


Note: Total loans not excluding guarantees and outstanding interest.

Cross-sectional Diversification, With a Stable Proportion of Lower-risk Loans

In 2017, the corporate loan portfolio is well diversified across the main sectors of the economy and the lower risk classes represent a stable proportion of the total.

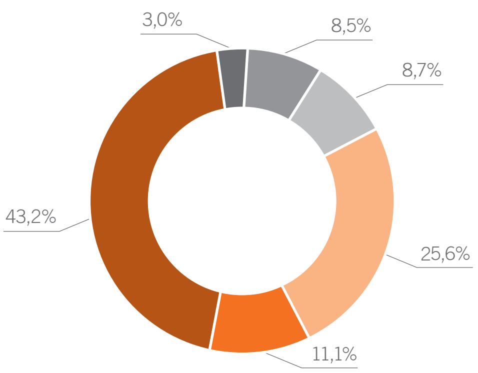
Loan Portfolio by Customer Type: Corporates and Individuals



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

The corporate loan portfolio is fairly balanced across sectors, with notable concentrations in Services and Construction, representing around 70% 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.

Looking at the distribution in terms of risk, the loan portfolio is concentrated, as in previous years, in the lower risk classes defined in BNA Notice no. 3/2012 of 28 March. Approximately 91,4% of the total loans granted have a risk classification between classes A and C, inclusive. In the higher risk classes (risk greater than 'Moderate'), the exposure of the BFA loan portfolio increased by 2,3 percentage points.

LOANS BY RISK CLASS

Total Credit Operations

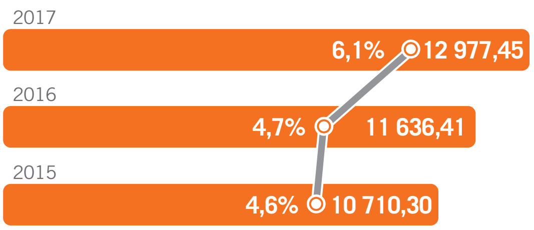
Class	2015	2016	2017
A - Zero	30,5%	34,3%	34,7%
B - Very Low	2,8%	58,7%	49,2%
C - Low	60,2%	1,1%	7,5%
D - Moderate	0,7%	0,2%	0,7%
E - High	1,6%	0,9%	1,2%
F - Very High	2,6%	1,6%	1,0%
G - Loss	1,5%	3,1%	5,7%
Total	**100%**	**100%**	**100%**

Note: Total Credit Operations includes regular and non-performing credit operations and does not exclude guarantees and letters of credit.

Overdue Loan Ratio

Despite the analysis and risk management policies followed by BFA to continuously improve the quality of its loan portfolio, in 2017 there was an increase in the amount of overdue loans and the corresponding ratio. In relation to the previous year, the amount of overdue loans increased by 11,5%, mainly explained by the worsening of the domestic economic situation coupled with the devaluation of the local currency against the most significant lending currency, the US dollar.

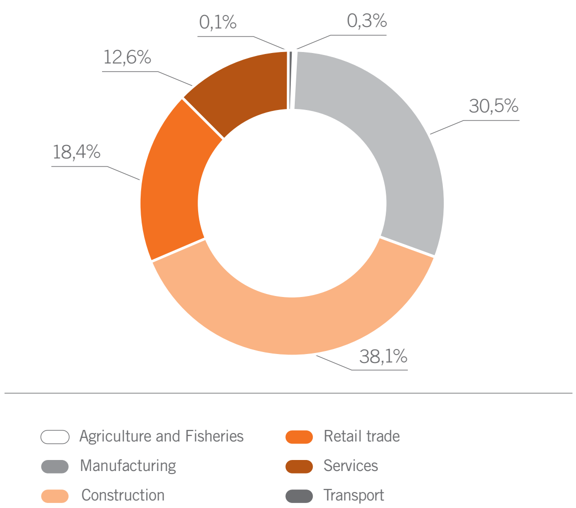
Overdue Loans (% Total Loans)



Note: Total loans excluding guarantees and letters of credit.

Analysis of the total overdue loans in the Corporate segment, by sector, reveals that Construction accounts for the largest proportion, with approximately 38,1% of the total, followed by Retail Trade, with 30,5% (down 2,6 percentage points compared to the previous year). Transport is the sector that accounts for the smallest proportion of overdue loans, just 0,1% of the total.

Concentration of Overdue Loans by Sector



In December 2017, the provision coverage ratio was a comfortable 150%, reflecting a particularly prudent risk management policy. In 2017, in contrast to the previous year, provisions rose by 33,3% and the loan portfolio coverage ratio rose by 25 percentage points, which puts BFA in a stable and comfortable position, taking into account expected changes in the loan portfolio.

LOAN LOSS PROVISIONS AND PROVISION COVERAGE RAT

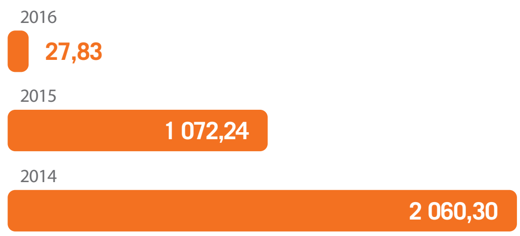
AOA Millions

Classe	2015	2016	2017
Provisions	15 688,1	14 591,6	19 447,2
Provision coverage, Total loans	7,1%	6,3%	10,1%
Provision coverage, Overdue loans	146%	125%	150%

Note: Total loans excluding guarantees and letters of credit.

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. Nevertheless, in 2016 the Bank drastically reduced its volume of written-off loans by 97,4%, demonstrating the effort invested in recovering loans by appropriate legal means, particularly through the courts.

Write-Off's



Recovery of Overdue Loans Through Litigation

In 2017, DARC initiated the largest number of legal proceedings since 2012. As of year-end 2017, a total of 659 legal proceedings had been started to recover overdue loans, with a total of USD 253 000 000 claimed.

NO. LEGAL PROCEEDINGS

Unit: M Usd

	2012 a 2014		2015		2016		2017		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Individuals	425	20 147	23	1 444	28	2 831	41	19 242	517	43 664
Companies	103	170 593	23	31 004	6	4 108	10	3 390	142	209 095
Total	528	190 740	46	32 448	34	6 939	51	22 632	659	252 759

Amount = amount claimed in court, including interest and expenses

In some cases, claims through the judicial system result in settlements (partial or total).

As regards ongoing proceedings, by the end of 2017 BFA had successfully obtained 34 property seizures (real estate or bank accounts), some of which resulted in the judicial sale and collection of the amounts claimed. Over the last three years, BFA has recovered approximately USD 3 million in this way.

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?

The rules of financial management and the liquidity risk limits are laid down in the Financial and International Department's (DFI) Limits and Procedures Manual.

Thanks to its extremely prudent approach to liquidity management, BFA is in a privileged position as regards the financing of its activities.

The Bank ensures a stable, secure and sufficient liquidity position, based on eligible liquid assets, keeping the loan-to-deposit (LTD) ratio at a prudent level.

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.

Apart from the mandatory reserves required by Banco Nacional de Angola, BFA has set an additional liquidity limit for foreign currency, which provides an important buffer against risks arising from swings in the market. The DFI must also ensure that this limit is complied with. Available funds held in foreign currency are the sum of the liquid funds held at correspondent banks and the foreign currency notes held.

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;
- Monthly risk management dossier: a document produced by the Management Information team covering the key indicators and risk limits;
- Documentation for the Board of Directors, which includes monthly money market summaries.

The Bank's organisational and decision-making model 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 proposes action strategies 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.

WHAT WERE THE MAIN DEVELOPMENTS IN 2017?

Instruction no. 19/2016, which was published by the BNA on 30 August, established the specifics for sending information on liquidity risk management. In 2017 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 31 August 2019, financial institutions must ensure that their liquidity and compliance ratios, respectively, are greater than 1 (for reports in local currency and aggregate reports of all currencies) and 1,5 for reports on material foreign currencies.

In the case of the BFA, there is no foreign currency that is considered to be regularly material, so it has only reported statements in local currency and aggregated for all currencies.

BFA presented the following ratios at 31 December, which already met the minimum levels required by the regulator as of 31 August 2019:

- Liquidity ratio for all currencies 475% (minimum 100%)
- Liquidity ratio for local currency 518% (minimum 100%)

- Observation ratio for all currencies
  - Band 1 to 3 months 155% (minimum 100%)
  - Band 3 to 6 months 214% (minimum 100%)
  - Band 6 to 12 months 997% (minimum 100%)
- Observation ratio for local currency
  - Band 1 to 3 months 214% (minimum 100%)
  - Band 3 to 6 months 385% (minimum 100%)
  - Band 6 to 12 months 5 111% (minimum 100%)

MANDATORY RESERVES IN ANGOLA

Instruction no. 06/2017, on **Mandatory Reserves**, was published on 1 December 2017 and entered into force on 4/12/2017. It is intended to update the regulations on clearance and compliance and make them more efficient in view of the country's macroeconomic situation.

Among the changes to the reserve requirement ratio to be applied to the relevant reserve bases, the following are the most significant:

- The compulsory reserve coefficient to be applied to the daily balances of the items comprising the reserve base in local currency is reduced to 21%, as opposed to the 30% previously applied;
- Removal of the possibility of paying off two-thirds of the reserve requirement in local currency with Angolan Public Debt.

This change had a significant impact on the Bank, as it was complying with Treasury Bonds with reserve requirements in local currency, with an effective rate of 10%, which now changes 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?

BFA takes a particularly rigorous approach to managing its 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 is residual, with the exception of the positions in USD and EUR, for which a foreign exchange exposure limit is established.

The financial management of BFA's foreign exchange risk is guided by a set of documents distributed to various management bodies:

- 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;
- Monthly risk management dossier produced by the Management Information team, covering the key indicators and foreign exchange risk limits;
- 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:

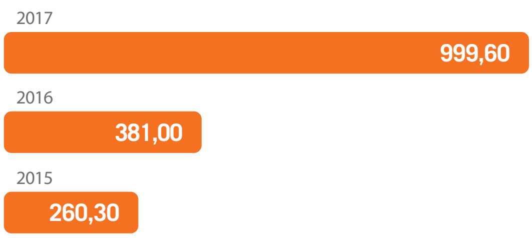
- The Board of Directors considers proposals from its Executive Committee and/or the Assets Committee takes the key decisions on transactions with Angolan sovereign risk, counterparty limits and interest rates for loans and deposits;
- The Executive Committee considers the daily and weekly market analyses 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 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.

WHAT WERE THE MAIN DEVELOPMENTS IN 2017?

With the publication by BNA of Notice no. 6/2016 (which establishes the new capital requirements for market risk, which includes foreign exchange risk) and Notice no. 9/2016 (which sets the new prudential limits for large exposures), there are no longer any set limits on banks' foreign exchange exposure ratio.

Foreign exchange risk analysis

Change in Foreign Exchange Position (USD Millions)

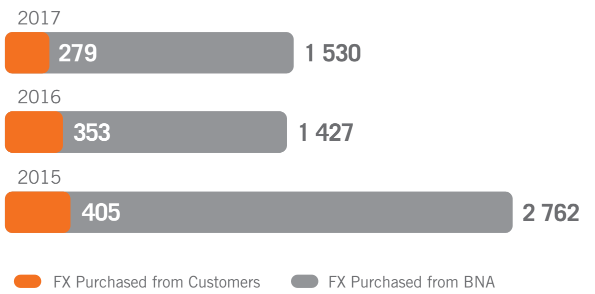


At 31 December 2017, BFA's foreign exchange position was valued at approximately USD 1000 million, a significant increase over previous years.

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.

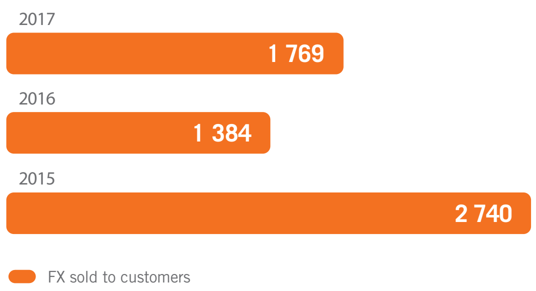
BFA acquires foreign currency on the primary market through BNA's foreign exchange auctions and direct placements and through purchases from Customers. In 2017, there was a slight increase in total purchases of foreign currency, in the order of 1,6%, reaching US $ 1 809 million. This increase is due to the slight increase of around of 7,2% in purchases from BNA, which reached USD 1 530 million, offsetting the 21% decrease in purchases of foreign currency by Customers, which amounted to USD 279 million.

Purchases of Foreign Exchange (USDM)



Sales of currency by BFA recovered compared to the previous year to USD 1 769 million.

Sales of Foreign Exchange (USDM)



Aggregate Sales of Foreign Exchange by BNA and Customers (USDM)

Interest Rate Risk

WHAT IS INTEREST RATE RISK AND HOW DOES IT ARISE?

Interest rate risk results from fluctuations in interest rates. In BFA, the two main types of interest rate risk are:

- Interest rate risk on the balance sheet, which results from the impact that changes in interest rates have on the valuation of balance sheet assets and liabilities and the repricing gap;
- Interest rate risk in the securities portfolio, which is caused by the sensitivity of the securities in the portfolio to fluctuations in market interest rates.

HOW IS INTEREST RATE RISK MANAGED?

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.

The DFI is responsible for keeping the aggregate interest rate risk on the balance sheet within the set limit in relation to regulatory capital.

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 management of the securities portfolio involves controlling the aggregate interest rate risk, which is the sum of the impact of a parallel variation in the interest rate curve on the valuation of the securities portfolio with a residual maturity of over 1 year from the Bank.

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 the money and debt market;
- Documentation for the Finance Committee, with a retrospective weekly summary of the main national and international markets;
- Monthly risk management dossier: a document produced by the Management Information team covering the key indicators and risk limits;
- Documentation for the Board of Directors, which includes monthly summaries of the money market and the public debt market.

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 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

There are two scenarios used to calculate the adverse impact of interest rate shocks:

ADVERSE IMPACT ON THE BALANCE SHEET

	Rates Shock
AKZ	3,0%
EUR	1,0%
GBP	1,0%
IKZ	1,0%
USD	1,0%

ADVERSE IMPACT ON THE SECURITIES PORTFOLIO

	Rates Shock
Spread USD	2,5%
Rate AKZ	3,0%
Rate IKZ	2,5%
Rate USD	1,0%

On 22 June 2016, BNA published Notice no. 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 will have 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 31 December 2017, BFA observed the following interest rate risk amounts:

- Impact on economic value: 12,08%
- Impact on net interest income: -2,64%

It can be seen that both risks are within the regulatory limits, i.e. a value equal to or less than 20% of Regulatory Capital Requirements.

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?

BFA has given all its Employees access, via the corporate intranet, to 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. Producing 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.

Through its intranet BFA also publishes external regulations, consisting of BNA regulations and the main legal provisions affecting banking activity. The members of the Bank's management bodies and the Bank's Employees are also subject to the BFA Code of Conduct, which has been approved by the Board of Directors.

The Audit and Inspection Department (A&I) is responsible for assessing compliance with internal regulations.

CODE OF CONDUCT

The ethical conduct of all Employees is a critical factor for the development and success of any 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.

Realising the importance of having a clear and objective reference manual that provides ethical guidance for decision making in business contexts, BFA makes its Code of Conduct available to all new Employees.

A&I assesses 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 Bank's assets, the assets 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 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.

A&I 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.

A&I 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:

- **Auditorias Orgânicas**: Tem como objectivo a análise do funcionamento do Órgão e a avaliação da efectividade dos controlos sob sua responsabilidade;

- **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 evaluate the effectiveness and efficiency of the control system established for these processes, and to understand the degree of compliance of internal regulations with audited processes and their regulatory compliance;

- **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 processed through analysis of documents and computer records, without the physical presence of the A&I 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, A&I 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, A&I 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, A&I 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 2017?

Faced with growing competition in the financial market, combined, among other factors, with technological innovation and the increasingly complex, global nature of transactions, financial institutions are increasingly exposed to operational risks. In 2017, building on the efforts started in 2012, BFA continued to reinforce the control practices aimed at mitigating operational risks, while at the same time developing its ability to identify such risks.

In 2017, the Audit team carried out 203 audits, highlighting the presence of the A&I team on 126 bodies.

ALERT OPTIMISATION

Throughout 2017, A&I continued to carry out remote audits through computerised alerts covering the various operational processes. This type of audit is triggered when a transaction meets a set of criteria that indicate the occurrence of suspected operational risk events. These audits are aimed at effectively averting the risk of fraud or detecting relevant non-compliance with internal control standards, identifying, in some aspects, conduct that is not in line with the rules and principles defined in the Bank's Code of Conduct.

Digitalisation of documents

Within the scope of the eMudar@BFA project, the front-end platform allows BFA to review and streamline its processes, which now, wherever legally possible, are supported by digital documents, allowing a reduction of operational risk. In 2017, more than 391 000 contracts were digitised through this platform, representing 43% of the total number of contracts entered into with Individuals and 40% of contracts with Corporates. These figures reflect a growing consistency in optimising efficiency levels at the Bank and more effective operational risk control.

Compliance

In May 2017, as part of the eMudar@BFA project, identification and automatic routing capabilities were integrated into the front-end for the Compliance Department's Account Opening and Modification procedures, with entities identified as PEPs/HRPPs. These processes began to be the object of analysis, decision and knowledge acquisition by this Department on the eMudar platform. This optimisation led to a significant mitigation of risk in identifying PEPs/HRPPs in Individual Accounts.

Transfers and Counter cheques

In November 2017, as part of the eMudar@BFA project, the execution of intra-bank transfers (local and foreign currency) and interbank transfers (local currency) through the eMudar platform was extended to the entire commercial network, with integration of authorisation limits. This ensured that powers of approval for these operations were compliant with the regulations.

For predefined amounts, it was now possible for the Customer to approve the transfer via SMS. All transfers above a predefined amount are additionally subject to central validation by a dedicated team. This validation focuses on checking compliance of the Customer's instructions and the operation.

With regard to counter cheques, functionalities related to their issuance and stock management were also added to the eMudar platform in October 2017, with automatic requisitions according to average consumption, making the process more agile and functional.

Security enhancement and risk mitigation

In 2017 the migration of applications to the new Data Processing Centre (DPC) at EMIS continued, offering total redundancy for all BFA's systems, including the central system and support applications.

The new DPC is a major step forward in security and risk mitigation for the Bank's IT systems. These systems are maintained in a high-availability environment through clustering of applications and services, and through system replication where clustering is not possible. This high-availability system undergoes frequent testing and validation.

In addition, the DPC includes a security perimeter and latest-generation telecommunications, in line with best practices, giving BFA availability and security rates that meet market requirements.

With a view to reducing the risk of IT system and infrastructure failure and the threat this would pose to business continuity, BFA has adopted the following initiatives to reinforce its security policies:

- Improvement of the communications network in terms of capacity and redundancy;
- Updating of applications and operating systems;

- Improvement of protection (firewalling) and telecommunications (networking) equipment in the DPC;
- Strengthening of the defence mechanisms against cyber-attacks;
- Review of operational procedures and processing control.

General IT control procedures are reviewed annually by an outside audit firm hired for that purpose, with the aim of identifying vulnerabilities and areas that need reinforcement.

Complaints Handling - efficiency and quality in service provision

In 2012, the Bank created a Complaints Handling team from among the former Organisation and Training Department, in response to the new rules under BNA Notice no. 2/11. At the end of 2014, when the BFA Customer Support line (923 120 120) came into service, this complaints handling team was transferred to the Bank's Marketing Department, giving rise to a new Customer Support team (DMK SAC). This area is divided into two teams:

- DMK SAC Complaints - A team devoted exclusively to complaints handling;
- 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 2017 a total of 7 182 complaints were received, which represents an increase of 5,352 compared to 2016, due to operational difficulties, most notably the Kandandu prepaid VISA card, with delays in topping up, and the activation and renewal processes.

The average response time was 9.3 days, a clear improvement on the average of 27 days in 2016, and 87% 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 understood as the risk that possible infringements or breaches of laws, rules, regulations, codes of conduct, established practices or ethical principles will 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 terrorist financing;
- 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 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.

The IGA was approved by Presidential Decree 162/16 of 29 August 2016, which imposes compliance with international tax obligations and implementation of FATCA in Angolan financial institutions.

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. For this purpose, changes were made to the procedures for account opening and editing of account holder details. These changes affect:

I. Commercial network

New fields were created in the account opening and account holder forms to identify whether or not the Customer is a US Person, with specific characteristics for individual and corporate Customers.

II. Compliance Department

At the time the Customer's record is created in the Bank's database, whenever there are indications that they may be a US Person, the Compliance Department receives an automatic alert, containing the details of the process. This alert triggers steps to identify the Customer, while the account is frozen until the due diligence process has been completed and the Customer has been properly classified.

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 no. 34/11 and BNA Notice no. 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, and for whom a favourable opinion from the Compliance Department is required;
- Make the Compliance Department responsible for pre-and post-transaction control of cash withdrawals and deposits in all currencies by any Customer above a certain amount; and
- 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 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 2017?

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 2017:

I. Money Laundering and terrorist financing - profiling tool

Given the Bank's need to acquire a profiling application, and after consulting the options available on the market, DCS (Dixtior Compliance Solution) was identified and selected, a Profiling and Filtering tool capable of supporting the Bank in managing its policies and procedures.

This tool enables the real-time profiling and filtering of transactions and the behavioural risk of BFA Customers.

After interaction with the tool during the pilot project, implementation was approved and the steps for its introduction were outlined for early 2018. A presentation session was also held in order to present, clarify and instruct Compliance Department Employees in the use of the tool.

The implementation of this tool is an important step in affirming BFA as an entity focused and committed to combating money laundering and terrorist financing.

II. Remediation, clearance and reporting FATCA to the AGT

As part of the implementation of the Intergovernmental Agreement signed between the Republic of Angola and the United States of America for the purposes of the Foreign Account Tax Compliance Act (FATCA), BFA was invited by the General Tax Administration (AGT), in partnership with the Banco Nacional de Angola, to participate in a presentation session of FATCA legislation, with the following main purposes:

- Inform the entities under BNA regulation and supervision and covered by the FACTA regime of the main obligations resulting from the scheme, as well as the terms and conditions of their applicability;
- Clarify the deadlines to be met;
- Clarify the procedure for registering institutions on the AGT Portal.

In order to comply with the date of the first report to the General Tax Administration, on 30 June, with a subsequent extension to 31 July 2017, the Compliance Department initiated a process of reviewing the Bank's entire Customer database for 2014, 2015 and 2016, in order to assess reportable US citizens as well as improve the quality of information for each Bank Customer. This report was successfully completed on time.

In 2017, exceptionally, FATCA alerts were received via eMudar and e-mail, with a total of 921 indications, 383 via eMudar and 538 via e-mail being received and analysed, resulting in the classification of 28 entities as U.S. Persons.

III. Enhanced diligence

Due diligence procedures for high-risk entities, politically exposed persons and high-risk persons ensure the Bank has greater control in checking the legitimacy of instructions when opening and updating entity data and accounts, thereby helping identify atypical transactions that indicate suspicions of Money Laundering or any other crime.

Updates to procedures were approved in order to comply with the duties and obligations imposed by Law no. 34/11, Notice no. 22/12 and Instruction no. 24/16 in 2017, as part of enhanced diligence for high-risk persons when opening and/or updating entities and accounts, namely:

- Procedures for Entities Subject to Enhanced Diligence
- Public/Political Office Holder Analysis Form
- Company Information Sheet
- Individual Information Sheet
- Regulation - Opening of Entities and Accounts
- Service Order - Money Laundering and Terrorist Financing
- Service Order - Organisational Structure of the Compliance Department
- Risk Matrix Diagram

Updating these procedures allows BFA to ensure the efficiency of its processes and procedures, as well as compliance with applicable legal requirements.

IV. Compliance auditing

In October 2017, the first cross-departmental compliance audit began, with the participation of the Audit & Inspection and Compliance departments and the support of KPMG.

The compliance audit was preceded by a preparatory meeting between the A&I and Compliance teams, in order to clarify the scope and coverage of the requests, followed by meetings with the Auditors (A&I and KPMG), in order to validate the perception and the appropriate approach to requests.

It is estimated that this audit will be completed in March 2018. The results will make it possible to identify and correct potential errors in processes and procedures, improving the performance of compliance and consequently of the Bank.

V. Training in the prevention of money laundering and terrorist financing

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. BFA continued to develop its AML eLearning training programme throughout 2017, which it plans to finalise in 2018.

05

FINANCIAL REVIEW

Financial Review[3]

Asset growth and increased profitability

Assets
AOA 1 443 064 million
+ 9,9%
vs 2016

Customer Funds
AOA 1 058 241,4 million
- 2,0%
vs 2016

Net Operating Revenue
AOA 138 295,3 million
+ 38,9%
vs 2016

Total Loans
AOA 260 850,9 million
- 9,5%
vs 2016

Net Profit
AOA 69 085 million
+ 11,6%
vs 2016

Regulatory Capital Adequacy Ratio
37,9%
+ 8,8 p.p.
vs 2016

BFA once again delivered a positive financial performance, with overall asset growth of 9,9%, 3,1 percentage points higher than the previous year, reaching AOA 1 443 064,4 million (USD 8 697,1 million).

On the liabilities side, Customer deposits posted a slight decline of 2% compared to the previous year, from AOA 1 079 702 million to AOA 1 058 241,4 million at the end of 2017. In USD terms, the downward trend seen in 2016 continued, with a decline from USD 6 508 million to USD 6 377,9 million in 2017.

Net operating revenue increased significantly in 2017, as In 2016, at a rate of 38,9%, driven by an increase in net interest income, especially income from investments.

The value of BFA's total loan portfolio fell by 9,5% compared to 2016. This decrease was driven mainly by the 15,7% decline in Loans and advances to Customers, whereas Overdue loans and interest rose 11,5% and Guarantees, letters of credit and performance bonds grew 22,4%.

As a result of the decrease in deposits and in loans, the loan-to-deposit ratio decreased slightly in 2017, ending the year at 18,4%, down 3,4 percentage points compared to the previous year.

In 2017, the Bank recognised a tax loss of approximately AOA 2 584,8 million. Although the result before taxes is a profit of AOA 76 023,6 million, most of the income contributing to this result is subject to capital gains tax (CGT), rather than Industrial tax. At 31 December 2017, the Bank posted capital gains tax expense of AOA 9 478 million, compared to AOA 4 226,7 million at 31 December 2016 (an increase of 124,2%).

The regulatory capital adequacy ratio, calculated in accordance with BNA regulations, reached 37,9%, comfortably above the required minimum of 10%.

A sound, highly liquid balance sheet

BFA's total assets net of provisions grew 9,9% in 2017, reflecting an increase of AOA 130 184,88 million between December 2016 and December 2017. This growth was driven mainly by the AOA 231 440 million increase in the volume of Investment securities, which are the largest component of BFA's assets (57,3% of the total). The second largest component of assets, at AOA 256 637,4 million, is Cash and

[3] 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 domestic 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 domestic currency against the USD outweighs the increase in the amount in domestic currency. The opposite may also occur.

banks, accounting for 17,8% of total assets net of provisions, despite a decrease of 19,1% compared to the previous year. The volume of Loans and advances to Customers fell 17,2% compared to the previous year, accounting for nearly 13,5% of total assets, or AOA 194 808,9 million.

BFA BALANCE SHEET FROM 2015 TO 2017

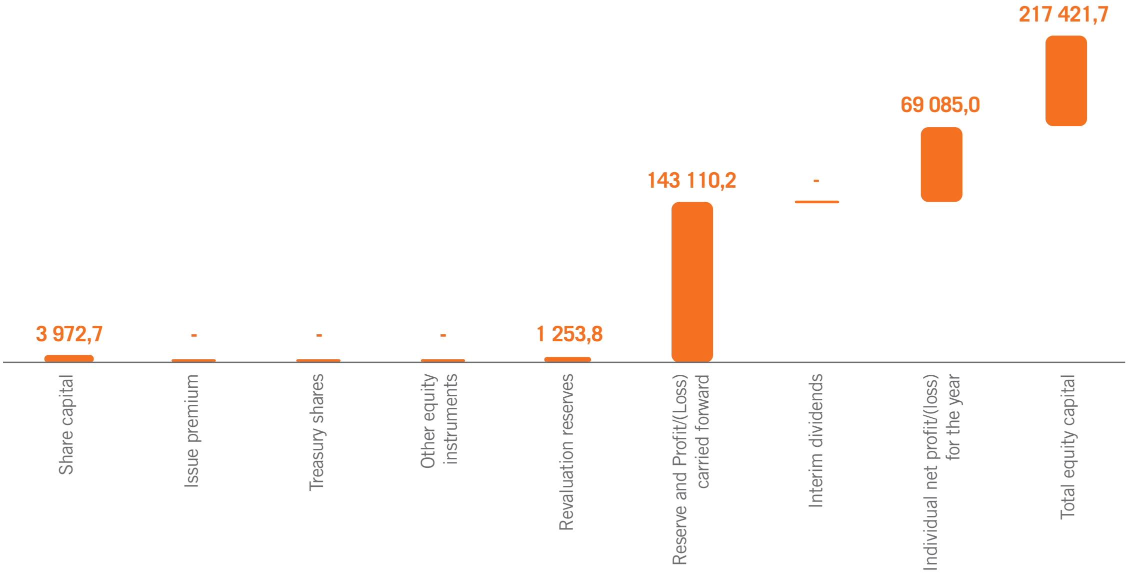
(in millions)

	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Net Assets								
Cash and balances	306 869,8	2 267,8	317 185,8	1 911,9	256 637,4	1 546,7	(19,1)%	(19,1)%
Total investments	842 189,6	6 223,9	937 849,0	5 653,0	1 154 924,1	6 960,6	23,1%	23,1%
Loans and Advances to Credit Institutions	135 005,8	997,7	107 211,7	646,2	133 348,8	803,7	24,4%	24,4%
Loans and Advances to Customers	220 796,0	1 631,7	235 310,9	1 418,4	194 808,9	1 174,1	(17,2)%	(17,2)%
Investments in securities	486 387,8	3 594,5	595 326,4	3 588,4	826 766,4	4 982,8	38,9%	38,9%
Net fixed assets	20 056,4	148,2	21 073,3	127,0	20 130,5	121,3	(4,5)%	(4,5)%
Other assets	60 463,4	446,8	36 771,5	221,6	11 372,4	68,5	(69,1)%	(69,1)%
Total assets	**1 229 579,2**	**9 086,8**	**1 312 879,6**	**7 913,5**	**1 443 064,4**	**8 697,1**	**9,9%**	**9,9%**
Liabilities								
Funds from credit instititions	8,6	0,1	10,9	0,1	113 641,5	684,9	1 044 013,7%	1 043 881,6%
Customers Deposits	1 017 159,6	7 517,0	1 079 702,0	6 508,0	1 058 241,4	6 377,9	(2,0)%	(2,0)%
Other liabilities	81 822,1	604,7	55 270,0	333,1	27 490,0	165,7	(50,3)%	(50,3)%
Provisions for risks and commitments	4 133,4	30,5	4 675,6	28,2	26 269,8	158,3	461,8%	461,8%
Shareholders' equity and equivalents	126 455,5	934,5	173 221,1	1 044,1	217 421,7	1 310,4	25,5%	25,5%
Total Liabilities and Equity	**1 229 579,2**	**9 086,8**	**1 312 879,6**	**7 913,5**	**1 443 064,4**	**8 697,1**	**9,9%**	**9,9%**

The growth on the liabilities side is attributable mainly to the increase in Funds of credit institutions, which, despite accounting for only 7,9% of total liabilities and equity, grew exponentially compared to the previous year. Customer deposits, despite falling 2% both in AOA and in USD, still account for 73,3% of BFA's total liabilities and equity.

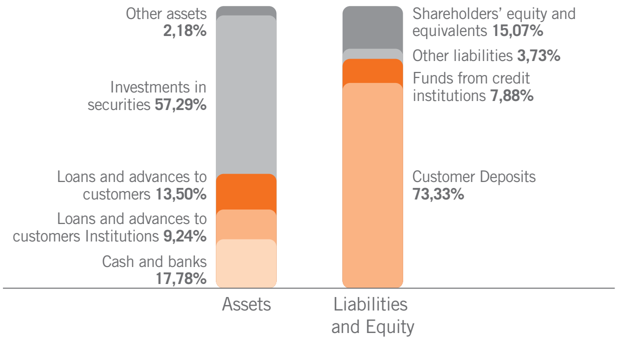
Shareholders' equity and equivalents, consisting mainly of reserves and retained earnings (65,8%), is up 25,5% in 2017 compared to 2016, at a total of AOA 217 421,7 million or USD 1 310,4 million.

Shareholders' Equity



An analysis of the structure of BFA's balance sheet in December 2017 shows a high level of liquidity, sufficient to finance 88,4% of the structural assets through a combination of Customer deposits and Shareholders' equity.

BFA Balance Sheet Structure as of December 2017



Increase in proportion of domestic currency Treasury bonds

The total volume of securities held by the Bank increased by nearly AOA 231 440 million in 2017, representing growth of 38,9% compared to 2016.

This increase was driven by growth of 62% in the trading book, due to an increase in the volume of USD-indexed Treasury bonds, which is up 324% compared to 2016.

In addition, the held-to-maturity portfolio grew 9%, with a 57% (AOA 39 827,8 million) increase in foreign currency Treasury Bonds and a 44% (AOA 45 358,8 million) increase in domestic currency Treasury bonds.

USD-indexed Treasury bonds are down 71% (AOA 61 264,8 million, USD 369,3 million) compared to 2016.

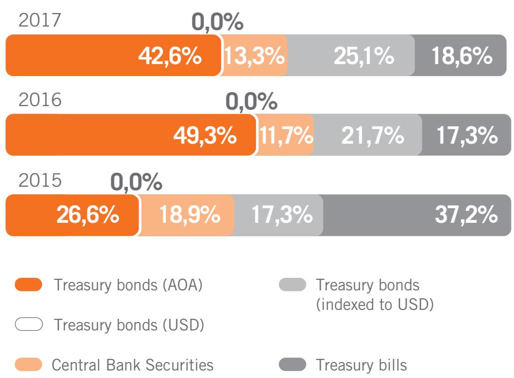
SECURITIES PORTFOLIO

(in millions)

	2015		2016		2017		Δ 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Trading portfolio	**74 888,2**	**553,4**	**336 586,4**	**2 028,8**	**544 104,5**	**3 279,2**	**62%**	**62%**
Treasury bills	54 416,0	402,1	293 454,3	1 768,8	352 531,0	2 124,7	20%	20%
Treasury bonds (linked to USD)	-	-	-	-	-	-	-	-
Treasury bonds (indexed to USD)	20 326,3	150,2	42 952,2	258,9	182 216,5	1 098,2	324%	324%
Treasury bonds (linked to AOA)	-	-	-	-	5 623,7	33,9	-	-
Others	145,8	1,1	179,9	1,1	3 733,2	22,5	1 976%	1 975%
Held-to-maturity portfolio Treasury bills	**411 499,7**	**3 041,0**	**258 740,1**	**1 559,6**	**282 661,9**	**1 703,6**	**9%**	**9%**
Treasury bills	75 120,1	555,1	-	-	-	-	(100)%	(100)%
Treasury bonds (linked to USD)	91 686,7	677,6	69 778,2	420,6	109 606,1	660,6	57%	57%
Treasury bonds (indexed to USD)	63 993,6	472,9	86 204,6	519,6	24 939,8	150,3	(71)%	(71)%
Treasury bonds (linked to AOA)	180 699,3	1 335,4	102 757,2	619,4	148 116,0	892,7	44%	44%
Total	**486 387,8**	**3 594,5**	**595 326,4**	**3 588,4**	**826 766,4**	**4 982,8**	**38,9%**	**39%**

In 2017, BFA increased the volume of USD-indexed Treasury bonds in its securities portfolio, as a proportion of the total, by 3,4 percentage points. The investment in domestic currency securities represented nearly 61,2% of BFA's securities portfolio at the end of the reporting period.

Securities portfolio structure in December 2017



SECURITIES PORTFOLIO BY CONTRACTUAL MATURITY

	< 1 year		1 - 3 years		> 3 years		Total	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
TBonds IKZ	10 001,42	60,28	190 125,15	1 145,86	7 029,76	42,37	207 156,32	1 248,50
TBonds AOA	20 368,34	122,76	133 371,62	803,81	-	-	153 739,97	926,57
TBonds USD	46 225,70	278,60	63 380,40	382,0	-	-	109 606,10	660,58
TBills	352 530,60	2 124,70	-	-	-	-	352 530,58	2 124,65
Others							3 733,20	22,5
Total							**826 766,2**	**4 982,8**

As regards the contractual maturity of the securities portfolio, at 31 December 2017 51,9% of the portfolio consists of securities maturing in less than 1 year and 46,8% of securities maturing in 1 to 3 years. Securities maturing after 3 years account for only 1,3% of the portfolio.

Domestic currency loans as a proportion of total loans and advances to Customers

Total loans and advances to Customers fell AOA 27 350,4 million (USD 165,1 million) in 2017, a decrease of 9,5% compared to 2016. This decrease was driven mainly by the decline in Domestic currency loans, which fell 15,2% (AOA 21 821,5 million, USD 131 67 million) compared to the previous year. The main reasons for this decline are the slowdown in public works (in the case of medium and long-term loans) and the slowdown in the retail sector, which is responsible for a large proportion of imports (in the case of short-term/ working capital loans).

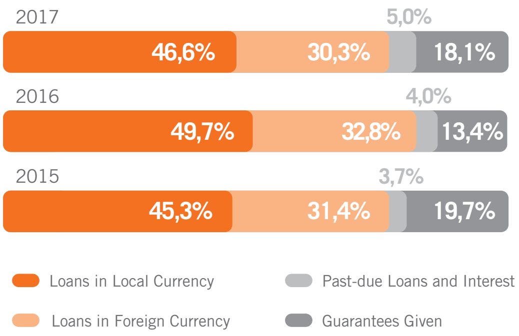
LOANS AND ADVANCES TO CUSTOMERS

(in millions)

	2015		2016		2017		Δ 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
1. Total Loans	**292 980,2**	**2 165,2**	**288 201,4**	**1 737,2**	**260 850,9**	**1 572,1**	**(9,5)%**	**(9,5)%**
1.1 Loans and advances to Customers	224 671,7	1 660,4	237 911,6	1 434,0	200 562,2	1 208,8	(15,7)%	(15,7)%
Loans in local currancy	132 721,9	980,8	143 255,4	863,5	121 433,9	731,9	(15,2)%	(15,2)%
Loans in foreign currency	91 949,7	679,5	94 656,2	570,6	79 128,2	476,9	(16,4)%	(16,4)%
1.2 Past-due loans and interest	10 710,3	79,2	11 636,4	70,1	12 977,5	78,2	11,5%	11,5%
1.3 Guarantees given	57 598,2	425,7	38 653,4	233,0	47 311,3	285,1	22,4%	22,4%
2. Total loans loss provisions	**15 688,1**	**115,9**	**14 591,6**	**88,0**	**19 447,2**	**117,2**	**33,3%**	**33,3%**
2.1 Specific provisions	14 586,0	107,8	14 237,1	85,8	18 730,7	112,9	31,6%	31,5%
For past-due loans and interest	5 813,3	43,0	8 542,1	51,5	13 827,2	83,3	61,9%	61,8%
2.2 For general credit risks	1 102,1	8,1	354,5	2,1	716,4	4,3	102,1%	102,0%
3. Loans net of provisions	**220 796,0**	**1 631,7**	**235 310,9**	**1 418,4**	**194 808,9**	**1 174,1**	**(17,2)%**	**(17,2)%**
Of which: Past-due Loans and interest	4 897,0	36,2	3 094,3	18,6	(849,7)	(5,1)	(127,5)%	(127,5)%
4. Credir Quality								
Past-due loans (% Total loans)	4,6%	4,6%	4,7%	4,7%	6,1%	6,1%	+1,4 p.p.	+1,4 p.p.
Provisions coverage ratio. past-due loans	146,5%	146,5%	125,4%	125,4%	149,9%	149,9%	+24,5 p.p.	+24,5 p.p.

In contrast to 2016, Foreign currency loans decreased by approximately 16,4%, or AOA 15 527,9 million.

Loan Portfolio Structure



In 2017, as in 2016, overdue loans, though still insignificant as a proportion of the Bank's total loans, increased in absolute terms by AOA 1 341,04 million (or 0,94 percentage points as a proportion of total loans), mainly as a result of worsening default rates.

This increase in overdue loans, combined with the slight decrease in the total volume of the loan portfolio, pushed up the ratio of loans overdue more than 30 days to total loans (excluding guarantees, letters of credit and performance bonds) by 1,4 percentage points, reaching 6,1% in December 2017.

The provision coverage ratio (including both generic and specific provisions) of overdue loans and overdue interest rose 24,5 percentage points compared to 2016.

Funds deposited in credit institutions

In 2017, in contrast to previous years, Funds deposited in credit institutions in Angola increased considerably, by approximately 120%, to a total of AOA 34 004,7 million (USD 204,9 million), accounting for 25,5% of the Bank's total funds deposited in credit institutions. Similarly, Funds deposited in credit institutions abroad increased by AOA 7 590,1 million, or 8,3%. In USD, this translates into growth of USD 45,7 million.

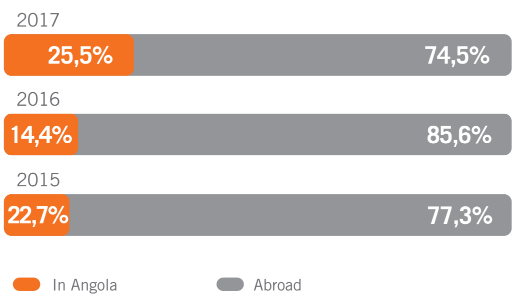
FUNDS DEPOSITED IN CREDIT INSTITUTIONS

(in millions)

	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Loans and advances to credit institutions	**135 005,8**	**997,7**	**107 211,7**	**646,2**	**133 348,8**	**803,7**	**24,4%**	**24,4%**
In Angola	30 611,1	226,2	15 457,8	93,2	34 004,7	204,9	120,0%	120,0%
Abroad	104 394,7	771,5	91 753,9	553,1	99 344,1	598,7	8,3%	8,3%
Total	**135 005,8**	**997,7**	**107 211,7**	**646,2**	**133 348,8**	**803,7**	**24,4%**	**24,4%**

Note: Excludes REPOS loans

Composition of Funds Deposited in Credit Institutions



Customer funds

Customer funds decreased by 2,0% compared to 2016, reaching a total of AOA 1 058 241,4 million or USD 6 377,9 million in 2017.

CUSTOMER FUNDS

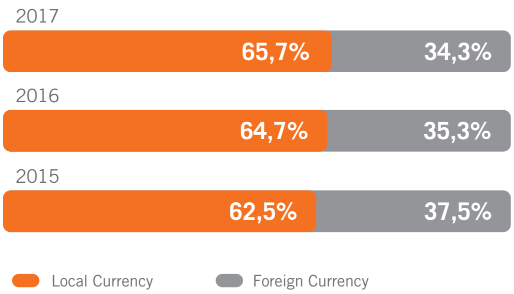
(in millions)

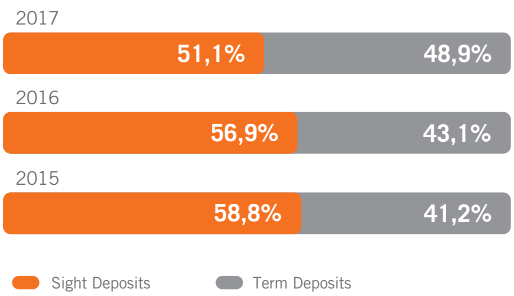
	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Sight deposits	**598 026,0**	**4 419,5**	**614 869,1**	**3 706,2**	**541 240,5**	**3 262,0**	**(12,0)%**	**(12,0)%**
Local currency	456 000,1	3 369,9	505 031,6	3 044,1	427 996,9	2 579,5	(15,3)%	(15,3)%
Foreign currency	142 025,9	1 049,6	109 837,4	662,1	113 243,5	682,5	3,1%	3,1%
Term deposits	**419 133,7**	**3 097,5**	**464 832,9**	**2 801,8**	**517 001,0**	**3 115,9**	**11,2%**	**11,2%**
Local currency	179 422,9	1 326,0	193 589,7	1 166,9	267 667,9	1 613,2	38,3%	38,3%
Foreign currency	239 710,7	1 771,5	271 243,2	1 635,0	249 333,1	1 502,7	(8,1)%	(8,1)%
Total	**1 017 159,6**	**7 517,0**	**1 079 702,0**	**6 508,02**	**1 058 241,4**	**6 377,9**	**(2,0)%**	**(2,0)%**

Looking at demand deposits by currency, in 2017 (in contrast to 2016) domestic currency deposits decreased by 15,3%, while foreign currency deposits increased by 3,1%.

Term deposits increased by nearly AOA 52 168,1 million in 2017, with domestic currency deposits up 38,3% and foreign currency deposits down 8,1%.

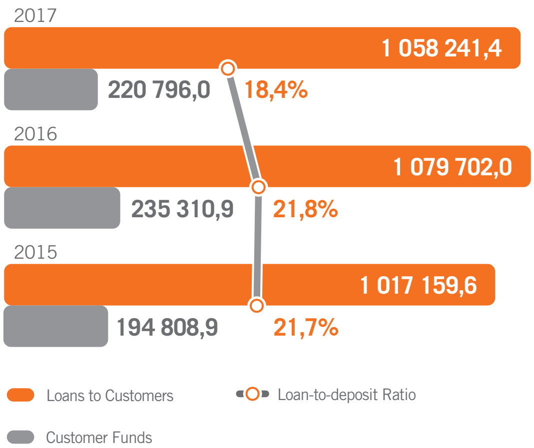
Customer Deposits by Product and Currency





Domestic currency Customer deposits increased significantly as a proportion of the total, reaching 65,7% of total Customer deposits, 1 percentage point more than in 2016, considerably outweighing foreign currency Customer deposits.

Loan-to-deposit Ratio



In contrast to the positive trend of 2016, in 2017 the loan-to-deposit ratio fell to 18,4%. This 3,4 percentage point decline is attributable to the fact that the decrease in loans net of provisions (-17,2%) was greater than the decrease in Customer deposits (-2,0%).

Income statement and increased profitability

BFA's net profit for 2017 was AOA 69 085 million (USD 416.4 million), marking an increase of 11,6% in Kwanzas, compared to the net profit for 2016, and an increase of 10,4% in US dollar terms.

OPERATING STATEMENT

(in millions)

	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Net interest income [NII]=[I-C]	41 022,1	340,6	66 945,3	407,2	107 822,5	649,9	61,1%	59,6%
Net non-interest income [NNII]	28 747,5	234,2	32 626,3	200,4	30 472,8	183,7	(6,6)%	(8,4)%
Operating revenue [OR]=[NII+NNII]	**69 769,6**	**574,8**	**99 571,6**	**607,6**	**138 295,3**	**833,5**	**38,9%**	**37,2%**
Administrative expenses [AE]	21 422,8	176,7	31 313,0	190,7	30 954,9	186,6	(1,1)%	(2,1)%
Operating Cash Flow [OR-AE]	**48 346,9**	**398,1**	**68 258,6**	**417,0**	**107 340,5**	**646,9**	**57,3%**	**55,2%**
Extraordinary profit/(loss) [XP/L]=[G-L]	413,6	2,9	120,9	0,7	-	-	(100,0)%	(100,0)%
Operating profit/(loss) [OP/L]=[OR-AE+XP]	48 760,5	401,0	68 379,5	417,7	107 340,5	646,9	57,0%	54,9%
Provisions and depreciation and amortization expense [PDA]	7 236,4	58,9	6 023,8	37,2	31 316,8	188,7	419,9%	406,9%
Profit befora tax [PBT]=[OP/PDA]	41 524,1	342,0	62 355,7	380,5	76 023,6	458,2	21,9%	20,4%
Income tax [IT]	(3 657,8)	(29,9)	(443,6)	(3,2)	(6 938,6)	(41,8)	1 464,1%	1 187,5%
Net profit/(loss) for the year [NP/L]=[PBT-IT]	37 866,3	312,1	61 912,1	377,2	69 085,0	416,4	11,6%	10,4%
Cash Flow for the year [CF]=[NP/L+PDA]	**45 102,7**	**371,0**	**67 935,9**	**414,4**	**100 401,9**	**605,1**	**47,8%**	**46,0%**

I - Income from financial instruments (assets) C - Costs of financial instruments (liabilities) G - Others operating gains L' - Other operating losses

The operating statement shows that net interest income grew considerably in 2017 (61,1%). As a result, despite the 6,6% decrease in net non-interest income, net operating revenue grew 38,9% to reach AOA 138 295,3 million (USD 833,5 million).

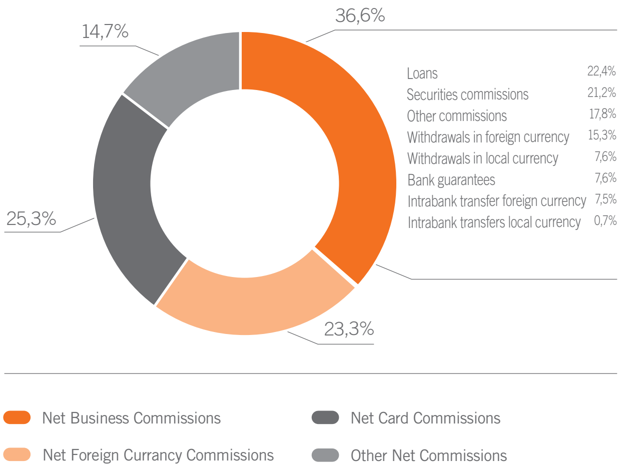
Administrative expenses, though still high, are down 1,1% when measured in AOA. The high level is due to the fact that administrative expenses are incurred mainly in foreign currency. In contrast to 2016, Provisions and depreciation and amortisation expense, measured in AOA, increased by 419,9% in the reporting period. Profit for 2017 increased 11,6% in domestic currency compared to the previous year, largely due to the excellent performance of net interest income.

Tax expense also increased significantly in 2017, by AOA 6 495 million (USD 38.6 million). This increase is due to the fact that in 2017 the bank opted to present the capital gains tax (CGT) as current tax, so the figure for 2017, which includes CGT, is not comparable with the figures for previous years.

BREAKDOWN OF EARNINGS

ROA and ROE	2015	2016	2017
Net interesting margin	3,7%	4,7%	7,8%
Trading income transactions (net)	1,4%	1,2%	0,7%
Fee and other income	0,9%	0,9%	1,5%
Operating income	**6,0%**	**6,8%**	**10,0%**
Administrative expenses	1,8%	2,2%	2,2%
Operating profit/(loss)	**4,2%**	**4,6%**	**7,8%**
Provisions and depreciation and amortization expense	0,7%	0,3%	2,3%
Extraordinary profit/(loss)	-	-	-
Profit before tax	**3,5%**	**4,4%**	**5,5%**
Corporate income tax	0,2%	-	0,5%
Net profit/(loss) (ROA)	**3,2%**	**4,4%**	**5,0%**
Multiplier (ATA/Avg.Eq.)	9,9	8,5	7,1
Net profit/(loss) attributable to equity holders (ROE)	**32,0%**	**38,1%**	**35,4%**

Breakdown of Fee Income and Other Income



In 2017 the Bank's return on equity (ROE) is down 2,7 percentage points compared to the previous year, at 35,4%.

The largest component of Fee income and other income is Net banking business fees (mainly Credit fees and Securities fees), accounting for 36,6% of the total, followed by Card fees, which account for 25,3%.

SHARP INCREASE IN NET INTEREST INCOME – VOLUME EFFECT AND PRICE EFFECT

(in millions)

	2015		2016		2017		Δ 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Income from financial instruments assets [I]	56 366,6	469,3	84 020,8	511,2	133 456,2	804,4	49 435,4	293,2
Costs of financial instruments liabilities [C]	15 344,5	128,7	17 075,5	104,0	25 633,8	154,5	8 558,3	50,5
Net interest income	**41 022,1**	**340,6**	**66 945,3**	**407,2**	**107 822,5**	**649,9**	**40 877,1**	**242,7**

BFA's net interest income grew AOA 40 877,1 million (USD 242,7 million) in 2017, an increase of 61,1% (59,6% in USD) compared to the previous year.

The growth is due mainly to the increase in income, especially from Treasury bills, Treasury bonds and loans, which together account for 98,6% of interest income and pushed the total up by 58,8% compared to the previous year.

Interest expense increased 50,1%, driven by the growth of Customer deposits, which reached AOA 23 623,3 million (USD 142,4 million), up 42,6% on the previous year. Despite the increase in interest expense, the income was sufficient to allow BFA to report net interest income of AOA 107 822,5 million (USD 649,9 million) in 2017.

If the growth of BFA's net interest income is broken down by business volume (volume effect) and spread (price effect), both effects can be observed to have had a considerable positive impact, mostly through the Bank's securities portfolio, especially Treasury bills. Additionally, as in previous years, interest income from loans amply exceeded the cost of Customer funds.

ANALYSIS OF TREND IN NET INTEREST INCOME

(in millions)

	Volume effect	Price effect	Δ
Interest-earning assets	21 334,8	27 631,4	48 966,1
Interest-bearing liabilities	522,1	6 648,9	7 171,0
Δ Net Interest Income	**20 812,7**	**20 982,5**	**41 795,1**

Growth of net non-interest income

In 2017, BFA's net non-interest income decreased by nearly 6,6%, in contrast to the 13,5% increase seen in 2016, reaching a total of AOA 30 472,8 million (USD 183,7 million). This change is attributable to a 43% decrease in Trading income (as result of foreign exchange stabilisation in 2017).

Meanwhile, Net fee and commission income and Other net income grew 40,7% and 32%, respectively. Overall, net non-interest income as a percentage of total net operating revenue decreased, compared to 2016, from 32,8% to 22%.

NET NON-INTEREST INCOME

(in miilions)

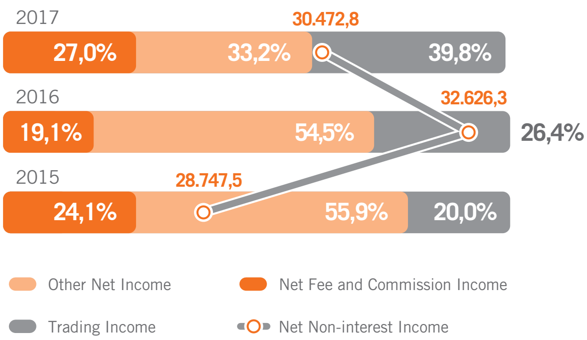
	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Trading income	16 070,0	131,1	17 774,9	110,0	10 124,2	61,0	(43,0)%	(44,5)%
Net fee and comission income	5 735,5	46,7	8 613,0	52,4	12 115,8	73,0	40,7%	39,5%
Other net income	6 941,9	56,5	6 238,4	38,1	8 232,8	49,6	32,0%	30,4%
Net non-interest income	**28 747,5**	**234,2**	**32 626,3**	**200,4**	**30 472,8**	**183,7**	**(6,6)%**	**(8,4)%**

Thus, the largest component of Net non-interest income is no longer Trading income but Net fee and commission income, which in 2017 accounted for nearly 39,8% of the total, rising from AOA 8 613 million to AOA 12 115,8 million, an increase of 40,7% compared to the previous period. In USD, the increase was 39,5%, from USD 52,4 million to USD 73 million.

Trading income decreased 43% in 2017 compared to 2016, reaching a total of AOA 10 124,2 million, AOA 7 650,8 million less than the previous year.

Other net non-interest income, totalling AOA 8 232,8 million (USD 49,6 million), increased, compared to 2016, relative to the other components of net non-interest income, reaching 27% of the total, an increase of 7,9 points.

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.

A considerable part of operating expenses are denominated in foreign currency. The value of operating expenses thus remains high, despite having fallen 5,7% compared to 2016, from AOA 35 829,6 million to AOA 33 794,7 million.

The largest component of operating expenses is Staff costs, accounting for 53,1% of the total in 2017, similar to the 2016 figure of 47%.

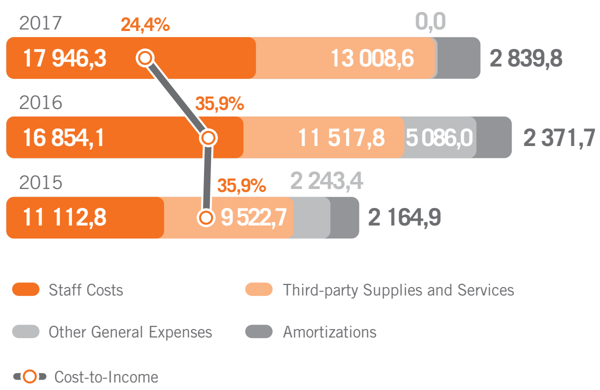
OPERATING EXPENSES

(in millions)

	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Staff costs (I)	11 112,8	91,6	16 854,1	102,7	17 946,3	108,2	6,5%	5,4%
Third-party supplies and services (II)	9 522,7	78,7	11 517,8	70,2	13 008,6	78,4	12,9%	11,7%
Other general expenses (III)	2 243,4	18,4	5 086,0	30,8	-	-	(100,0)%	(100,0)%
Operating expenses before depreciation and amortization (IV = I+II+III)	22 878,9	188,7	33 457,9	203,7	30 954,9	186,6	(7,5)%	(8,4)%
Depreciation and amortization (V)	2 164,9	17,9	2 371,7	14,5	2 839,8	17,1	19,7%	18,4%
Total operating expenses (VI = IV+V)	**25 043,8**	**206,6**	**35 829,6**	**218,2**	**33 794,7**	**203,7**	**(5,7)%**	**(6,6)%**
Cost recovery (VII)	1 456,1	12,0	2 144,9	13,1	-	-	(100,0)%	(100,0)%
Administrative expenses (VI-V-VII)	**21 422,8**	**176,7**	**31 313,0**	**190,7**	**30 954,9**	**186,6**	**(1,1)%**	**(2,1)%**
Extraordinary profit/(loss)	413,6	2,9	120,9	0,7	-	-	(100,0)%	(100,0)%
Cost-to-income ratio	**35,9%**	**35,9%**	**35,9%**	**35,9%**	**24,4%**	**24,4%**	**(0,12) p.p.**	**(0,12) p.p.**

In 2017, the cost-to-income ratio improved from 35,9% to 24,4%, thanks to a considerable increase (38,9%) in net operating revenue and careful cost management (-5,7%), following the trend set in recent years, which demonstrates control and concern for operational efficiency.

Cost-to-Income Ratio



Framework of financial stability and soundness

At the end of December 2017, total Shareholders' equity reached AOA 217 421,7 million, an increase of AOA 44 200,6 million, or 25,5%, compared to the previous year. In USD, the figure is up 266,3 million compared to 2016, reaching a total of USD 1 310,4 million in 2017.

SHAREHOLDERS' EQUITY AND EQUIVALENTS

(in millions)

	2015		2016		2017		Δ% 16-17	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Capital	3 522,0	26,0	3 522,0	21,2	3 972,7	23,9	12,8%	12,8%
Funds	-	-	-	-	-	-	-	-
Reserves	85 067,2	596,4	107 787,0	645,7	144 364,0	870,0	33,9%	34,7%
Profit or loss carried foward	-	-	-	-	-	-	-	-
Profit/(loss) for the year	37 866,3	312,1	61 912,1	377,2	69 085,0	416,4	11,6%	10,4%
Total	**126 455,5**	**934,5**	**173 221,1**	**1 044,1**	**217 421,7**	**1 310,4**	**25,5%**	**25,5%**

Once again in 2017, as in previous years, total capital increased, rising 24,3% to AOA 215 588,9 million (USD 1 299,3 million). This growth is attributable mainly to the increase in core capital, which rose 24,4% compared to the previous year.

The regulatory capital adequacy ratio reached 37,9%, comfortably above the required minimum of 10%.

CAPITAL ADEQUACY RATIO

(in millions)

	2015		2016		2017	
	AOA	USD	AOA	USD	AOA	USD
Risk-weighted assets	425 762,5	3 597,7	426 983,9	2 573,7	323 850,3	1 951,8
Core capital	124 373,1	996,5	172 860,7	1 041,9	214 962,0	1 295,5
Supplementary capital	626,9	6,1	626,9	3,8	626,9	3,8
Total capital	125 000,0	1 002,6	173 487,6	1 045,7	215 588,9	1 299,3
Regulatory Capital Adequacy Ratio	**24,6%**	**24,0%**	**31,7%**	**31,7%**	**37,9%**	**37,9%**

Proposed Appropriation of Profit

The Executive Committee's proposal for the appropriation of profit for 2017 in the amount of AOA 69 085 024 425,99, for submission to the Board of Directors, is as follows:

- To unrestricted reserves: 60% of net profit, that is,
  AOA 41 451 014 655,59; and

- To dividends: 40% of net profit, that is,
  AOA 27 634 009 770,40.

The Board of Directors

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06

FINANCIAL STATEMENTS

Financial Statements

BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of kwanzas)

	Notes	31/12/17 Gross assets	31/12/17 Provisions for depreciation, mortization & impairment	31/12/17 Assets, net of provisions	31/12/2016
ASSETS					
Cash and balances at central banks	5	221 639 382	-	221 639 382	279 154 585
Balances at other credit institutions	6	34 998 048	-	34 998 048	38 031 194
Funds deposited in central banks and other credit institutions	7	133 348 784	-	133 348 784	107 211 728
Financial assets at fair value through profit or loss	8	544 104 508	-	544 104 508	337 941 949
Investments held to maturity	9	282 661 928	-	282 661 928	258 740 073
Loans and advances to Customers	10	213 539 613	(18 730 745)	194 808 868	235 310 871
Non-current assets held for sale	11	73 316	-	73 316	73 307
Investments in affiliates, associates and joint ventures	12	50 375	-	50 375	499 558
Other tangible assets	13	36 246 628	(17 271 642)	18 974 986	19 264 469
Intangible assets	13	3 477 525	(2 322 025)	1 155 500	1 309 264
Current tax assets	14	4 524	-	4 524	17 645
Deferred tax assets	14	3 763 050	-	3 763 050	1 178 276
Other assets	15	7 481 172	-	7 481 172	34 146 648
Total assets		**1 481 388 853**	**(38 324 412)**	**1 443 064 441**	**1 312 879 567**

	Notes	31/12/17	31/12/16
LIABILITIES AND EQUITY			
Funds of central banks and other credit institutions	16	113 641 459	3 445 569
Customer funds and other borrowings	17	1 058 241 434	1 079 750 294
Financial liabilities at fair value through profit or loss	8	670 628	1 510 796
Provisions	18	26 269 826	4 675 642
Current tax liabilities	14	5 164 788	4 352 579
Other liabilities	19	21 654 574	46 122 822
Total Liabilities		**1 225 642 709**	**1 139 857 702**
Share capital	20	3 972 713	3 972 713
Revaluation reserves	20	1 253 828	1 253 828
Other reserves and retained earnings	20	143 110 167	106 082 432
Net profit for the year	20	69 085 024	61 712 892
Total equity		**217 421 732**	**173 021 865**
Total liabilities and equity		**1 443 064 441**	**1 312 879 567**

STATEMENTS OF INCOME AND OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of kwanzas)

	Notes	31/12/17	31/12/16 Restated
Interest income and similar income	21	133 456 228	84 244 857
Interest expense and similar charges	21	25 633 773	17 028 353
Net interest income		**107 822 455**	**67 216 504**
Fee and commission income	22	14 485 114	10 784 367
Fee and commission expense	22	2 369 283	2 173 659
Net gains/(losses) on financial assets & liabilities at fair value through profit or loss	8	4 671 855	4 356 487
Net gains/(losses) on investments held to maturity	-	93	-
Foreign exchange gains or losses	23	10 124 169	17 774 092
Gains/(losses) on disposal of other assets	24	109 475	7 610
Other operating income/(expense)	25	3 451 424	2 948 835
Net operating revenue		**138 295 302**	**100 914 236**
Staff costs	26	17 946 267	16 929 401
Third-party supplies and services	27	13 008 584	11 651 174
Depreciation & amortisation for the period	13	2 839 832	2 371 695
Provisions net of cancellations	18	21 810 976	889 544
Impairment on loans & advances to Customers net of reversals & recoveries	18	6 666 035	2 773 572
PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS		**76 023 608**	**66 298 850**
Taxes on profit			
Current	14	(9 523 358)	(5 015 207)
Deferred	14	2 584 774	429 249
NET PROFIT FOR THE PERIOD		**69 085 024**	**61 712 892**
PROFIT/(LOSS) RECOGNISED DIRECTLY IN EQUITY		-	-
COMPREHENSIVE INCOME FOR THE PERIOD		**69 085 024**	**61 712 892**
Average number of common shares issued		1 305 561	1 305 561
Basic earnings per share (in Kwanzas)		52 916	47 269

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(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 2015		3 521 996	450 717	1 253 828	5 161 890	78 200 788	37 866 257	126 455 476
2015 profit appropriation								
Transfers to reserves and funds	21	-	-	-	-	22 719 754	(22 719 754)	-
Dividend distribution	21	-	-	-	-	-	(15 146 503)	(15 146 503)
Net profit for the year	21	-	-	-	-	-	61 712 892	61 712 892
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**
2016 profit appropriation								
Transfers to reserves and funds	21	-	-	-	-	37 027 735	(37 027 735)	-
Dividend distribution	21	-	-	-	-	-	(24 685 157)	(24 685 157)
Net profit for the year	21	-	-	-	-	-	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**

STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of kwanzas)

	31/12/17	31/12/16
CASH FLOW FROM OPERATING ACTIVITIES		
Interest income, fee income and other similar income received	120 641 031	94 652 901
Interest expense, fee expense and other similar expenses paid	(23 285 356)	(21 028 643)
Cash paid to Employees and suppliers	(27 487 787)	(27 389 003)
Payments and contributions to pension funds and other benefits	(627 036)	(540 417)
Recovery of loans written off from assets	372 116	390 469
Other income received/(expenses paid)	12 123 482	7 816 457
Cash flows before changes in operating assets and liabilities	**81 736 450**	**53 901 764**
Increases/Decreases in operating assets:		
Funds deposited in central banks and other credit institutions	(25 453 922)	53 717 428
Financial assets at fair value through profit or loss	(184 912 438)	(225 666 636)
Investments held to maturity	(18 656 373)	165 022 989
Loans and advances to Customers	45 074 531	7 391 125
Non-current assets held for sale	(9)	-
Other assets	(1 269 533)	23 110 766
Net cash flow from operating assets	**(185 217 744)**	**23 575 672**
Increases/Decreases in operating liabilities:		
Funds of central banks and other credit institutions	107 417 857	2 312
Customer funds and other borrowings	(32 294 730)	(21 723 972)
Other liabilities	(160 505)	(39 309 434)
Net cash flow from operating liabilities	**74 962 622**	**(61 031 094)**
Net cash flow from operating activities before income taxes	(28 518 672)	16 446 342
Income taxes paid	(10 815 880)	(8 099 741)
Net cash flow from operating activities	**(39 334 552)**	**8 346 601**
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisitions of other tangible assets, net of disposals	(770 985)	(2 159 050)
Acquisitions of intangible assets, net of disposals	(571 938)	(1 197 316)
Acquisitions of interests in affiliates, associates and joint ventures, net of disposals	50 000	36 243
Net cash flow from investing activities	**(1 292 923)**	**(3 320 123)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend distribution	(20 844 821)	(13 732 703)
Net cash flow from financing activities	**(20 844 821)**	**(13 732 703)**
Change in cash & cash equivalents	(61 472 295)	(8 706 225)
Cash & cash equivalents at the beginning of the period	317 185 779	306 869 778
Effects of changes in foreign exchange rates on cash & cash equivalents	923 946	19 022 226
Cash & cash equivalents at the end of the period	**256 637 430**	**317 185 779**

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NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2017 AND 2016

(Amounts expressed in thousands of kwanzas – mAOA, unless stated otherwise)

1. INTRODUCTION

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 December 31, 2016, BFA's majority Shareholder was Banco BPI, S.A. (BPI Group). 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. As a result, at December 31, 2017, BFA's majority Shareholder was Unitel, S.A. The main balances and transactions with BPI Group companies are disclosed in Note 29.

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 the National Bank of Angola (BNA), in deposits at credit institutions and in the acquisition of securities or other assets for which it is duly authorised. It also provides other banking services and carries out various types of transactions in foreign currency, for the purpose of which, as at December 31, 2017 and 2016, it has a national network of 160 branches, 6 service points, 9 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 the assumption of continuity of operations and in accordance with International Financial Reporting Standards ("IFRS"), pursuant to BNA Notice no. 6/2016 of June 22. 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 accounting policies used by the Bank in the preparation of its financial statements for the year ended December 31, 2017 are consistent with those used at December 31, 2016, with the exception of the change in the classification of the Capital Gains Tax (CGT), as explained in Note 4. This is a voluntary change of accounting policy insofar as the new classification gives readers of the financial statements a better analysis of the taxation to which the Bank is subject each year and so has been considered more relevant than the previous classification.

Accordingly, having regard to the amount of CGT borne the previous year, totalling mAOA 4 226 679, in accordance with IAS 8, the comparative information for the year ended December 31, 2016 has been restated so as to retroactively reflect the change in accounting policy. The nature and impact of the correction are described in Note 4.

The Bank adopted International Financial Reporting Standards for the first time on December 31, 2016, considering for the purpose the terms of IFRS 1 - First-Time Adoption of International Financial Reporting Standards, and the standards were applied retrospectively for all periods presented. The transition date was January 1, 2015, the Bank having prepared its opening balance sheet as at that date.

The transition to IAS/IFRS did not give rise to adjustments in equity at January 1, 2015 nor in equity and net income of the Bank at December 31, 2015 or December 31, 2016. Nor did it have any impact on the statement of cash flows in any of the abovementioned periods.

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 domestic currency on the basis of the average indicative rate published by the National Bank of 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 for the year ended December 31, 2017 were approved by the Bank's Board of Directors on April

19, 2018 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.

Despite the Bank's 99,9% holding in its subsidiary BFA Gestão de Activos (see Note 12), which started its activity in 2017, the Bank considers, in the light of the basic principles and conceptual structure of the IFRS, that the preparation of consolidated financial statements at December 31, 2017 is not relevant, bearing in mind in particular (i) the limited activity carried out by this subsidiary in 2017 and (ii) the limited impact that consolidating its financial statements would have on the financial statements of BFA 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 the National Bank of Angola on the reporting date. Costs and income relating to realised or potential exchange differences are recognised in the income statement for the period in which they occur.

At December 31, 2017 & 2016 the kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) were:

	31/12/17	31/12/16
1 USD	165,924	165,903
1 EUR	185,400	185,379

Forward currency position

The forward currency position is the net balance of forward transactions pending settlement. All contracts in respect of these transactions are revalued at the prevailing market forward rates.

Any difference between the value in Kwanzas at the forward rates applied and the value at the contracted rates is recorded under "Foreign exchange gains or losses" under assets or liabilities, with a contra-entry under income or costs, respectively.

2.3. 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 with 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 operation. 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) Overdue 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. National Bank of Angola Instruction no. 9/2015 of June 4 provides that interest overdue by more than 90 days must be cancelled. In accordance with the established policy, the Bank writes off interest overdue for more than 60 days and recognises no further interest from that date until the Customer remedies the situation.

Within the scope of the regular review of loan operations, including overdue loans, BFA reclassifies non-performing loans to outstanding on the basis of an analysis of the economic prospects of collectability, taking particular account of the existence of guarantees, of the assets of the borrowers or guarantors and the existence of operations whose risk the BFA equates to State risk.

Annually, the Bank writes off from assets loans overdue by more than 12 months through the use of impairment losses when they amount to 100% of the value of loans considered not recoverable. Additionally, these loans continue to be carried under an off-balance sheet heading for a minimum term of ten years.

iii) Recognition of income

Interest and restructuring commissions associated with loan operations are accrued over the life of the transactions, with the corresponding entry in the income statement for the period, irrespective of when they are collected or paid. Other commissions and other costs and income associated with credit transactions are recognised in the profit and loss items at the time they are charged.

iv) Losses of the loan portfolio for impairment

The Bank carries out half-yearly analyses of impairment of the "Loans & advances to Customers" headings. For that purpose, the loan portfolio is segmented as follows:

- Individuals:
  - Credit cards;
  - General consumer loans;
  - Motor loans;
  - Mortgage loans; and
  - Overdrafts.

- Companies:
  - Less significant company exposures;
  - Significant company exposures;
  - Public sector; and
  - Guarantees, letters of credit and performance bonds.

The impairment analysis 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 are considered within the scope of the individual analysis:

- In the individuals segment: (i) all Customers whose exposure exceeds mAOA 50 000; (ii) all Customers who are in an irregular situation (over 30 days past due) with more than mAOA 1 000 of loans in arrears and having a total exposure exceeding mAOA 25 000; and

- In the corporates segment, all Customers with exposure of more than AOA 25 000. Also analysed are all Customers (regardless of segment) with restructured or reclassified operations or who are in the recovery area with liabilities of more than mAOA 5 000.

The rest of the portfolio is analysed on a collective basis.

IAS 39 identifies some 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. These indicators are considered by the Bank within the scope of this analysis, as are others that result from the knowledge of the Customers and the historical behaviour of the portfolio in terms of default and recovery levels.

With regard to assets analysed individually in respect of which signs of impairment are identified, the Bank estimates their recoverable amount. The impairment corresponds to the difference between the carrying amount of these loans and the estimated realisable value, where the latter is less than the former.

For assets analysed collectively, future cash flows expected to be received are estimated based on historical information of the behaviour of assets of similar characteristics, and they are subsequently discounted at the effective interest rate of the operations. 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:

- Definition of the period required for the loss event, in operations that are in good standing at the time of analysis, to be perceived by the Bank, which was estimated at twelve months;

- Classification of the operations according to the delay period identified, particularly operations with no signs of impairment (in normal situation), operations with signs of impairment (with overdue instalments) and operations in default. Operations are considered in default when the delay exceeds 90 days;

- Determination of default probabilities, which are a function not only of the current position of the portfolio, but also of its past behaviour; and

- Determination of estimated recovery amounts after entering into default, which includes the costs to be incurred in the recovery process.

The change in the calculated impairment amounts (difference between the carrying amount of the asset and its estimated recovery amount) is recorded in costs for the period under "Impairment on loans & advances to Customers net of reversals and recoveries". Recoveries of principal and interest previously written off from assets, occurring in the period, are recorded under "Other operating income/(expense)" (Note 25).

2.4. 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 and 2016, 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 domestic currency indexed to the US dollar exchange rate are subject to currency updating. The result of the currency update is reflected in the income statement for the period in which it occurs. The result of the currency update of the par value of the security is reflected under "Foreign exchange gains or 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 analysed internally based on their fair value;
- derivatives transactions have been entered into with a view to hedging these assets or liabilities, so as to ensure consistency in the valuation of the assets or liabilities and 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 cost 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 they 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 or 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.

During the years ended December 31, 2017 and 2016, 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 the National Bank of 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 derivative instruments are recorded at market value at the transaction date and any changes in value are recognised in the income statement. Derivatives are also recorded in off-balance sheet accounts at their notional value.

Derivative financial instruments are classified according to their purpose, that is, as either hedging derivatives or speculative and arbitrage derivatives.

Hedging derivatives

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; and
- 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.

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 trading book and hedge accounting is subsequently discontinued. 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 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; or
- 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, 2017 & 2016, 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 derivatives held for trading.

Embedded derivatives

Derivatives embedded in financial instruments are separated for accounting purposes whenever:

- the risks and economic benefits of the derivative are unrelated to those of the main instrument (host contract), and
- the hybrid instrument (as a whole) is not, in principle, recognised at fair value through profit or loss.

Embedded derivatives are presented under the heading of derivatives held for trading, 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 has the power to exercise 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; or
- 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. EQUITY MONETARY-UPDATING RESERVE

Pursuant to National Bank of Angola Notice no. 2/2009, of May 8, on monetary updating, financial institutions shall, in case of inflation, consider on a monthly basis the effects of changes in the purchasing power of the domestic currency, on the basis of application of the Consumer Price Index to the balances of share capital, results and retained earnings. The financial statements of an entity whose working currency is the currency of a hyperinflationary economy shall be expressed in terms of the measuring unit current at the reporting date. 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 in terms of 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. Interest rates, wages and prices are linked to a price index; and

v. The cumulative inflation rate over three years approaches, or exceeds, 100%.

The amount resulting from the monetary update must be reflected monthly 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 3.4).

2.10. INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS

Intangible assets, which mainly comprise software, are recorded at acquisition cost and are amortised on a straight-line basis over three years.

Other tangible assets are carried at acquisition cost, although they may be revalued under applicable legal provisions.

As provided by National Bank of Angola Notice no. 2/2009 of May 8, on monetary revaluation, financial institutions shall, in case of inflation, restate their intangible assets and other tangible assets every month in accordance with the consumer price index.

The amount resulting from the monetary updating shall be credited to a profit or loss account, offsetting the gross value and accumulated depreciation headings.

The Bank has not revalued its assets since 2008, as the economy ceased to be considered hyperinflationary (see Note 3.4).

An amount equivalent to 30% of the increase of depreciation and amortisation resulting from the revaluations performed is not accepted as a cost 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 and 7

2.11. NON-CURRENT ASSETS HELD FOR SALE

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.

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 a cost for the year.

2.12. 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, including cash and balances at other credit institutions.

2.13. DIVIDENDS

Dividends (return on equity instruments) are recognised in profit or loss when the right to receive them is established.

2.14. 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.

2.15. EMPLOYEE BENEFITS

Short-term benefits are reflected under "Staff costs" (Note 26) 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 salaries 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 base monthly 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 amount of these liabilities is determined by actuaries using the Projected Unit Credit method for 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". However, and despite the repeal of Law 2/00 of February 11, BFA continues to record provisions to cover liability in the matter of "Retirement Compensation" under the terms stated above.

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. The BFA 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.

2.16. CORPORATION TAX

Total income taxes recorded in profit or loss include current taxes and deferred taxes

Current tax

Current tax is calculated based on taxable income for the year, which differs from the accounting income due to adjustments made to the taxable amount because certain costs or income or expense are irrelevant for tax purposes or will be taken into consideration only in other accounting periods.

Deferred tax

Deferred taxes reflect 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 the taxable profit.

As a rule, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent it is probable that future taxable profits will be available to allow use of the deductible temporary differences or tax-loss carryforwards. 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%.

The new Industrial Tax Code provides that the income subject to Capital Gains Tax ("CGT") is deducted in determining the taxable profit for Industrial Tax purposes, and the CGT does not constitute a deductible expense for tax purpose.

Yields of Treasury Bonds and Treasury Bills issued by the Angolan State after January 1, 2013, are subject to Capital Gains Tax at the rate of 10% (5% in the case of debt securities admitted to trading on a regulated market having a maturity equal to or greater than three years) and to Industrial Tax: (i) in the case of capital gains or losses (including any currency revaluations of the principal); and (ii) on recognition of the discount in relation to securities acquired or issued at a discount. Income subject to CGT is excluded from Industrial Tax.

Capital Gains Tax (CGT)

Presidential Legislative Decree 2/2014, of October 20 enacted the new CGT Code, which entered into force as from November 19, 2014.

The 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 the National Bank of Angola (National Bank of 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 the Capital Gains Tax at source, as provided in Presidential Legislative Decree 5/11 of December 30.

After January 1, 2015, the CGT no longer has the nature of payment on account of the Industrial Tax, income from capital gains being excluded from taxation under the Industrial Tax.

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.

2.17. 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. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle the liability on the reporting date.

If the future expenditure of resources is not probable, it is a contingent liability, which will be disclosed in accordance with the requirements of IAS 37 - "Provisions, contingent liabilities and contingent assets".

2.18. 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 to Customers" after the transfer of the compensation for losses to the beneficiary of the guarantee.

2.19. 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.

2.20. 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.

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

As at December 31, 2017 & 2016, 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.

3.2. IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Impairment losses on loans are determined in accordance with the criteria set out in Note 2.3. The estimates made by the Bank with regard to the risk of realisation of the loan portfolio result from the application of assumptions determined on the basis of historical analysis, particularly with regard to the segmentation of the portfolio, the probabilities of default, rates, periods and recovery costs, as well as of the assessment of the available information regarding the debtor.

Were the Bank to use different criteria and assumptions in determining the impairment losses for loans, the amounts determined would differ from those currently reflected in the financial statements. However, the Bank believes that the current methodology adequately reflects the losses associated with these assets. The amount of the impairment losses on loans and advances to Customers calculated using the criteria set out above is presented in Note 10.

3.3. INVESTMENTS HELD TO MATURITY

The Bank classifies its non-derivative financial assets with fixed or determinable payments and specified maturities as held-to-maturity investments, in accordance with the requirements of IAS 39. This classification requires a significant level of judgment and is presented in Note 9.

In making its judgment, the Bank assesses its intent and ability to hold these investments until maturity. If the Bank does not hold these investments until maturity, except in specific circumstances (e.g. if it disposes of a non-significant part of them close to maturity), the entire portfolio must be reclassified to available-for-sale financial assets and measured at fair value, rather than at amortised cost.

Assets held until to maturity are tested for impairment and the Bank makes its decision based on an analysis of the findings. The use of different methodologies and assumptions from those used in the calculations could have different impacts on results.

3.4. 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:

- 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;
- 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;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

As regards the Angolan economy, the Angolan Banks Association ("ABANC") and the National Bank of Angola have stated the view that all the requirements specified in IAS 29 for the Angolan economy to be considered hyperinflationary in the year ended December 31, 2017 are not met and so the directors of the Bank decided not to apply the provisions of that standard to the Bank's financial statements at that date (see Note 2.9).

4. RESTATEMENT OF COMPARATIVE INFORMATION

As stated in Note 2.16, the CGT is levied, in general, on income from the Bank's financial investments and is withheld at source by BNA and the respective income is exempt from Industrial Tax. For these reasons, the Bank considers that the conditions for the CGT to be considered a corporate income tax under IAS 12 are met and so the CGT must be presented under the current tax heading in the income statement.

Given the materiality of the CGT expense at December 31, 2016, the Bank decided to revise the comparative data and reclassified the CGT expense from "Other operating income/(expense)" to "Current tax".

The income statement for 2016, retrospectively showing the change in the presentation of CGT expense, is presented below:

	31/12/2-16		31/12/2-16
	Published	Restated	Disclosed
Interest income and similar income	84 244 857	-	84 244 857
Interest expense and similar charges	17 028 353	-	17 028 353
Net interest income	**67 216 504**	**-**	**67 216 504**
Fee and commission income	10 784 367	-	10 784 367
Fee and commission expense	2 173 659	-	2 173 659
Net gains/(losses) on financial assets & liabilities at fair value through profit or loss	4 356 487	-	4 356 487
Net gains/(losses) on investments held to maturity	-	-	-
Foreign exchange gains or losses	17 774 092	-	17 774 092
Gains/(losses) on disposal of other assets	7 610	-	7 610
Other operating income/(expense)	2 948 835	4 226 679	(1 277 844)
Net operating revenue	**100 914 236**	**4 226 679**	**96 687 557**
Staff costs	16 929 401	-	16 929 401
Third-party supplies and services	11 651 174	-	11 651 174
Depreciation & amortisation for the period	2 371 695	-	2 371 695
Provisions net of cancellations	889 544	-	889 544
Impairment on loans & advances to Customers net of reversals & recoveries	2 773 572	-	2 773 572
PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS	**66 298 850**	**4 226 679**	**62 072 171**
Taxes on profit			
Current	(5 015 207)	(4 226 679)	(788 528)
Deferred	429 249	-	429 249
NET PROFIT FOR THE PERIOD	**61 712 892**	**-**	**61 712 892**
PROFIT/(LOSS) RECOGNISED DIRECTLY IN EQUITY	-		-
COMPREHENSIVE INCOME FOR THE PERIOD	**61 712 892**	**-**	**61 712 892**

5. CASH & BALANCES AT CENTRAL BANKS

As at December 31, 2017 & 2016, the breakdown of "Cash and balances at central banks" is as follows:

	31/12/17	31/12/16
Cash		
Domestic currency notes and coins	21 468 300	17 875 060
Foreign currency notes and coins		
In United States dollars	3 686 995	5 194 959
In other currencies	8 919 856	356 185
	34 075 151	**23 426 204**
Balance at the Central Bank		
Demand deposits at the National Bank of Angola (BNA)		
In domestic currency	159 938 661	217 282 075
In United States dollars	27 625 570	38 446 306
	187 564 231	**255 728 381**
	221 639 382	**279 154 585**

The demand deposits at the National Bank of Angola in domestic and foreign currency are held in order to comply with applicable mandatory reserve requirements and earn no interest.

As at December 31, 2016, mandatory reserves are determined under the provisions of Instruction no. 02/2016 of April 11 and of Instruction no. 04/2016 of May 13, and are constituted in domestic and foreign currency, in keeping with the corresponding denomination of the liabilities that constitute the basis of their incidence, which must be maintained throughout the entire period to which they relate.

As at December 31, 2016, the mandatory reserve requirement is calculated by applying a rate of 30% to the arithmetic average of eligible liabilities in domestic currency, and a 15% rate to the arithmetic average of eligible liabilities denominated in foreign currency.

BNA Instruction no. 02/2016 provides that to comply with mandatory reserves requirements in foreign currency the following assets are eligible, with their respective weightings: (i) balance of foreign-currency deposit account domiciled at the National Bank of Angola (20%); and (ii) Treasury bonds in foreign currency belonging to the portfolio of the Bank itself issued as from January 2015 (80%).

BNA Instruction no. 04/2016 altered the eligibility of the assets to comply with reserves in domestic currency, the following assets being eligible, with their respective weightings: (i) balance of domestic-currency deposit account domiciled at the National Bank of Angola (80%); (ii) Treasury bonds belonging to the portfolio of the Bank itself issued as from January 2015 and the total amount in respect of financing contracts entered into with the Finance Ministry (20%).

At December 31, 2017, the mandatory reserves are calculated in accordance with the provisions of Instruction 06/2017 of December 1.

With the entry into force of BNA Instruction no. 06/2016, at December 1, 2016, the mandatory reserve requirement was calculated by applying a rate of 21% to the arithmetic average of eligible liabilities in domestic 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 domestic currency, so that the daily closing balances of the domestic-currency demand deposit account domiciled at the National Bank of Angola are eligible (100%).

6. BALANCES WITH OTHER CREDIT INSTITUTIONS

At December 31, 2017 & 2016, the amount recorded under "Balances at other credit institutions" is made up entirely of demand deposits at institutions abroad.

	31/12/17	31/12/16
Demand deposits	34 998 048	38 031 194

7. FUNDS DEPOSITED WITH CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The “Funds deposited with central banks and other credit institutions” item at December 31, 2017 & 2016 breaks down as follows:

	31/12/2017	31/12/2016
Funds deposited in credit institutions:		
Funds deposited in credit institutions abroad:		
In United States dollars	71 502 794	36 498 869
In Euros	27 810 000	55 242 942
	99 312 794	**91 741 811**
Funds deposited in credit institutions in Angola:		
Other credit institutions in Angola		
In Kwanzas	34 000 000	10 635 400
In United States dollars	-	3 453 559
	34 000 000	**14 088 959**
Income receivable	35 990	1 380 958
	133 348 784	**107 211 728**

As at December 31, 2017 & 2016, investments at credit institutions earned interest at the following average annual rates:

	31/12/17	31/12/16
In United States dollars	1,61%	1,12%
In Euros	-	-
In Kwanzas	8,20%	15,81%

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

At December 31, 2017 & 2016, 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 breakdown of Financial assets at fair value through profit or loss is as follows:

	31/12/2017	31/12/2016
Debt securities:		
Treasury bills	352 531 033	293 454 262
Treasury bonds	187 840 229	42 952 230
	540 371 262	**336 406 492**
Derivatives:		
Currency forwards	2 686 768	1 355 591
Equity securities:		
Visa Inc. - Class C (Series I)	263 446	179 866
EMIS	783 032	-
	544 104 508	**337 941 949**

Debt securities

As at December 31, 2017 & 2016, 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 - Assets held for trading. Treasury Bills and Treasury Bonds issued by the Angolan Government are carried at their acquisition cost , plus accrued interest and amortisation of any premiums or discounts on acquisition, since it is believed that this is the best approximation to their market value.

As at December 31, 2017 & 2016, the carrying amount of securities held for trading includes accrued interest in the sum of mAOA 36 805 703 and mAOA 16 960 342, respectively.

Equity securities

As at December 31, 2017, the portfolio of equity securities carried at fair value through profit or loss relates to

(i) 13 896 Class C (Series I) shares in Visa Inc.; and
(ii) an interest in EMIS - Empresa Interbancária de Serviços, S.A.R.L. (EMIS)
(iii) an interest in IMC (Instituto de Mercado de Capitais).

The equity interest in EMIS and the Shareholder loans and quasi-capital loans to EMIS and the equity interest in IMC, which at December 31, 2016 were classified under the heading of "Investments in affiliates, associates and joint ventures", were reclassified at December 31, 2017 to the heading of "Financial assets at fair value through profit or loss", specifically in the category of financial assets held for trading.

The interest in EMIS amounts to 6,50% 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. It was also resolved at the General Meeting that the share capital be denominated 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 the National Bank of 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.

During 2017 and 2016 the above companies distributed no dividends.

At December 31, 2017 & 2016, the changes in 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

As at December 31, 2017 & 2016, the breakdown of "Derivative transactions – Currency forwards" is as follows:

	31/12/17	31/12/16
Financial assets at fair value through profit or loss		
Derivative financial instruments		
Income receivable from derivative financial instruments	2 686 768	220 568
Gain on revaluation of derivative financial instruments	-	1 135 023
	2 686 768	**1 355 591**
Financial liabilities at fair value through profit or loss		
Derivative financial instruments		
Costs payable for derivative financial instruments	**(670 628)**	**(670 628)**
Loss on revaluation of derivative financial instruments	-	-
	(670 628)	**(1 510 796)**
	2 016 140	**(155 205)**

At December 31, 2017 & 2016, the derivative financial instruments consist of currency forward contracts with non-financial companies, maturing between January 2018 and April 2018 and between January and March 2017, respectively. The notional amount of the derivatives is mAOA 68 164 091 (see Note 31.3). At December 31, 2017, the results of derivatives recognised under the heading of "Net gains/(losses) on financial assets and liabilities measured at fair value through profit or loss" was mAOA 1 120 974. The remaining results under this heading relate to gains from securities.

9. INVESTMENTS HELD TO MATURITY

As at December 31, 2017 & 2016, the breakdown of "Investments held to maturity" is as follows:

	31/12/2017									
	Risk level	Country	Currency	Nominal value	Acquisition cost	Premium/ discount earned	Interest earned	Carrying amount	Impairment	Average interest rate
DEBT SECURITIES										
Treasury bonds in domestic 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	-	6,63%
Not indexed	A	Angola	AKZ	24 743 126	24 641 942	70 659	227 209	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	-	4,73%
				293 823 513	**271 334 015**	**6 454 448**	**4 873 465**	**282 661 928**	**-**	

	31/12/2016									
	Risk level	Country	Currency	Nominal value	Acquisition cost	Premium/ discount earned	Interest earned	Carrying amount	Impairment	Average interest rate
DEBT SECURITIES										
Treasury bonds in domestic currency:										
Indexed to the US dollar exchange rate	A	Angola	AKZ	42 922 293	42 122 560	579 432	550 859	43 252 851	-	6,32%
Not indexed	A	Angola	AKZ	103 198 000	100 421 913	1 066 714	1 268 592	102 757 219	-	7,52%
Treasury bonds in foreign currency	A	Angola	USD	111 943 049	110 843 013	823 726	1 063 264	112 730 003	-	4,84%
				258 063 342	**253 387 486**	**2 469 872**	**2 882 715**	**258 740 073**	**-**	

The distribution of the held-to-maturity investments by residual maturity is presented in Note 31.2.

The fair value and the breakdown by fair value hierarchy of the portfolio of held-to-maturity investments is presented in Note 31.4.

The Bank tested the portfolio of held-to-maturity investments at December 31, 2017 & 2016 for objective evidence of impairment and did not identify any events with an impact on the recoverable amount of the future cash flows of these investments.

10. LOANS & ADVANCES TO CUSTOMERS

The breakdown of "Loans and advances to Customers" at December 31, 2017 & 2016 is as follows:

	31/12/17	31/12/16
Lending to domestic borrowers		
Overdrafts on demand deposits:		
In domestic currency	631 312	836 876
In foreign currency	543 092	516 574
	1 174 404	**1 353 449**
Other credit		
In domestic currency	66 651 282	77 928 194
In foreign currency	16 577 859	23 524 231
	83 229 141	**101 452 425**
Loans		
In domestic currency	48 870 136	60 756 206
In foreign currency	60 169 193	69 647 410
	109 039 329	**130 403 616**
Lending to foreign borrowers	-	39 478
Total performing loans	**193 442 874**	**233 248 968**
Overdue loans and interest		
Principal and interest	12 977 436	11 636 413
Total loans and advances	**206 420 310**	**244 885 381**
Income receivable from loans and advances	7 119 303	4 662 589
	213 539 613	**249 547 970**
Loan loss provisions	(18 730 745)	(14 237 099)
	194 808 868	**235 310 871**

As at December 31, 2017, loans and advances to Customers earned interest at an average annual rate of 16,35% for loans in domestic currency and 11,98% for loans in foreign currency (13,52% in domestic currency and 6,6% in foreign currency as at December 31, 2016).

The distribution of the loan portfolio by segment is as follows:

31/12/2017	Exposure					Impairment		
Segment	Total exposure	Performing loans	Of which restructured	Overdue loans	Of which restructured	Total impairment (Note 18)	Performing loans	Overdue loans
Credit cards	2 420 177	2 412 603	-	7 574	-	24 993	24 915	78
General consumer finance	36 557 453	35 821 221	174 039	736 232	3 718	1 405 042	1 376 745	28 296
Auto loans	289 205	286 930	-	2 275	-	1 124	1 115	9
Home loans	18 227 815	17 908 337	15 707	319 478	40 930	1 320 917	1 297 765	23 152
Overdrafts	292 784	243 778	-	49 006	-	32 381	26 961	5 420
Corporates - less significant exposures	2 519 766	2 378 119	162 252	141 647	37 818	392 776	370 696	22 080
Corporates - significant exposures	96 412 628	87 178 072	798 132.00	9 234 556	3 604 647	12 908 642	11 672 231	1 236 410
Public sector	56 819 785	54 333 115	-	2 486 670	-	2 644 870	2 529 120	115 751
Exposure of assets and liabilities	**213 539 613**	**200 562 175**	**1 150 130**	**12 977 438**	**3 687 113**	**18 730 745**	**17 299 548**	**1 431 196**
Documentary credits and guarantees given (Note 28)	47 323 633	47 323 633	-	-	-	716 415	716 415	-
Total exposure	**260 863 246**	**247 885 808**	**1 150 130**	**12 977 438**	**3 687 113**	**19 447 160**	**18 015 963**	**1 431 196**

31/12/2016	Exposure					Impairment		
Segment	Total exposure	Performing loans	Of which restructured	Overdue loans	Of which restructured	Total impairment (Note 18)	Performing loans	Overdue loans
Credit cards	675 854	706 592	-	8 665	-	15 388	8 240	7 148
General consumer finance	33 343 510	32 639 360	192 566	664 746	1 203	1 337 575	807 796	529 779
Auto loans	1 146 406	1 140 195	-	6 210	-	24 059	18 682	5 377
Home loans	24 748 848	24 510 569	123 022	238 279	235	1 813 365	1 607 139	206 226
Overdrafts	264 167	150 746	-	113 421	-	89 610	1 549	88 061
Corporates - less significant exposures	3 308 766	3 108 773	52 624	199 994	28 476	230 210	76 487	153 723
Corporates - significant exposures	122 948 468	113 164 299	1 940 404	9 784 169	2 344 363	10 416 229	2 470 253	7 945 976
Public sector	63 111 951	62 491 023	-	620 929	-	310 663	285	310 378
Exposure of assets and liabilities	**249 547 970**	**237 911 557**	**2 308 616**	**11 636 413**	**2 374 277**	**14 237 099**	**4 990 431**	**9 246 668**
Documentary credits and guarantees given (Note 28)	38 653 396	38 653 396	-	-	-	354 536	354 536	-
Total exposure	**288 201 366**	**276 564 953**	**2 308 616**	**11 636 413**	**2 374 277**	**14 591 635**	**5 344 967**	**9 246 668**

The amount of non-performing loans shown in the above tables reflects only the past-due portions of the loans.

31/12/2017	Exposure						Impairment			
		Performing loans				Overdue loans		Performing loans		Overdue loans
	Total exposure	< 30 days 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 finance	36 557 453	33 501 988	1 731 677	35 233 665	202 138	1 121 650	1 405 041	446 205	37 832	921 004
Auto 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	383 427	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	32 382	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
Exposure of assets and liabilities	**213 539 613**	**103 219 406**	**86 903 596**	**190 123 002**	**3 391 897**	**20 024 714**	**18 730 745**	**4 764 100**	**749 193**	**13 217 452**
Documentary credits and guarantees given (Note 28)	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**	**3 391 897**	**20 024 714**	**19 447 160**	**5 480 515**	**749 193**	**13 217 452**

31/12/2016	Exposure						Impairment			
		Performing loans				Overdue loans		Performing loans		Overdue loans
	Total exposure	< 30 days 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	675 854	663 986	2 936	666 922	852	8 079	15 388	8 138	185	7 066
General consumer finance	33 343 510	31 823 771	5 467	31 829 238	249 223	1 250 890	1 337 576	347 238	28 734	961 603
Auto loans	1 146 406	1 129 058	783	1 129 841	4 379	11 803	24 059	12 051	241	11 768
Home loans	24 748 848	22 431 052	6 403	22 437 455	409 514	1 897 607	1 813 365	303 041	20 802	1 489 523
Overdrafts	264 167	150 429	308	150 737	7 328	106 101	89 610	1 538	902	87 168
Corporates - less significant exposures	3 308 766	2 969 859	2 051	2 971 910	77 900	258 359	230 209	28 035	17 154	185 020
Corporates - significant exposures	122 948 468	112 384 458	44	112 384 502	1 231 249	9 352 129	10 416 229	2 147 154	959 238	7 309 837
Public sector	63 111 951	62 491 024	-	62 491 024	172	620 756	310 663	285	-	310 378
Exposure of assets and liabilities	**249 547 970**	**234 043 637**	**17 992**	**234 061 629**	**1 980 617**	**13 505 724**	**14 237 099**	**2 847 480**	**1 027 256**	**10 362 363**
Documentary credits and guarantees given (Note 28)	38 653 396	38 653 396	-	38 653 396	-	-	354 536	354 536	-	-
Total exposure	**288 201 366**	**272 697 033**	**17 992**	**272 715 025**	**1 980 617**	**13 505 724**	**14 591 635**	**3 202 016**	**1 027 256**	**10 362 363**

The distribution of the loan portfolio by segment and year of the loan is as follows:

Segment	31/12/2017														
	Credit cards			General consumer finance			Auto 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	1	-	-	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**

Segment	31/12/2016														
	Credit cards			General consumer finance			Auto 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
2012 and previous	6 298	22 968	6 832	3 816	1 348 215	244 021	422	139 000	7 819	1 532	20 581 871	1 656 121	11 356	103 233	53 472
2013	2 288	23 907	640	1 804	1 142 416	256 243	246	245 520	4 527	52	1 372 118	15 971	1 891	14 181	8 554
2014	5 847	332 804	4 437	7 614	3 556 313	345 756	250	383 982	7 943	56	1 101 181	11 427	2 006	14 703	9 387
2015	3 482	250 374	3 021	10 081	10 368 713	317 505	153	307 924	3 073	85	1 226 264	78 437	2 255	29 617	11 101
2016	364	45 801	458	9 308	16 927 853	174 050	17	69 980	697	13	467 414	51 409	2 876	102 433	7 096
Total	**18 279**	**675 854**	**15 388**	**32 623**	**33 343 510**	**1 337 575**	**1 088**	**1 146 406**	**24 059**	**1 738**	**24 748 848**	**1 813 365**	**20 384**	**264 167**	**89 610**

Segment	31/12/2016											
	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
2012 and previous	17 051	442 541	46 823	111	40 866 564	6 387 091	10	2 505 778	310 644	44	2 141 355	9 792
2013	2 369	292 300	52 054	43	7 503 311	381 709	2	20 370 033	-	8	2 464 285	24 683
2014	5 785	689 122	50 405	83	17 060 165	1 794 913	3	35 342 277	19	41	12 013 434	102 056
2015	3 557	765 785	63 419	106	28 393 783	628 877	-	-	-	29	5 144 783	51 765
2016	693	1 119 018	17 509	120	29 124 645	1 223 639	1	4 893 863	-	109	16 889 539	166 240
Total	**29 455**	**3 308 766**	**230 210**	**463**	**122 948 468**	**10 416 229**	**16**	**63 111 951**	**310 663**	**231**	**38 653 396**	**354 536**

The detail of the amount of gross exposure of loans and the impairment amount recorded for the exposures, analysed individually and collectively by segment, is as follows:

By segment: 31-12-2017	Credit cards		General consumer finance		Auto loans		Home loans		Overdrafts	
	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	
	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade
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**

By segment: 31-12-2016	Credit cards		General consumer finance		Auto loans		Home loans		Overdrafts	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Collective impairment	673 120	15 186	31 010 010	723 016	1 145 622	23 277	23 048 917	1 074 541	262 463	89 583
Individual impairment	2 734	202	2 333 500	614 559	784	782	1 699 931	738 824	1 704	27
Total	**675 854**	**15 388**	**33 343 510**	**1 337 575**	**1 146 406**	**24 059**	**24 748 848**	**1 813 365**	**264 167**	**89 610**

By segment: 31-12-2016	Corporates less significant exposures		Corporates significant exposures		Public sector		Documentary credits and guarantees given	
	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade
Collective impairment	2 699 301	146 547	10 206 723	62 179	172	-	-	-
Individual impairment	609 465	83 663	112 741 745	10 354 050	63 111 779	310 663	38 653 396	354 536
Total	**3 308 766**	**230 210**	**122 948 468**	**10 416 229**	**63 111 951**	**310 663**	**38 653 396**	**354 536**

The detail of the amount of gross exposure of loans and the impairment amount recorded for the exposures, analysed individually and collectively by sector of activity, is as follows:

Por sector de actividade: 31-12-2017	Act. imobiliárias aluguer e serviços prest. por empresas		Actividades recreativas culturais e desportivas		Administração púb. defesa e seg. social obrigatória		Agricultura Silvicultura e Pesca		Alojamento e restauração	
	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade
Imparidade colectiva	46 249	16 968	381 842	14 080	105 276	2 342	2 968 307	126 733	1 754 319	60 599
Imparidade individual	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**

Por sector de actividade: 31-12-2017	Bancos e Seguros		Comércio por grosso e retalho		Construção		Educação		Industrias extractivas	
	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade
Imparidade colectiva	242 507	10 021	5 772 029	348 879	38 871 868	1 217 546	128 966	34 413	552 173	12 439
Imparidade individual	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**

Por sector de actividade: 31-12-2017	Industrias transformadoras		Outras empresas de serviços		Particulares		Produção e distribuição de elecricidade gás e água		Saúde e acção social		Transportes armazenagem e comunicações	
	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade	Exposição total	Imparidade
Imparidade colectiva	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
Imparidade individual	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 detail of the amount of gross exposure of loans and the impairment amount recorded for the exposures, analysed individually and collectively by sector of activity, is as follows:

By business sector: 31-12-2016	Real estate rental and services provided by companies		Recreational, cultural and sporting activities		Government, defence and 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	2 253 386	48 084	20 947	272	-	-	331 853	14 755	332 195	16 748
Individual impairment	12 050 750	162 712	179 786	1 795	60 943 111	3 388	14 896 767	363 101	4 794 965	433 210
Total	**14 304 136**	**210 796**	**200 733**	**2 067**	**60 943 111**	**3 388**	**15 228 620**	**377 856**	**5 127 160**	**449 958**

By business sector: 31-12-2016	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	2 640	2 636	4 008 954	61 834	5 877 543	34 948	71 680	1 255	30 591	914
Individual impairment	6 830 544	68 293	10 750 133	2 246 209	51 365 451	4 103 246	608 458	305 068	2 581 823	318 796
Total	**6 833 184**	**70 929**	**14 759 087**	**2 308 043**	**57 242 994**	**4 138 194**	**680 138**	**306 323**	**2 612 414**	**319 710**

By business sector: 31-12-2016	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	159 552	3 168	439 636	10 148	58 116 799	1 940 075	2	-	22 411	224	2 042 399	27 531
Individual impairment	13 633 926	115 747	13 815 098	496 487	6 861 414	1 382 486	3 064 895	731 270	1 351 316	1 986	10 762 341	1 695 249
Total	**13 793 478**	**118 915**	**14 254 734**	**506 635**	**64 978 213**	**3 322 561**	**3 064 897**	**731 270**	**1 373 727**	**2 210**	**12 804 740**	**1 722 780**

The detail of the restructured loan portfolio by restructuring measure applied is as follows:

2017	31/12/17								
	Performing loans			Overdue loans			Total		
	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
New lending	32	1 048 093	452 550	13	2 345 406	1 986 884	45	3 393 499	2 439 435
Loan extensions	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**	**3 027 677**

2016	31/12/16								
	Performing loans			Overdue loans			Total		
	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
New lending	23	1 996 863	266 563	14	2 367 985	2 258 254	37	4 364 848	2 524 817
Loan extensions	2	311 753	41 038	3	6 292	5 294	5	318 045	46 332
Total	**25**	**2 308 616**	**307 601**	**17**	**2 374 277**	**2 263 548**	**42**	**4 682 893**	**2 571 149**

Inward and outward movements in the restructured-loan portfolio was as follows:

	31/12/2017	31/12/2016
Opening balance of the restructured loan portfolio (gross of impairment)	4 682 893	6 091 502
Loans restructured during the period	1 606 155	305 874
Settlement of restructured loans (partial or total)	(1 451 806)	(1 714 483)
Closing balance of the restructured loan portfolio (gross of impairment)	**4 837 242**	**4 682 893**

The detail 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:

	2017											
	Companies				Construction and real estate development				Housing			
	Real estate property		Other collateral		Real estate property		Other collateral		Real estate property		Other collateral	
< 50Makz	39	994 798	128	1 920 762	2	77 796	24	422 823	766	18 390 613	7	112 891
>=50MAOA e < 100 MAOA	21	1 517 663	26	1 715 621	1	77 155	7	491 547	122	7 857 991	4	260 501
>= 100 MAOA e < 500 MAOA	44	11 660 251	26	6 157 090	3	722 424	8	1 876 626	33	5 863 553	3	355 775
>= 500 MAOA e < 1000 MAOA	8	5 756 280	8	5 329 177	1	878 402	5	3 653 264	1	730 066	-	-
>= 1000 MAOA e < 2000 MAOA	6	9 823 771	4	6 099 921	1	1 358 793	2	2 786 958	-	-	-	-
>= 2000 MAOA e < 5000 MAOA	3	8 237 463	2	6 723 480	-	-	3	7 150 431	-	-	-	-
>= 5.000 MAOA	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**

	2016											
	Companies				Construction and real estate development				Housing			
	Real estate property		Other collateral		Real estate property		Other collateral		Real estate property		Other collateral	
< 50Makz	71	1 727 472	140	1 754 465	7	194 754	14	219 231	1 101	25 239 366	303	127 774
>=50MAOA e < 100 MAOA	33	2 480 401	30	1 400 919	2	131 292	1	-	117	7 400 647	56	243 128
>= 100 MAOA e < 500 MAOA	70	13 293 189	37	5 001 222	3	722 383	7	1 275 567	26	4 467 452	14	529 928
>= 500 MAOA e < 1000 MAOA	16	11 887 738	16	3 954 920	2	1 515 358	4	3 520 430	1	729 973	-	-
>= 1000 MAOA e < 2000 MAOA	12	17 439 188	10	11 035 817	3	4 376 272	4	5 124 272	-	-	-	-
>= 2000 MAOA e < 5000 MAOA	3	5 204 543	-	-	2	4 484 491	2	5 150 431	-	-	-	-
>= 5.000 MAOA	3	70 946 593	-	-	1	13 779 074	-	-	-	-	-	-
Total	**208**	**122 979 124**	**233**	**23 147 343**	**20**	**25 203 624**	**32**	**15 289 931**	**1 245**	**37 837 438**	**373**	**900 830**

The structure of the funding-collateral ratio of the construction, real-estate development and residential segments is as follows:

	2017				
	No. of properties	No. of other items of collateral	Performing loans	Overdue loans	Impairment
Companies					
Without collateral	-	-	72 400 974	565 578	1 090 502
< 50%	2	7	2 062 833	245 100	309 937
> = 50% e < 75%	2	8	539 563	-	15 621
> = 75% e < 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 00
> = 50% e < 75%	-	6	14.489.271	-	60 201
> = 75% e < 100%	2	11	7 668 887	453 901	836 639
> = 100%	7	29	21 022 006	4 064 713	4 890 170
Housing					
Without collateral	-	-	1 185 066	6 186	60 689
< 50%	2	-	45 531	-	101
> = 50% e < 75%	9	-	135 267	134	1 108
> = 75% e < 100%	13	2	494 824	264	25 961
> = 100%	894	12	16 047 649	312 893	1 233 057
	1 050	**256**	**203.308.965**	**12 168 247**	**17 911 641**

	2016				
	No. of properties	No. of other items of collateral	Performing loans	Overdue loans	Impairment
Companies					
Without collateral	-		32 264 029	3 216 551	4 147 248
< 50%	64	30	970 923	6 225	3 124 436
> = 50% e < 75%	2	12	366 349	1 048 511	53 944
> = 75% e < 100%	-	29	7 482 061	27 485	123 016
> = 100%	142	162	24 161 405	3 069 114	527 801
Construction and real estate development					
Without collateral	-	-	17 030 026	1 602 465	2 157 589
< 50%	6	2	353 200	-	564 670
> = 50% e < 75%	-	-	-	-	85 134
> = 75% e < 100%	1	8	9 260 576	-	13 535
> = 100%	13	22	5 992 949	1 411 632	1 002 198
Housing					
Without collateral	-	-	1 995 080	28 723	161 035
< 50%	91	28	22 653	720	952 955
> = 50% e < 75%	8	2	123 037	-	2 692
> = 75% e < 100%	20	12	560 182	17 235	12 277
> = 100%	1 126	331	18 879 181	141 986	486 458
	1 473	**638**	**119 461 651**	**10 570 647**	**13 414 988**

The distribution of the loan portfolio by internal risk level is as follows:

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 finance	1 453 977	33 627 154	171 729	66 650	197 166	39 286	1 001 491	36 557 453
Auto 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
Exposure of assets and liabilities	**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	**86 503 922**	**131 226 486**	**21 582 112**	**1 777 920**	**2 889 183**	**2 539 785**	**14 343 838**	**260 863 246**

Segment	31/12/2016							
	Risk class A	Risk class B	Risk class C	Risk class D	Risk class E	Risk class F	Risk class G	Total
Credit cards	11	664 101	1 499	618	2 787	189	6 649	675 854
General consumer finance	1 617 807	30 022 491	242 203	75 637	231 976	567 617	585 780	33 343 511
Auto loans	-	1 129 440	4 229	150	-	-	12 586	1 146 405
Home loans	43 005	22 180 493	288 605	140 041	588 711	148 591	1 359 402	24 748 848
Overdrafts	-	150 430	5 557	2 029	23 163	24 489	58 499	264 167
Corporates - less significant exposures	532 570	2 411 694	82 812	29 181	57 886	39 064	155 559	3 308 766
Corporates - significant exposures	31 747 644	76 853 261	2 520 913	434 270	1 526 018	3 216 357	6 650 005	122 948 468
Public sector	62 462 721	28 474	-	-	-	620 756	-	63 111 951
Exposure of assets and liabilities	**96 403 758**	**133 440 384**	**3 145 818**	**681 926**	**2 430 541**	**4 617 063**	**8 828 480**	**249 547 970**
Documentary credits and guarantees given	2 082 722	36 551 642	4 100	-	14 434	-	498	38 653 396
Total	**98 486 480**	**169 992 026**	**3 149 918**	**681 926**	**2 444 975**	**4 617 063**	**8 828 978**	**288 201 366**

As at December 31, 2017 & 2016, the risk levels provided in the above table are in accordance with the classification of National Bank of Angola Instruction no. 9/2015 on the methodology for setting aside provisions (Instruction still applicable for prudential ratio purposes).

The risk factors associated with the impairment by segment model are as follows

Segment	Impairment 2017 - Probability of default (%)			
	< 30 days without evidence	< 30 days with evidence	Between 30 and 90 days	Loss given default (%)
Credit cards	4%	24%	51%	21%
General consumer finance	4%	48%	51%	36%
Auto loans	1%	22%	45%	10%
Home loans	3%	83%	80%	12%
Overdrafts	23%	39%	56%	26%
Corporates - less significant exposures	15%	38%	40%	70%
Corporates - significant exposures	7%	22%	64%	49%

Segment	Impairment 2016 - Probability of default (%)			
	< 30 days without evidence	< 30 days with evidence	Between 30 and 90 days	Loss given default (%)
Credit cards	5%	32%	55%	83%
General consumer finance	4%	48%	53%	30%
Auto loans	1%	47%	55%	16%
Home loans	3%	80%	n.d.	14%
Overdrafts	28%	46%	54%	65%
Corporates - less significant exposures	6%	28%	n.d.	46%
Corporates - significant exposures	17%	52%	70%	54%

As at December 31, 2017 & 2016, the ten largest debtors accounted for 49,33% and 47,43%, respectively, of the total loan portfolio (excluding guarantees and documentary credits).

During 2017, the Bank wrote off mAOA 1 709 414 of loans classified at risk level G (Note 18).

During 2017 & 2016, recoveries of loans and interest previously cancelled or written off from assets totalled mAOA 372 116 and mAOA 390 469, respectively (Note 25).

11. NON-CURRENT ASSETS HELD FOR SALE

As at December 31, 2017 & 2016, this item is made up entirely of property received as payment in kind.

12. INVESTMENTS IN AFFILIATES, ASSOCIATES AND JOINT VENTURES

The detail of investments in affiliates, associates and joint ventures, as at December 31, 2017 & 2016, is as follows:

	31/12/2017				
	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	99,9%	50 000
Total investments in subsidiaries, associates and joint ventures					**50 375**

	31/12/2016				
	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
Holdings in other companies:					
EMIS – Empresa Interbancária de Serviços:	Angola	2001	59,150	6.50%	
Equity holding					59 150
Quasi-capital loans					383 347
Shareholder loans					18 581
Interest on Shareholder loans and quasi-capital loans					37 768
					498 846
IMC – Instituto do Mercado de Capitais	Angola	2004	400	2%	337
Total investments in subsidiaries, associates and joint ventures					**499 558**

In 2017, the company BFA – Asset Management was created. This company is 99,9% owned by the Bank, which thus has a group relationship with, and a position of control in, the company.

As set out in Note 8, the equity interest in EMIS and the shareholder loans and quasi-capital loans to EMIS and the equity interest in IMC, which at December 31, 2016 were classified under the heading of "Investments in affiliates, associates and joint ventures", were reclassified at December 31, 2017 to the heading of "Financial assets at fair value through profit or loss", specifically in the category of financial assets held for trading.

13. OTHER TANGIBLE ASSETS AND INTANGIBLE ASSETS

The movement in "Other tangible assets and intangible assets" during 2017 & 2016 is summarised below:

	31/12/17										
	Balances at 31.12.2016						Accum. depr.		Balances at 31.12.2017		
	Net assets	Accum. depr. & amort.	Net total assets	Additions	Transfers	Write-offs, disposals and others	for the year	Write-offs	Gross assets	Accum. depr. & amort.	Assets net of depr. & amort.
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**

	31/12/16										
	Balances at 31.12.2016						Accum. depr.		Balances at 31.12.2017		
	Net assets	Accum. depr. & amort.	Net total assets	Additions	Transfers	Write-offs, disposals and others	for the year	Write-offs	Gross assets	Accum. depr. & amort.	Assets net of depr. & amort.
Other tangible assets											
Property used in operations	21 369 234	(6 411 318)	14 957 916	276 681	364 452	(17 880)	(642 093)	-	21 992 487	(7 053 411)	14 939 076
Furniture, tools, fixtures and equipment	11 244 867	(7 855 131)	3 389 736	1 737 216	-	(321 352)	(1 302 632)	-	12 660 731	(9 157 763)	3 502 968
Fixed assets in progress	702 492	-	702 492	484 385	(364 452)	-	-	-	822 425	-	822 425
	33 316 593	(14 266 449)	19 050 144	2 498 282	-	(339 232)	(1 944 725)	-	35 475 643	(16 211 174)	19 264 469
Intangible assets											
Computer software	1 512 748	(973 830)	538 918	1 197 316	-	-	(426 970)	-	2 710 064	(1 400 800)	1 309 264
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)	-
	1 708 271	(1 169 353)	538 918	1 197 316	-	-	(426 970)	-	2 905 587	(1 596 323)	1 309 264
	35 024 864	**(15 435 802)**	**19 589 062**	**3 695 598**	**-**	**(339 232)**	**(2 371 695)**	**-**	**38 381 230**	**(17 807 497)**	**20 573 733**

As at December 31, 2017 & 2016, "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

As at December 31, 2017 & 2016, the balances of current tax assets and liabilities are as follows:

	31/12/2017	31/12/2016
Current tax assets	4 524	17 645
Current tax liabilities:		
Industrial tax	-	2 218 081
Capital gains tax	4 802 286	1 751 124
Tax on employment income	304 979	281 831
Taxation relating to remuneration	57 523	56 306
Special levy on bank transactions	-	45 237
	5 164 788	**4 352 579**

In 2017 and 2016 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:

	31/12/2017	31/12/2016
Current tax liabilities		
Industrial tax I Capital gains tax	-	2 218 081
Deferred tax assets	9 478 032	4 226 679
Recognition and reversal of temporary differences	(2 584 774)	(429 249)
Adjustment of estimates for previous years		
Industrial tax	45 326	(1 429 553)
Total tax recognised in the income statement	**6 938 584**	**4 585 958**
Profit before tax	**76 023 608**	**66 298 850**
Effective tax rate	9,13%	6,92%

In 2017, "Adjustment of the previous periods' estimate – Industrial Tax" relates entirely to the excess of the estimated Industrial Tax. In 2016, this item included: (i) mAOA 1 946 600 of income in respect of the 2015 Industrial Tax estimate, due to the fact that the Bank had considered as being taxable the foreign exchange gains on Treasury Bonds until December 31, 2012; and (ii) mAOA 517 047 of expense in respect of the additional Industrial Tax assessment for 2013 and related fines.

The reconciliation between the nominal tax rate and the effective tax rate for the periods ended December 31, 2017 & 2016, is as follows:

	31/12/2017		31/12/2016	
	Tax rate	Amount	Tax rate	Amount
Net income before tax		76 023 608		66 298 850
Tax calculated using nominal tax rate	30,00%	22 807 082	30,00%	19 889 655
Tax relief on income from public debt securities	(41,23)%	(31 348 098)	(27,32)%	(18 114 221)
Other permanent differences	7,83%	5 956 242	0,04%	26 614
Adjustment to previous year's estimate	0,06%	45 326	(2,16)%	(1 429 553)
Capital gains tax (CGT)	12,47%	9 478 032	6,38%	4 226 679
Other corrections	-	-	(0,07)%	(13 216)
Corporate income tax	**9,13%**	**6 938 584**	**6,87%**	**4 585 958**

Industrial Tax

As explained in Note 2.16, the Bank is subject to Industrial Tax and the rate applicable in the periods presented was 30%.

Deferred taxes

As at December 31, 2017 & 2016, the Bank has recognised deferred tax assets in the amounts of mAOA 3 763 050 and mAOA 1 178 276, respectively. The deferred tax assets recognised in 2016 result from temporary differences in the taxation of provisions for contingent liabilities. At December 31, 2017, in addition to the temporary differences referred to previously, the Bank recognised deferred tax assets resulting from the tax loss recorded in financial year 2017. The Board of Directors believes that the conditions for the recognition of these deferred tax assets are met, particularly as regards the future evolution (next 3 years) of the taxable income of the Bank allowing their deduction. These deferred tax assets were calculated on the basis of the tax rates laid down for the period in which the asset is expected to be realised.

The movement in deferred tax assets in the periods ended December 31, 2017 & 2016, is as follows:

	Balances at 31/12/2016	Charges	Uses / reversals	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**

	Balances at 31/12/2015	Charges	Uses / reversals	Balances at 31/12/2016
Provisions temporarily not allowed as a deductible expense:				
Provisions for banking risks, retirement benefits and Social Fund	749 027	429 249	-	1 178 276

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.

15. OTHER ASSETS

As at December 31, 2017 & 2016, the breakdown of "Other assets" is as follows:

	31/12/2017	31/12/2016
Currency transactions		
Forward currency transactions	-	26 982 819
Foreign currency purchase and sale	934 654	2 031 134
	934 654	**29 013 953**
Other amounts relating to taxes		
Other taxes receivable	477 470	606 145
	477 470	**606 145**
Other amounts of a civiil nature		
Sundry debtors:		
Public sector - government	3 992 481	2 939 975
Private sector – companies	108 748	2
Private sector – Employees	132 517	25 308
Private sector – individuals	6 905	8 382
Acquisitions in progress	618 081	(9 785)
Other debtors	23 250	628 678
	4 881 982	**3 592 560**
Other amounts of an administrative or commercial nature		
Advances on salaries	-	-
Prepaid expenses:		
Rents and leasing	503 452	268 639
Insurance	37 498	128 367
Other	296 713	214 899
	837 663	**611 905**
Office materials	179 057	218 275
Other advance payments:		
Cash shortfalls	1 337	3 609
Accruals	163 835	94 917
Other	5 174	5 284
	170 346	**103 810**
Bens que não de uso próprio ???		
	7 481 172	**34 146 648**

As at December 31, 2017 & 2016, the "Other amounts of a civil nature - Sundry debtors: Public sector - government" relates to commissions receivable from the General Tax Authority ("AGT") as remuneration for revenue-collection services provided by the Bank.

16. FUNDS OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The breakdown of this heading as at December 31, 2017 & 2016, is as follows:

	31/12/2017	31/12/2016
Interbank money market transactions		
Funds of credit institutions in Angola - Loans (AOA)	108 155 902	10 884
Funds of other entities		
Certified cheques	2 220 476	1 728 641
Funds tied to letters of credit	3 245 464	1 685 719
Other	19 617	20 325
	113 641 459	**3 445 569**
	113 641 459	**3 445 569**

At December 31, 2017, the interbank money market transactions relate to amounts borrowed by the Bank from other Angolan banks, maturing in January 2018.

The distribution of the Funds of central banks and other credit institutions by residual maturity is presented in Note 31.2.

"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.

17. CUSTOMER FUNDS & OTHER BORROWINGS

As at December 31, 2017 & 2016, the breakdown of "Customer funds & other borrowings" is as follows:

	31/12/2017	31/12/2016
Demand deposits of residents		
In domestic currency	406 603 149	366 326 302
In foreign currency	109 358 327	107 061 276
	515 961 476	**473 387 578**
Demand deposits of non-residents		
In domestic currency	21 390 865	13 974 193
In foreign currency	3 884 962	2 825 345
	25 275 827	**16 799 538**
Interest on demand deposits	3 178	1 372
Captive funds for requisition of foreign exchange	-	124 728 910
Total demand deposits	**541 240 481**	**614 917 398**
Term deposits of residents		
In domestic currency	256 115 996	191 026 324
In foreign currency	239 742 595	263 880 636
	495 858 591	**454 906 960**
Term deposits of non-residents	14 684 336	6 245 943
Interest on term deposits	6 458 026	3 679 993
Total term deposits	**517 000 953**	**464 832 896**
Total deposits	**1 058 241 434**	**1 079 750 294**

As at December 31, 2016, the balance of "Blocked funds for currency requests" relates to the blocked balance in Customers' demand deposit accounts because of requests for the provision of foreign currency that require authorisation by the National Bank of Angola.

In December 2017, BNA issued Instruction 05/2017, which abolishes the obligation to block local-currency funds in the applicant's bank account for the purpose of foreign currency purchases.

As at December 31, 2017 & 2016, the structure of Customer term deposits by remaining term to maturity is as follows:

	31/12/2017	31/12/2016
Up to three months	369 621 472	216 611 989
From 3 to 6 months	114 170 134	137 058 386
From 6 months to one year	33 209 347	111 162 521
	517 000 953	**464 832 896**

As at December 31, 2017, term deposits in domestic and foreign currency earned interest at the average annual rates of 7,11% and 1,47%, respectively (5,41% and 2,51% respectively as at December 31, 2016).

As at December 31, 2017 & 2016, the structure of demand and term deposits by type of Customer was as follows:

	31/12/2017	31/12/2016
Demand deposits		
Public sector - government	3 893 064	2 899 663
Public sector - corporate	8 360 713	5 965 688
Companies	344 156 239	426 167 627
Individuals	184 830 465	179 884 420
	541 240 481	**614 917 398**
Term deposits		
Public sector - government	553 190	480 692
Public sector - corporate	6 532 407	3 239 253
Companies	296 343 386	235 252 627
Individuals	213 571 970	225 860 324
	517 000 953	**464 832 896**

18. IMPAIRMENT AND PROVISIONS

During 2017 & 2016, the movement under provisions was as follows:

	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

	31/12/2016							
		Increases		Decreases				
	Balances at 31/12/2015	Charges	Staff costs (Note 26)	Write-backs and reversals	Charge-offs	Exchange differences and others	Transfers	Balances at 31/12/2016
Loan impairment (Note 10)	14 585 970	3 900 182	-	(1 126 610)	(5 642 092)	1 394 173	1 125 476	14 237 099
Provisions for:								
General banking risks								
In relation to company law or the Bylaws	2 300 969	-	-	-	(142 490)	520 116	-	2 678 595
Of an administrative or commercial nature	493 701	889 544	-	-	(162 816)	119 128	-	1 339 557
Guarantees provided (Note 10)	1 102 145	-	-	-	-	377 867	(1 125 476)	354 536
Sponsored retirement and survival benefits funds								
Retirement benefits	236 613	-	60 827	-	-	5 514	-	302 954
	4 133 428	889 544	60 827	-	(305 306)	1 022 625	(1 125 476)	4 675 642
	18 719 398	4 789 726	60 827	(1 126 610)	(5 947 398)	2 416 798	-	18 912 741

As at December 31, 2017 & 2016, “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 set aside between 2005 and 2009, inclusive. At the end of 2017, the Board of Directors of the Bank decided to reinforce this provision, so as to bring the total to mUSD 30 000 (equivalent to mAOA 4 977 719).

As at December 31, 2017 & 2016, “Provisions of an administrative and marketing nature” consists of (i) provisions 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, in the amount of mAOA 3 382 282; (ii) a provision for eventual contingencies related to the cancellation of certified cheques over five years old not settled by the beneficiaries in the amount of mAOA 310 199; and (iii) a provision created in 2017, based on principles of prudence, for macroeconomic and financial stability risks, in the amount of mAOA 16 592 400.

As at December 31, 2017 & 2016, the balance of “Retirement benefits” is to cover the Bank’s liabilities in the matter of retirement benefits. Liabilities in respect of retirement benefits are determined by multiplying 25% of the base monthly 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 amount of these liabilities is determined by actuaries using the Projected Unit Credit method for liabilities for past services.

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. As at December 31, 2017 & 2016, the Bank’s contributions to the BFA Pension Fund amounted to mAOA 606 175 and mAOA 923 557, 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 breakdown of "Other liabilities" as at December 31, 2017 & 2016, is as follows:

	31/12/17	31/12/16
Currency transactions		
Forward currency transactions	992 231	1 903 857
Foreign currency purchase and sale	-	28 121 897
	992 231	**30 025 754**
Liabilities under company law or the Bylaws		
Dividend cost	10 636 834	6 796 498
	10 636 834	**6 796 498**
Tax payable - withheld on behalf of third parties		
On income	162 962	672 923
Other	251 900	114 901
	414 862	**787 824**
Liabilities of a civil nature	284 817	1 742 129
Liabilities of an administrative or commercial nature		
Staff - salaries and other remuneration		
Holiday pay and holiday subsidy	1 713 805	1 609 977
Performance bonus	543 166	248 855
Other staff costs	597 162	501 969
	3 138 950	**2 360 801**
Other liabilities of an administrative or commercial nature		
Accruals	1 676 111	526 639
Monthly instalments	1 404 590	1 491 557
Movements in ATMs - pending settlement	2 673 870	2 028 474
Other	717 126	363 146
	6 471 697	**4 409 816**
	21 654 574	**46 122 822**

As at December 31, 2017, "Dividend expense" includes the accumulated dividends approved for distribution by the Bank to its Shareholders.

As at December 31, 2017 & 2016, "Other administrative and marketing costs payable – Other", includes mAOA 276 795 and mAOA 147 096, respectively, concerning amounts blocked in Customers' accounts that await compensation for bank transfer requests.

As at December 31, 2017 and 2016, "Movements carried out via ATMs - to be regularised", totalling mAOA 2 674 and mAOA 2 028, respectively, relate to transactions carried out via ATMs that were regularised in the first few days of the following year.

20. 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 on June 30, 2002), represented by 1 305 561 registered shares each of a par value of one thousand kwanzas, 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.

The Bank has not updated its share capital since 2005, as Angola is no longer considered a hyperinflationary economy.

As a result, as at December 31, 2017 & 2016, the Bank's share capital amounted to mAOA 3 521 996. As at December 31, 2017 & 2016, the share-capital update monetary reserve (Note 2.9) amounted to mAOA 450 717.

The Shareholder structure of the Bank as at December 31, 2017 & 2016 is as follows:

	31/12/2017		31/12/2016	
	Number of shares	%	Number of shares	%
Unitel, S.A.	677 586	51,90%	651 475	49,90%
Banco BPI, S.A.	627 711	48,08%	653 822	50,08%
Other BPI Group entities	264	0,02%	264	0,02%
	1 305 561	**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 BFA's share capital, implementation of which entailed an increase in 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 the National Bank of 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; and
- Approval of the operation by the General Meeting of Banco BPI.

On December 12, 2016, the National Bank of 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.

As at December 31, 2017 & 2016, 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 tangible fixed assets by applying coefficients that reflected the monthly change in the official euro exchange rate to the gross carrying amounts of tangible fixed assets 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 tangible fixed assets (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:

	31/12/2017	31/12/2016
Reserves and funds		
Legal reserve	5 161 890	5 161 890
Other reserves	137 948 277	100 920 542
	143 110 167	**106 082 432**

By unanimous resolution of the general meeting of April 26, 2017, it was decided to distribute mAOA 24 685 157, corresponding to 40% of the net profit for the previous year (mAOA 61 712 892), to the Shareholders as dividends, the remainder being allocated to "Other reserves".

Under current law, the Bank is required to set aside a legal reserve fund until such time as it 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.

Earnings and dividend per share

The earnings per share and dividend paid in the years ended December 31, 2016 & 2017, out of the previous year's profits were as follows:

	31/12/2017	31/12/2016
Earnings per share	52 916	47 270
Dividend per share paid in the period out of prior period profit	18 908	11 600

21. NET INTEREST INCOME

During the periods ended December 31, 2017 & 2016, the breakdown of these headings is as follows:

	31/12/2017	31/12/2016
INTEREST INCOME AND SIMILAR INCOME		
From short-term investments:		
Term deposits at credit institutions abroad	680 645	449 143
Term deposits at credit institutions in Angola	482 432	2 067 281
Other	28 074	10 306
Income from reverse repurchase agreements	614 633	760 694
	1 805 784	**3 287 424**
From securities:		
From securities held for trading		
Treasury bills	70 021 171	27 807 418
Treasury bonds in domestic currency indexed to foreign currency	2 870 916	-
Treasury bonds in domestic currency	2 116 282	2 217 133
From securities held to maturity		
Treasury bills	-	1 026 810
Treasury bonds in domestic currency indexed to foreign currency and in foreign currency	7 869 168	10 278 013
Treasury bonds in domestic currency	20 291 560	12 506 068
	103 169 097	**53 835 442**
From derivative financial instruments:		
In speculation and arbitrage	2 485 385	3 295 984
From loans granted		
Companies and government		
Loans	12 387 037	11 338 029
Current account facility	5 373 382	4 411 773
Overdrafts	-	181 600
Other credit	20 596	16 957
Individuals		
Home loans	983 697	1 256 031
Consumer loans	4 214 338	3 468 588
Other purposes	1 533 442	1 726 065
Overdue interest	1 483 470	1 426 964
Total interest income and similar income	**133 456 228**	**84 244 857**

	31/12/2017	31/12/2016
INTEREST EXPENSE AND SIMILAR CHARGES		
Of deposits:		
Demand deposits	325 497	408 741
Term deposits	23 297 827	16 104 913
	23 623 324	**16 513 654**
Of short-term borrowings:		
Interbank money market transactions	1 284 316	15 090
Repurchase transactions	-	-
	1 284 316	**15 090**
Other interest expense and similar charges	726 134	499 609
	726 134	499 609
Total interest expense and similar charges	**25 633 773**	**17 028 353**

22. FEE AND COMMISSION INCOME/(EXPENSE)

During the periods ended December 31, 2017 & 2016, the breakdown of this heading is as follows:

	31/12/17	31/12/16
Fee income from services provided		
Fees for payment orders issued	2 154 243	2 096 903
Fees for guarantees and sureties given	447 834	451 298
Fees for import documentary credits opened	1 073 417	205 658
Other fee and commission income	10 809 619	8 030 508
	14 485 114	**10 784 367**
Fee and custody expenses		
Fee and commission expense	(2 369 283)	(2 173 659)
	(2 369 283)	**(2 173 659)**

The amount carried under "Other commissions" is primarily in respect of commission income associated with credit card transactions and Multicaixa transactions.

23. FOREIGN EXCHANGE GAINS OR LOSSES

During the periods ended December 31, 2017 & 2016, the breakdown of this heading is as follows:

	31/12/2017	31/12/2016
Exchange gains/(losses) on assets and liabilities denominated in foreign currency	1 189 470	9 374 416
Foreign currency purchase and sale transactions	8 934 699	8 399 676
	10 124 169	**17 774 092**

24. GAINS/(LOSSES) ON DISPOSAL OF OTHER ASSETS

During the periods ended December 31, 2017 & 2016, the breakdown of this heading is as follows:

	31/12/2017	31/12/2016
Gains/(losses) on disposal of fixed assets		
Gains on disposal of tangible assets	110 897	8 568
Losses on disposal of tangible assets	(1 422)	(958)
	109 475	**7 610**

25. OTHER OPERATING INCOME/(EXPENSE)

During the periods ended December 31, 2017 & 2016, the breakdown of this heading is as follows:

	31/12/2017	31/12/2016
Other operating income/(expense):		
Non-income-related taxes and levies	(522 655)	(894 001)
Penalties imposed by regulatory authorities	(21 319)	(3 163)
Recovery of administrative and commercial costs	2 510 913	2 141 477
Other	1 484 485	1 704 522
	3 451 424	**2 948 835**

In 2017 and 2016 "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-orders operations; and (ii) card income through national transfers and cash advances.

During 2017 & 2016, "Other operating income/(expense) - Other" includes income from loan recoveries and interest previously cancelled or written off from assets in the amounts of mAOA 372 116 and mAOA 390 469, respectively (Note 10).

26. STAFF COSTS

During the periods ended December 31, 2017 & 2016, the breakdown of this heading is as follows:

	31/12/2017	31/12/2016
Members of management and supervisory bodies		
Monthly remuneration	185 813	147 916
Additional remuneration	166 104	126 335
Mandatory welfare costs	5 175	4 390
Optional welfare costs	381	1 454
	357 473	**280 095**
Employees		
Monthly remuneration	8 146 772	7 968 468
Additional remuneration	7 031 112	6 542 334
Mandatory welfare costs	523 191	484 330
Optional welfare costs	1 116 766	622 163
	16 817 841	**15 617 295**
Pension plan costs		
Supplementary pension plan	606 175	923 557
Retirement benefits	69 857	60 827
Other	94 922	47 627
	770 953	1 032 011
	17 946 267	**16 929 401**

27. THIRD-PARTY SUPPLIES & SERVICES

During the periods ended December 31, 2017 & 2016, the breakdown of this heading is as follows:

	31/12/2017	31/12/2016
Audits, consulting and other specialised technical services	4 281 110	3 567 521
Security, maintenance and repairs	1 677 990	1 515 067
Transport, travel and accommodation	1 277 512	1 140 827
Rents	1 267 823	1 222 885
Communications	1 186 579	687 559
Water and energy	891 612	917 376
Publications, advertising and direct mail	883 804	1 291 159
Sundry materials	717 023	597 647
Insurance	428 005	228 707
Other third-party supplies	397 126	482 426
	13 008 584	**11 651 174**

28. OFF-BALANCE SHEET ITEMS

The breakdown of these headings is as follows:

	31/12/2017	31/12/2016
Liabilities to third parties:		
Guarantees provided	27 580 970	28 210 552
Commitments to third parties		
Documentary credits opened	19 742 663	10 442 844
	47 323 633	**38 653 396**
Liabilities for services provided:		
Services provided by the institution		
Securities custody	427 282 494	356 828 471
Documentary remittances	(18 646 287)	18 559 818
Clearing of cheques drawn on foreign banks	111 236	395 748
	408 747 443	**375 784 037**

As at December 31, 2017 & 2016, "Documentary credits opened" includes open documentary credits secured by deposits blocked at the Bank in the amount of mAOA 3 245 464 and mAOA 1 685 719, respectively.

As at December 31, 2017 & 2016, the Bank had set aside impairment provisions of mAOA 716 415 and mAOA 354 536, respectively, to cover the credit risk assumed in granting guarantees and issuing documentary credits (Notes 10 and 18).

As at December 31, 2017 & 2016, "Securities custody" primarily refers 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;
- associate companies and joint ventures and the Pension Fund;
- entities directly or indirectly having significant influence over the management and financial policy of the Bank - Shareholders; and
- key management personnel of the Bank, considering for this purpose the executive and non-executive members of the Board of Directors and companies in which the members of the Board of Directors have significant influence.

As at December 31, 2017 & 2016, the Bank's main balances and transactions with related parties are as follows:

	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	Investee companies	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 and advances to credit institutions	81 641 819	-	-	-	-	-	81 641 819
Loans granted	-	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)	(110 772 230)
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 used as deposit	-	(20 797 219)	(174 118)	-	(52 380)	(8 580 048)	(29 603 765)
Participation units	-	(171 748)	(27 700)	-	-	-	(199 448)
Documentary letters of credit	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-

Em 31 de Dezembro de 2016, os principais saldos e transacções mantidos pelo Banco com entidades relacionadas são os seguintes:

	31/12/2016					
	Accionistas do BFA					
	BPI Group	Unitel Group	Members of BFA's Board of Directors	Sociedades onde os membros do Conselho de Administração têm influência significativa	BFA Pension Fund	Total
Cash and banks						
Cash available on demand from credit institutions	28 745 669	-	-	-	-	28 745 669
Short-term investments:						
Other loans and advances to credit institutions	80 128 392	-	-	-	-	80 128 392
Loans granted	-	-	172 931	2 032 312	-	2 205 243
Customer deposits:						
Sight deposits	-	(9 462 870)	(27 064)	(674 412)	(72 970)	(10 237 316)
Term deposits	-	(62 894 340)	(515 360)	(60 683)	(264 695)	(63 735 078)
Other funds	(6 796 498)	-	-	-		(6 796 498)
Interest income and similar income	405 662	n.d.	n.d.	n.d.	-	405 662
Interest expense and similar expense	-	n.d.	n.d.	n.d.	(211 277)	(211 277)
Fee and commission expense and other costs	(308 365)	n.d.	n.d.	n.d.	(923 557)	(1 231 922)
Securities used as deposit	-	(27 093 048)	(55 893)	-	(7 053 922)	(34 202 863)
Documentary letters of credit	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-

The information reported as at December 31, 2017 & 2016, does not include the costs and income with the Unitel Group, with the members of the BFA Board of Directors or with companies in which the latter have significant influence.

30. BALANCE SHEET BY CURRENCY

The balances as at December 31, 2017 & 2016, by currency are shown below:

	2017			2016		
	Domestic currency	Foreign currency	Total	Domestic currency	Foreign currency	Total
Cash and balances at central banks	181 406 960	40 232 422	221 639 382	235 157 135	43 997 450	279 154 585
Balances with other credit institutions	-	34 998 048	34 998 048	-	38 031 194	38 031 194
Funds deposited in central banks and other credit institutions	34 004 716	99 344 067	133 348 783	10 635 400	96 576 328	107 211 728
Financial assets at fair value through profit or loss	543 446 232	658 276	544 104 508	294 776 253	43 165 696	337 941 949
Investments held to maturity	173 055 845	109 606 083	282 661 928	102 757 219	155 982 854	258 740 073
Loans and advances to Customers	114 381 104	80 427 764	194 808 868	134 557 807	100 753 064	235 310 871
Non-current assets held for sale	-	73 316	73 316	-	73 307	73 307
Investments in affiliates, associates and joint ventures	50 375	-	50 375	97 631	401 927	499 558
Other tangible assets	18 974 986	-	18 974 986	19 264 469	-	19 264 469
Intangible assets	1 155 500	-	1 155 500	1 309 264	-	1 309 264
Current tax assets	4 524	-	4 524	17 645	-	17 645
Deferred tax assets	3 763 050	-	3 763 050	1 178 276	-	1 178 276
Other assets	6 214 942	1 266 231	7 481 173	27 251 685	6 894 963	34 146 648
Total assets	**1 076 458 234**	**366 606 207**	**1 443 064 441**	**827 002 784**	**485 876 783**	**1 312 879 567**
Funds of central banks and other credit institutions	110 376 377	3 265 082	113 641 459	1 759 850	1 685 719	3 445 569
Customer funds and other borrowings	695 536 811	362 704 622	1 058 241 433	698 510 509	381 239 785	1 079 750 294
Financial liabilities at fair value through profit or loss	670 628	-	670 628	22 846	1 487 950	1 510 796
Provisions	19 690 459	6 579 368	26 269 827	1 642 511	3 033 131	4 675 642
Current tax liabilities	5 161 458	3 330	5 164 788	4 352 579	-	4 352 579
Other Liabilities	(29 965 739)	51 620 313	21 654 574	12 692 238	33 430 584	46 122 822
Total liabilities	**801 469 994**	**424 172 715**	**1 225 642 709**	**718 980 533**	**420 877 169**	**1 139 857 702**
Net assets	**274 988 240**	**(57 566 508)**	**217 421 732**	**108 022 251**	**64 999 614**	**173 021 865**
Shareholders' equity	**217 421 732**	**-**	**217 421 732**	**173 021 865**	**-**	**173 021 865**

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 182 216 515 and mAOA 42 952 229 as at December 31, 2017 and 2016, respectively; and "Investments held to maturity" in the amounts of mAOA 24 940 340 and mAOA 43 252 851 as at December 31, 2017 & 2016, respectively); and (ii) the notional amounts of the forwards (recognised in off-balance sheet accounts in 2017 in the amount of mAOA 68 164 091), the balance sheet by currency presents the following structure:

	2017			2016		
	Foreign currency	Foreign currency	Total	Foreign currency	Foreign currency	Total
Cash and balances at central banks	181 406 960	40 232 422	221 639 382	235 157 135	43 997 450	279 154 585
Balances with other credit institutions	-	34 998 048	34 998 048	-	38 031 194	38 031 194
Funds deposited in central banks and other credit institutions	34 004 716	99 344 067	133 348 783	10 635 400	96 576 328	107 211 728
Financial assets at fair value through profit or loss	361 229 717	182 874 791	544 104 508	294 776 253	43 165 696	337 941 949
Investments held to maturity	148 115 505	134 546 423	282 661 928	102 757 219	155 982 854	258 740 073
Loans and advances to Customers	114 381 104	80 427 764	194 808 868	134 557 807	100 753 064	235 310 871
Non-current assets held for sale	-	73 316	73 316	-	73 307	73 307
Investments in affiliates, associates and joint ventures	50 375	-	50 375	97 631	401 927	499 558
Other tangible assets	18 974 986	-	18 974 986	19 264 469	-	19 264 469
Intangible assets	1 155 500	-	1 155 500	1 309 264	-	1 309 264
Current tax assets	4 524	-	4 524	17 645	-	17 645
Deferred tax assets	3 763 050	-	3 763 050	1 178 276	-	1 178 276
Other assets	74 379 032	1 266 231	75 645 263	27 251 685	6 894 963	34 146 648
Total assets	**937 465 469**	**573 763 062**	**1 511 228 531**	**827 002 784**	**485 876 783**	**1 312 879 567**
Funds of central banks and other credit institutions	110 376 377	3 265 082	113 641 459	1 759 850	1 685 719	3 445 569
Customer funds and other borrowings	695 536 811	362 704 622	1 058 241 433	698 510 509	381 239 785	1 079 750 294
Financial liabilities at fair value through profit or loss	670 628	-	670 628	22 846	1 487 950	1 510 796
Provisions	19 690 459	6 579 368	26 269 827	1 642 511	3 033 131	4 675 642
Current tax liabilities	5 161 458	3 330	5 164 788	4 352 579	-	4 352 579
Other Liabilities	(29 965 739)	119 784 403	89 818 664	12 692 238	33 430 584	46 122 822
Total liabilities	**801 469 994**	**492 336 805**	**1 293 806 799**	**718 980 533**	**420 877 169**	**1 139 857 702**
Net assets	**135 995 475**	**81 426 257**	**217 421 732**	**108 022 251**	**64 999 614**	**173 021 865**
Shareholders' equity	**217 421 732**	**-**	**217 421 732**	**173 021 865**	**-**	**173 021 865**

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 4º of National Bank of Angola Notice no. 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 no. 3/2012.

31. RISK MANAGEMENT

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:

Loan applications

Applications for loans or guarantees submitted to BFA for approval:

- Are adequately detailed in a Term Sheet containing all the essential and additional information required for the formalisation of the operation;
- Comply with the relevant product specifications;
- Are accompanied by a duly substantiated analysis of the credit risk; and
- Contain the signatures of the applicants.

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. This practice is only applicable when the Customer or economic group has at least one exposure past-due by more than 30 days and when the Customer's consolidated risk position is greater than 10% of the consolidated risk position of the economic group.

At present, taking into account the National Bank of 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 operations 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

The individual classification of the exposure considers the characteristics and risks of the operation and of the borrower, and is initially classified on the basis of the following criteria adopted by the Bank:

- **Level A**: operations that are:

(i) assumed by the Angolan State, encompassing their central administrations and provincial administrations;

(ii) assumed by central administrations, central banks of countries included in group 1 (defined in National Bank of Angola Instruction no. 1/2015 of January 14), international organisations, multilateral development banks and international organisations;

(iii) fully secured by cash deposits or certificates of deposit constituted or issued by the lending institution or institutions in a controlling or group relationship with the lending institution having their registered office in Angola or a country included in group 1, multilateral development banks and international organisations, provided that 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 that the exposure and the deposit or certificate are denominated in the same currency; and

(v) fully secured by securities or bonds issued by the Angolan State or by the National Bank of Angola.

- **Level B**: other loans.

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 level	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

The risk is maintained at "Level A: Minimum risk" even in the event of a delay in payments.

Within the scope of the regular review of loan operations, including overdue loans, BFA reclassifies non-performing loans to outstanding on the basis of an analysis of the economic prospects of collectability, taking particular account of the existence of guarantees, of the assets of the borrowers or guarantors and the existence of operations whose risk the BFA equates to State risk.

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.

Property collateral is appraised before the loan approval decision is taken. 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.

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; and
- 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); and
- A significant partial payment of the outstanding principal (current or overdue) 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 for 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 overdue and default interest, or if the quality and value of additional collateral posted for the renegotiated loan so warrants.

Monitoring of past-due loans

Past-due loans are monitored by the commercial teams, as a rule when they are overdue by up to 60 days, in turn monitored by a specialised team. For loans past-due by more than 60 days, 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 International Accounting Standard 39.

The first use of this model and its results were determined as at June 30, 2013. Since that reference date monthly calculations have been carried out. The half-year results are approved by the Bank's Board of Directors.

Securities

The BFA securities portfolio has due regard for the high credit quality of the issuers. As at June 2017 and December 2016, it was made up entirely of securities issued by the Angolan State and the National Bank of Angola.

As at December 31, 2017 & 2016, the breakdown of the maximum credit-risk exposure is as follows:

	31/12/2017			31/12/2016		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
On-balance-sheet funds						
Cash and balances at central banks	221 639 382	-	221 639 382	279 154 585	-	279 154 585
Balances with other credit institutions	34 998 048	-	34 998 048	38 031 194	-	38 031 194
Funds deposited in central banks and other credit institutions	133 348 784	-	133 348 784	107 211 728	-	107 211 728
Financial assets at fair value through profit or loss	544 104 508	-	544 104 508	337 941 949	-	337 941 949
Investments held to maturity	282 661 928	-	282 661 928	258 740 073	-	258 740 073
Loans and advances to Customers	213 539 613	18 730 745	194 808 868	249 547 970	14 237 099	235 310 871
	1 430 292 263	18 730 745	1 411 561 518	1 270 627 499	14 237 099	1 256 390 400
Extrapatrimoniais						
Garantias prestadas e créditos documentários abertos	47 323 633	716 415	46 607 218	38 653 396	354 536	38 298 860
Total	**1 477 615 896**	**19 447 160**	**1 458 168 736**	**1 309 280 895**	**14 591 635**	**1 294 689 260**

The financial assets credit quality as at December 31, 2017 & 2016 is as follows:

	Source of rating	Rating grade	31/12/2017 Gross exposure	Impairment	Net exposure
Cash and balances at central banks	External rating	B+ a B-	187 564 231	-	187 564 231
	Unrated	N/D	34 075 151	-	34 075 151
			221 639 382	-	221 639 382
Balances with other credit institutions	External rating	A+ a A-	344 339	-	344 339
		BBB+ a BBB-	33 794 376	-	33 794 376
		BB+ a BB-	859 333	-	859 333
	Unrated	N/D	-	-	-
			34 998 048	-	34 998 048
Funds deposited in central banks and other credit institutions	External rating	A+ a A-	1 093 634	-	1 093 634
		BBB+ a BBB-	98 250 433	-	98 250 433
		BB+ a 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+ a B-	540 371 262	-	540 371 262
	Unrated	N/D	3 733 246	-	3 733 246
			544 104 508	-	544 104 508
Held-to-maturity investments	External rating	B+ a B-			
Loans and advances to Customers - On-balance-sheet	Internal rating	Classe A	85 806 163	(1 030 479)	86 836 642
		Classe B	84 770 611	(1 804 890)	82 965 721
		Classe C	21 571 270	(1 309 670)	20 261 600
		Classe D	1 723 298	(460 045)	1 263 253
		Classe E	2 889 183	(208 133)	2 681 050
		Classe F	2 437 589	(570 941)	1 866 648
		Classe 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	Classe A	697 759	(14 014)	683 745
		Classe B	46 455 875	(655 844)	45 800 031
		Classe C	10 842	(3 757)	7 085
		Classe E	54 622	(10 924)	43 698
		Classe F	102 196	(30 659)	71 537
		Classe G	2 339	(1 217)	1 122
			47 323 633	**(716 415)**	**46 607 218**
		Total	**1 194 953 968**	**(19 447 160)**	**1 175 506 808**

	Source of rating	Rating grade	31/12/2017 Gross exposure	Impairment	Net exposure
Cash and balances at central banks	External rating	B+ a B-	255 728 381	-	255 728 381
	Unrated	N/D	23 426 204	-	23 426 204
			279 154 585	-	279 154 585
Balances with other credit institutions	External rating	A+ a A-	768 380	-	768 380
		BBB+ a BBB-	3 334 381	-	3 334 381
		BB+ a BB-	33 097 755	-	33 097 755
	Unrated	N/D	830 678	-	830 678
			38 031 194	-	38 031 194
Funds deposited in central banks and other credit institutions	External rating	A+ a A-	3 318 269	-	3 318 269
		BBB+ a BBB-	8 295 150	-	8 295 150
		BB+ a BB-	80 128 392	-	80 128 392
	Unrated	N/D	15 469 917	-	15 469 917
			107 211 728	-	107 211 728
Financial assets at fair value through profit or loss	External rating	B+ a B-	336 406 492	-	336 406 492
	Unrated	N/D	1 535 457	-	1 535 457
			337 941 949	-	337 941 949
Held-to-maturity investments	External rating	B+ a B-	258 740 073	-	258 740 073
Loans and advances to Customers - On-balance-sheet	Internal rating	Classe A	96 403 758	-	96 403 758
		Classe B	133 440 384	(1 305 954)	132 134 430
		Classe C	3 145 818	(149 571)	2 996 247
		Classe D	681 926	(121 888)	560 038
		Classe E	2 430 541	(683 115)	1 747 426
		Classe F	4 617 063	(3 148 091)	1 468 972
		Classe G	8 828 480	(8 828 480)	-
			249 547 970	(14 237 099)	235 310 871
Loans and advances to Customers Off-balance-sheet	Internal rating	Classe A	2 082 722	-	2 082 722
		Classe B	36 551 642	(349 504)	36 202 138
		Classe C	4 100	(204)	3 896
		Classe E	14 434	(4 330)	10 104
		Classe G	498	(498)	-
			38 653 396	(354 536)	38 298 860
		Total	**1 309 280 895**	**(14 591 635)**	**1 294 689 260**

As at December 31, 2017 & 2016, the detail of interest income and expense of financial instruments not measured at fair value through profit or loss is as follows:

	31/12/2017			31/12/2016		
	Income	Expenses	Net	Income	Expenses	Net
Assets						
Funds deposited in central banks and other credit institutions	1 805 784		1 805 784	3 287 424		3 287 424
Investments held to maturity	28 160 728	-	28 160 728	23 810 890		23 810 890
Loans and advances to Customers	25 995 961	6 666 035	19 329 926	23 601 977	2 758 439	20 843 538
	55 962 473	6 666 035	49 296 438	50 700 291	2 758 439	47 941 852
Liabilities						
Customer funds and other borrowings	-	23 623 324	(23 623 324)	-	(16 560 804)	16 560 804
Funds of central banks and other credit institutions	-	731 850	(731 850)	-	(15 090)	15 090
	-	24 355 174	(24 355 174)	-	(16 575 894)	16 575 894
Off-balance-sheet						
Guarantees given	442 386	-	442 386	451 298	-	451 298
Documentary credits	1 073 417	-	1 073 417	205 658	-	205 658
	1 515 803	**-**	**1 515 803**	**656 956**	**-**	**656 956**
	57 478 276	**31 021 209**	**26 457 067**	**51 357 247**	**(13 817 455)**	**65 174 702**

As at December 31, 2017 & 2016, the detail of the net gains and losses on financial instruments is as follows:

	31/12/2017					
	Through profit or loss			Through equity		
	Income	Expenses	Net	Income	Expenses	Net
Assets						
Funds deposited in 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 held to maturity	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**	**-**	**-**	**-**

	31/12/2016					
	Through profit or loss			Through equity		
	Gains	Losses	Net gains/ (losses)	Gains	Losses	Net gains/ (losses)
Assets						
Funds deposited in central banks and other credit institutions	3 287 424	-	3 287 424	-	-	-
Financial assets at fair value through profit or loss	34 684 458	-	34 684 458	-	-	-
Investments held to maturity	23 601 977	-	23 601 977	-	-	-
Loans and advances to Customers	23 601 977	-	23 601 977	-	-	-
	85 175 836	-	85 175 836	-	-	-
Liabilities						
Customer funds and other borrowings	-	(16 560 804)	16 560 804	-	-	-
Funds of central banks and other credit institutions	-	(15 090)	15 090	-	-	-
Financial liabilities at fair value through profit or loss	3 295 984	(499 609)	3 795 593	-	-	-
	3 295 984.00	(17 075 503)	20 371 487	-	-	-
Off-balance-sheet						
Guarantees given	451 298	-	451 298	-	-	-
Documentary credits	205 658	-	205 658	-	-	-
	656 956	**-**	**656 956**	**-**	**-**	**-**

As at December 31, 2017 & 2016, the detail of the geographic concentration of the risk exposure is as follows:

	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 with other credit institutions	-	117 496	34 565 452	315 100	34 998 048
Funds deposited in 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 held to maturity	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**

	2015				
	Angola	Other countries in Africa	Europe	Other	Total
Activos					
Caixa e disponibilidades em bancos centrais	279 154 585	-	-	-	279 154 585
Disponibilidades em outras instituições de crédito	-	334 155	36 933 400	763 639	38 031 194
Aplicações em bancos centrais e em outras instituições de crédito	15 469 917	-	91 741 811	-	107 211 728
Activos financeiros ao justo valor através de resultados	337 941 949	-	-	-	337 941 949
Investimentos detidos até à maturidade	258 740 073	-	-	-	258 740 073
Crédito a Clientes	235 310 871	-	-	-	235 310 871
Total	**996 740 310**	**1 126 617 395**	**128 675 211**	**763 639**	**1 256 390 400**

The sectoral concentration of loans and advances to Customers as at December 31, 2017 & 2016 is as follows:

	31/12/2017						
	Loans & advances to Customers					Impairment	
	Performing	Overdue	Guarantees given	Total exposure	Relative weight	Value	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	35 821 220	736 232	-	36 557 452	13%	1 405 042	4%
Housing	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**	

	31/12/2016						
	Loans & advances to Customers					Impairment	
	Performing	Overdue	Guarantees given	Total exposure	Relative weight	Value	Impairment/ Total exposure
Companies							
Real estate and rental activities provided by companies	13 814 896	57 691	431 546	14 304 133	5%	210 797	1%
Other collective, social and personal services	200 636	98	-	200 734	-	2 067	1%
Central government	60 604 266	-	-	60 604 266	21%	-	-
Agriculture, livestock, hunting and forestry	14 734 021	464 940	29 659	15 228 620	5%	377 857	2%
Hotels and restaurants	4 822 526	304 634	-	5 127 160	2%	449 958	9%
Financial activities	259 461	127 714	6 446 009	6 833 184	2%	70 929	1%
Wholesale and retail trade	10 736 888	2 560 099	1 462 100	14 759 087	5%	2 308 044	16%
Construction	35 868 377	3 014 098	18 360 520	57 242 995	20%	4 138 190	7%
Education	479 944	199 696	498	680 138	-	306 323	45%
Extractive industries	1 907 661	625 975	78 778	2 612 414	1%	319 711	12%
Processing industries	13 539 302	77 276	176 900	13 793 478	5%	118 915	1%
Other service companies	7 972 672	892 622	5 728 285	14 593 579	5%	510 023	3%
Production and distribution of electricity, gas and water	1 579 842	715 936	769 119	3 064 897	1%	731 270	24%
Health and social action	1 373 718	10	-	1 373 728	-	2 210	-
Transport, storage and communications	6 102 900	1 546 197	5 155 643	12 804 740	4%	1 722 780	13%
	173 997 110	10 586 986	38 639 057	223 223 153		11 269 074	
Individuals							
Consumer	32 678 764	664 745	-	33 343 509	12%	1 337 576	4%
Housing	24 510 569	238 279	-	24 748 848	9%	1 813 365	7%
Other purposes	6 725 114	146 403	14 339	6 885 856	2%	171 620	2%
	63 914 447	1 049 427	14 339	64 978 213		3 322 561	
Total	**237 911 557**	**11 636 413**	**38 653 396**	**288 201 366**		**14 591 635**	

As at December 31, 2017 & 2016, the composition of past-due loans and advances to Customers is as follows:

	31/12/2017						
	Performing loans associated with overdue 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 & advances to Customers							
Loans without impairment	441 439	5 330	2 695	-	5 901	-	455 365
With individually assessed impairment							
Overdue 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							
Overdue 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**

	31/12/2016						
	Performing loans associated with overdue 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 & advances to Customers							
Loans without impairment	170 379	1 483	172	-	5 901	-	172 034
With individually assessed impairment							
Overdue loans and interest	3 720 633	29 103	1 142 884	1 983 260	4 553 670	3 329 581	14 759 131
Impairment	1 248 289	1 328	955 520	1 888 634	3 843 259	2 121 374	10 058 404
Net exposure	2 472 344	27 775	187 364	94 626	710 411	1 208 207	4 700 727
With collectively assessed impairment							
Overdue loans and interest	4 784 484	38 652	72 460	370 783	112 042	2 323	5 380 744
Impairment	1 092 233	836	17 654	303 883	111 858	2 323	1 528 787
Net exposure	3 692 251	37 816	54 806	66 900	184	-	3 851 957
Total	**6 334 974**	**67 074**	**242 342**	**161 526**	**710 595**	**1 208 207**	**8 724 718**

The composition of past-due loans with impairment as at December 31, 2017 & 2016 is as follows:

	31/12/2017					
		Time past due				
	Performing loans associated with overdue loans	Loans overdue up to 30 days	Loans overdue between 30 and 90 days	Loans overdue between 90 and 180 days	Loans overdue more than 180 days	Total
Overdue loans and interest						
Without individually assessed impairment	441 439	5 330	2 695	-	5 901	455 365
Without collectively assessed impairment	-	-	-	-	-	-
Total	**441 439**	**5 330**	**2 695**	**-**	**5 901**	**455 365**

	31/12/2016					
		Time past due				
	Performing loans associated with overdue loans	Loans overdue up to 30 days	Loans overdue between 30 and 90 days	Loans overdue between 90 and 180 days	Loans overdue more than 180 days	Total
Overdue loans and interest						
Without individually assessed impairment	110 773	949	-	-	-	111 722
Without collectively assessed impairment	59 606	534	172	-	-	60 312
Total	**170 379**	**1 483**	**172**	**-**	**-**	**172 034**

As at December 31, 2017 & 2016, the structure of restructured loans and advances is as follows:

	2017			
	Loans			
	Performing	Overdue	Total	Impairment
Companies:	2 252 747	2 350 101	4 602 848	2 985 344
Individuals:				
Consumer	174 039	3 718	177 756	12 272
Housing	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**

	2016			
	Loans			
	Performing	Overdue	Total	Impairment
Companies:	1 993 028	2 372 839	4 365 867	2 489 343
Individuals:				
Consumer	192 566	1 203	193 769	41 547
Housing	123 022	235	123 257	40 259
	315 588	1 438	317 026	81 806
Total	**2 308 616**	**2 374 277**	**4 682 893**	**2 571 149**

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 Financial and International Department (DFI).

As at December 31, 2017 & 2016, the detail of all the contractual cash flows is as follows:

	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 contractual maturity	Total
Assets										
Cash and balances at central banks	221 639 382	-	-	-	-	-	-	-	-	221 639 382
Balances with other credit institutions	34 998 048	-	-	-	-	-	-	-	-	34 998 048
Funds deposited in 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 held to maturity	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**

	31/12/2016									
	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 contractual maturity	Total
Assets										
Cash and balances at central banks	280 960 160	-	-	-	-	-	-	-	-	280 960 160
Balances with other credit institutions	38 031 194	-	-	-	-	-	-	-	-	38 031 194
Funds deposited in central banks and other credit institutions	-	40 707 605	43 336 888	22 713 221	843 767	-	-	-	-	107 601 481
Financial assets at fair value through profit or loss	-	22 098 842	50 388 568	69 765 933	255 012 143	29 639 223	22 120 430	920 153	-	449 945 292
Investments held to maturity	-	-	3 288 084	32 172 087	52 120 720	100 558 537	22 104 881	74 521 735	-	284 766 044
Loans and advances to Customers	-	8 376 558	12 340 941	24 509 227	30 622 144	75 862 617	89 103 421	93 685 308	-	334 500 216
Total assets	**318 991 354**	**71 183 005**	**109 354 481**	**149 160 468**	**338 598 774**	**206 060 377**	**133 328 732**	**169 127 196**	**-**	**1 495 804 387**
Liabilities										
Funds of central banks and other credit institutions	3 445 568	-	-	-	-	-	-	-	-	3 445 568
Customer funds and other borrowings	614 298 260	105 153 890	216 560 402	117 154 681	43 927 141	-	-	-	-	1 097 309 946
Financial liabilities at fair value through profit or loss	-	189 977	1 320 819	-	-	-	-	-	-	1 510 796
Total liabilities	**617 743 828**	**105 343 867**	**217 881 221**	**117 154 681**	**43 927 141**	**-**	**-**	**-**	**-**	**1 102 266 310**
Liquidity gap	**(298 752 474)**	**(34 160 862)**	**(108 526 740)**	**32 005 787**	**294 671 633**	**206 060 377**	**133 328 732**	**169 127 196**	**-**	**393 538 077**
Cumulative liquidity gap	**(298 752 474)**	**(332 913 336)**	**(441 440 076)**	**(409 434 289)**	**(114 762 656)**	**91 297 721**	**224 626 453**	**393 753 649**	**393 753 649**	**393 753 649**

The composition of contractual cash flows relating to capital as at December 31, 2017 & 2016, is as follows:

	2017									
	Maturity dates									
	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 contractual maturity	Total
Assets										
Cash and balances at central banks	221 639 382	-	-	-	-	-	-	-	-	221 639 382
Balances with other credit institutions	34 998 048	-	-	-	-	-	-	-	-	34 998 048
Funds deposited in 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 held to maturity	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 assets	**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**

	2016 Maturity dates								
	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 contractual maturity	Total
Assets										
Cash and balances at central banks	279 154 585 00	-	-	-	-	-	-	-	-	279 154 585
Balances with other credit institutions	38 031 194 00	-	-	-	-	-	-	-	-	38 031 194
Funds deposited in central banks and other credit institutions	-	42 080 713 00	41 616 025 00	22 685 475 00	829 515 00	-	-	-	-	107 211 728
Financial assets at fair value through profit or loss	179 866 00	19 134 443 00	43 251 200 00	55 081 403 00	177 780 901 00	22 852 532 00	19 126 434 00	535 170 00	-	337 941 949
Investments held to maturity	-	-	3 295 430 00	31 434 469 00	49 626 866 00	94 818 705 00	16 855 345 00	62 709 258 00	-	258 740 073
Loans and advances to Customers	-	7 651 097 00	10 733 613 00	21 362 720 00	11 624 433 00	40 700 381 00	63 204 713 00	80 033 914 00	-	235 310 871
Total assets	**317 365 645**	**68 866 253**	**98 896 268**	**130 564 067**	**239 861 715**	**158 371 618**	**99 186 492**	**143 278 342**	**-**	**1 256 390 400**
Liabilities										
Funds of central banks and other credit institutions	3 445 569	-	-	-	-	-	-	-	-	3 445 569
Customer funds and other borrowings	614 298 260	101 277 696	204 556 617	117 128 324	42 489 397	-	-	-	-	1 079 750 294
Financial liabilities at fair value through profit or loss	-	189 977	1 320 819 00	-	-	-	-	-	-	1 510 796
Total liabilities	**617 743 829**	**101 467 673**	**205 877 436**	**117 128 324**	**42 489 397**	**-**	**-**	**-**	**-**	**1 084 706 659**
Liquidity gap	**(300 378 184)**	**(32 601 420)**	**(106 981 168)**	**13 435 743**	**197 372 318**	**158 371 618**	**99 186 492**	**143 278 342**	**-**	**171 683 741**
Cumulative liquidity gap	**(300 378 184)**	**(332 979 604)**	**(439 960 772)**	**(426 525 029)**	**(229 152 711)**	**(70 781 093)**	**28 405 399**	**171 683 741**	**171 683 741**	**171 683 741**

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 exchange rate risk.

Interest rate Risk

Interest rate risk is the risk of a change in the fair value of, or the cash flows associated with, a particular financial instrument as a result of a change in market interest rates.

Additionally, BFA also monitors the interest rate risk and spread of the securities portfolio with a maturity of more than one year.

As at December 31, 2017 & 2016, the detail of financial instruments for exposure to interest rate risk is as follows:

	31/12/2017				
	Exposure to				
	Fixed rate	Variable rate	Not subject to interest rate risk	Assets	Total
Assets					
Cash and balances at central banks	-	187 564 231	34 075 151	-	221 639 382
Balances with other credit institutions	-	34 998 048	-	-	34 998 048
Funds deposited in 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 held to maturity	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**

	31/12/2016				
	Exposure to				
	Fixed rate	Variable rate	Not subject to interest rate risk	Assets	Total
Assets					
Cash and balances at central banks	-	255 728 381	23 426 204	-	279 154 585
Balances with other credit institutions	-	38 031 194	-	-	38 031 194
Funds deposited in central banks and other credit institutions	93 122 769	14 088 959	-	-	107 211 728
Financial assets at fair value through profit or loss	336 406 492	-	1 535 457	-	337 941 949
Investments held to maturity	146 010 070	112 730 003	-	-	258 740 073
Loans and advances to Customers	215 096 595	20 214 276	-		235 310 871
	790 635 926	**440 792 813**	**24 961 661**	**-**	**1 256 390 400**
Liabilities					
Funds of central banks and other credit institutions	-	-	3 445 569	-	3 445 569
Customer funds and other borrowings	464 832 896	614 917 398	-	-	1 079 750 294
Financial liabilities at fair value through profit or loss	-	-	1 510 796	-	1 510 796
Total	**464 832 896**	**614 917 398**	**4 956 365**	**-**	**1 084 706 659**

The detail of financial instruments exposed to interest rate risk in the light of the maturity or repricing date as at December 31, 2017 & 2016 is as follows:

	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 contractual maturity	Total
Assets									
Cash and balances at central banks	187 564 231	-	-	-	-	-	-	-	187 564 231
Balances with other credit institutions	34 998 048	-	-	-	-	-	-	-	34 998 048
Funds deposited in 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 held to maturity	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**

	31/12/2016								
	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 contractual maturity	Total
Assets									
Cash and balances at central banks	255 728 381	-	-	-	-	-	-	-	255 728 381
Balances with other credit institutions	38 031 194	-	-	-	-	-	-	-	38 031 194
Funds deposited in central banks and other credit institutions	42 080 713	41 616 025	22 685 475	829 515	-	-	-	-	107 211 728
Financial assets at fair value through profit or loss	18 916 156	42 113 896	55 081 403	177 780 901	22 852 532	19 126 434	535 170	-	336 406 492
Investments held to maturity	-	3 295 430	31 434 469	49 626 866	94 818 705	16 855 345	62 709 258	-	258 740 073
Loans and advances to Customers	9 375 840	10 659 596	18 136 217	14 797 649	39 628 425	63 348 777	79 364 367	-	235 310 871
	364 132 284	**97 684 947**	**127 337 564**	**243 034 931**	**157 299 662**	**99 330 556**	**142 608 795**	**-**	**1 231 428 739**
Liabilities									
Customer funds and other borrowings	**715 575 956**	**204 556 617**	**117 128 324**	**42 489 397**	**-**	**-**	**-**	**-**	**1 079 750 294**

As at December 31, 2017 & 2016, the sensitivity analysis of the results generated by financial instruments to changes in interest rates is detailed as follows:

	31/12/2017					
	Change in interest rates					
	(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)**

	31/12/2016					
	Change in interest rates					
	(200) bp	(100) bp	(50) bp	50 bp	100 bp	200 bp
Interest income and similar income	(18 753 383)	(9 376 692)	(4 688 346)	4 688 346	9 376 692	18 753 383
Interest expense and similar charges	9 296 658	4 948 329	2 324 164	(2 324 164)	(4 648 329)	(9 296 658)
Total	**(9 456 725)**	**(4 428 363)**	**(2 364 182)**	**2 364 182**	**4 728 363**	**9 456 725**

Exchange Rate Risk

Market 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 domestic currency and in foreign currency, having regard to the overall structure of the Bank's balance sheet, so as to avoid exchange rate risk.

As at December 31, 2017 & 2016, the detail of financial instruments by currency is as follows:

	31/12/2017				
	Kwanzas	United States 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 with other credit institutions	-	2 543 089	30 623 672	1 831 287	34 998 048
Funds deposited in 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 held to maturity	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 182 216 515 and mAOA 42 952 229 as at December 31, 2017 & 2016, respectively; and "Investments held to maturity" in the amounts of mAOA 24 940 340 and mAOA 43 252 851 as at December 31, 2017 & 2016, respectively); and (ii) the notional amounts of the forwards (recognised in off-balance sheet accounts in 2017 in the amount of mAOA 68 164 091), the balance sheet by currency presents the following structure:

	31/12/2017				
	Kwanzas	United States 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 with other credit institutions	-	2 543 089	30 623 672	1 831 287	34 998 048
Funds deposited in 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 held to maturity	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**

	31/12/2016				
	Kwanzas	United States dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	235 157 135	43 641 265	230 796	125 389	279 154 585
Balances with other credit institutions	-	15 059 996	21 249 764	1 721 434	38 031 194
Funds deposited in central banks and other credit institutions	10 635 400	39 952 428	56 623 900	-	107 211 728
Financial assets at fair value through profit or loss	294 776 253	43 165 696	-	-	337 941 949
Investments held to maturity	102 757 219	155 982 854	-	-	258 740 073
Loans and advances to Customers	134 557 807	100 729 673	23 391	-	235 310 871
	777 883 814	**398 531 912**	**78 127 851**	**1 846 823**	**1 256 390 400**
Liabilities					
Funds of central banks and other credit institutions	1 759 849	888 754	796 966	-	3 445 569
Customer funds and other borrowings	698 510 509	338 428 887	41 124 757	1 686 141	1 079 750 294
Financial liabilities at fair value through profit or loss	22 846	1 264 098	223 852	-	1 510 796
	700 293 204	**340 581 739**	**42 145 575**	**1 686 141**	**1 084 706 659**
	77 590 610	**57 950 173**	**35 982 276**	**160 682**	**171 683 741**

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, as at December 31, 2017 & 2016, are as follows:

	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	(107 949)	(53 975)	26 987	26 987	53 975	107 949
Total	**(28 025 209)**	**(14 012 605)**	**7 006 302**	**7 006 302**	**14 012 605**	**28 025 209**

	31/12/2016					
	(20)%	(10)%	(5)%	5%	10%	20%
US dollars	(6 334 858)	(3 167 429)	(1 583 715)	1 583 715	3 167 429	6 334 858
Euros	(6 242 591)	(3 121 296)	(1 560 648)	1 560 648	3 121 296	6 242 591
Other currencies	(62 785)	(31 393)	(15 696)	15 696	31 393	62 785
Total	**(12 640 235)**	**(6 320 118)**	**(3 160 059)**	**3 160 059**	**6 320 118**	**12 640 235**

31.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2017 & 2016, the carrying amount of the financial instruments is as follows:

	31/12/2017			
	Carried at fair value	Carried at amortized cost	Impairment	Net carrying amount
Assets				
Cash and balances at central banks	-	221 639 382	-	221 639 382
Balances with other credit institutions	-	34 998 048	-	34 998 048
Funds deposited in 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 held to maturity	-	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**

	31/12/2016			
	Carried at fair value	Carried at amortized cost	Impairment	Net carrying amount
Assets				
Cash and balances at central banks	-	279 154 585	-	279 154 585
Balances with other credit institutions	-	38 031 194	-	38 031 194
Funds deposited in central banks and other credit institutions	-	107 211 728	-	107 211 728
Financial assets at fair value through profit or loss	337 941 949	-	-	337 941 949
Investments held to maturity	-	258 740 073	-	258 740 073
Loans and advances to Customers	-	249 547 970	14 237 099	235 310 871
	337 941 949	**932 685 550**	**14 237 099**	**1 256 390 400**
Liabilities				
Funds of central banks and other credit institutions	-	3 445 569	-	3 445 569
Customer funds and other borrowings	-	1 079 750 294	-	1 079 750 294
Financial liabilities at fair value through profit or loss	1 510 796	-	-	1 510 796
	1 510 796	**1 083 195 863**	**-**	**1 084 706 659**

As at December 31, 2017 & 2016, the fair value of the Bank's financial instruments is as follows:

	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 amortized cost	Total	Difference
Assets					
Cash and balances at central banks	221 639 382	-	221 639 382	221 639 382	-
Balances with other credit institutions	34 998 048	-	34 998 048	34 998 048	-
Funds deposited in 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 held to maturity	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**	**-**

	31/12/2016				
	Fair value of financial instruments				
	Carrying amount (net)	Carried on the balance sheet at fair value	Carried on the balance sheet at amortized cost	Total	Difference
Assets					
Cash and balances at central banks	279 154 585	-	279 154 585	279 154 585	-
Balances with other credit institutions	38 031 194	-	38 031 194	38 031 194	-
Funds deposited in central banks and other credit institutions	107 211 728	-	107 211 728	107 211 728	-
Financial assets at fair value through profit or loss	337 941 949	337 941 949	-	337 941 949	-
Investments held to maturity	258 740 073	-	258 740 073	258 740 073	-
Loans and advances to Customers	235 310 871	-	184 754 460	184 754 460	(50 556 411)
	1 256 390 400	**337 941 949**	**867 892 040**	**1 205 833 989**	**(50 556 411)**
Liabilities					
Funds of central banks and other credit institutions	3 445 569	-	3 445 569	3 445 569	-
Customer funds and other borrowings	1 079 750 294	-	1 079 750 294	1 079 750 294	-
Financial liabilities at fair value through profit or loss	1 510 796	1 510 796	-	1 510 796	-
	1 084 706 659	**1 510 796**	**1 083 195 863**	**1 084 706 659**	**-**

Where possible, the fair value of financial instruments shall 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, where 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 on the balance sheet at amortised cost

For financial instruments carried on 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 operations 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 held to maturity, 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 2017 and 2016, respectively, were used for operations with similar characteristics, having deducted the amount of accumulated impairment losses; and
- With regard to Customer deposits, since they are essentially short-term operations, 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 it was not determined for such a purpose.

As at December 31, 2017 & 2016, the detail by valuation methodology of the fair value of financial instruments carried on the balance sheet at fair value is as follows:

	31/12/2017			
	Level 1 Price quotation 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

	2015			
	Level 1 Price quotation 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	179 866	1 355 591	336 406 492	337 941 949
Liabilities				
Financial liabilities at fair value through profit or loss	-	1 510 796	-	1 510 796

As at December 31, 2017 & 2016, financial instruments presented in Level 1 of the hierarchy provided for in standard IFRS 13 are listed shares, financial instruments presented in Level 2 are derivative financial instruments whose value is determined based on internal models that mainly use observable market data (such as interest rate or exchange rate curves), and financial instruments presented in Level 3 are Treasury Bills and Treasury Bonds issued by the Angolan State.

32. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amended standards that are effective from January 1, 2017

a) IAS 7 (amendment), "Review of disclosures" (effective for annual periods beginning on or after January 1, 2017). This amendment introduces an additional disclosure requirement concerning changes in liabilities arising from financing activities, broken down between transactions that give rise to cash flows and transactions that don't, and the way in which this information reconciles with the cash flows from financing activities recorded in the Statement of cash flows.

b) IAS 12 (amendment), "Income taxes – Recognition of deferred tax assets for unrealised losses" (effective for annual periods beginning on or after 1 January 2017). This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value, how to estimate future taxable profits when there are deductible temporary differences and how to assess the recoverability of deferred tax assets when there are restrictions in tax law.

Published standards (new and amended) that are mandatory for annual periods beginning on or after January 1, 2018 that have already been adopted by the European Union:

a) IFRS 9 (amendment), "Financial instruments" (effective for annual periods beginning on or after January 1, 2018). 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.

b) IFRS 15 (new), "Revenue from contracts with Customers" (effective for annual periods beginning on or after January 1, 2018). 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".

c) 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".

d) IFRS 4 (amendment), "Insurance contracts (application of IFRS 4 with IFRS 9)" (effective for annual periods beginning on or after January 1, 2018). 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) Amendments to IFRS 15, "Revenue from contracts with Customers" (effective for annual periods beginning on or after January 1, 2018). 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.

Published standards (new and amended) that are mandatory for annual periods beginning on or after January 1, 2017 but that have not yet been adopted by the European Union:

Standards

a) Improvements to the standards 2014-2016 (effective for annual periods beginning on or after January 1, 2017). This improvements cycle affects the following standards: IFRS 1, IFRS 12 and IAS 28.

b) IAS 40 (amendment), "Transfers of investment property" (effective for annual periods beginning on or after January 1, 2018). This amendment is in the process of being adopted by the European Union. 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.

c) IFRS 2 (amendment), "Classification and measurement of share-based payment transactions" (effective for annual periods beginning on or after January 1, 2018). This amendment is in the process of being adopted by the European Union. 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.

d) IFRS 9 (amendment), "Prepayment features with negative compensation" (effective for annual periods beginning on or after January 1, 2019). This amendment is in the process of being adopted by the European Union. 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.

e) IAS 28 (amendment), "Long-term interests in associates and joint ventures" (effective for annual periods beginning on or after January 1, 2019). This amendment is in the process of being adopted by the European Union. This amendment clarifies that long-term interests in associates and joint ventures (components of an entity's investments in associates and joint ventures) that are not being measured using the equity method are accounted for in accordance with IFRS 9 and are subject to the allocation of estimated losses, before any impairment testing of the investment as a whole.

f) Improvements to the standards 2015-2017 (effective for annual periods beginning on or after January 1, 2019). This improvement cycle is in the process of being adopted by the European Union. This improvements cycle affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11.

g) IFRS 17 (new), "Insurance contracts" (effective for annual periods beginning on or after January 1, 2021). This standard is in the process of being adopted by the European Union. This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of 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.

Interpretations

a) IFRIC 22 (new), "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after January 1, 2018). This interpretation is in the process of being adopted by the European Union. It 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.

b) IFRIC 23 (new), "Uncertainty over income tax treatments" (effective for annual periods beginning on or after 1 January 2019). This interpretation is in the process of being adopted by the European Union. It 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 future adoption of the abovementioned standards and interpretations to have a material impact on the financial statements.

In July 2014, the IASB issued the final version of IFRS 9, which replaces IAS 39, "Financial instruments: recognition and measurement", which was adopted by the European Union on November 3, 2017. IFRS 9 introduces new requirements regarding (i) the classification and measurement of financial assets and liabilities, (ii) the use of an expected loss model for the measurement and recognition of impairment losses, and (iii) hedge accounting.

IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018 and these new rules are applicable retrospectively from that date. However, the respective comparative amounts will not be restated.

The impacts of the adoption of this new standard on the Bank's financial statements were estimated as at January 1, 2018, based on the information available at that date and a set of assumptions. Based on those estimates and bearing in mind that the Bank is still working to establish a more precise estimate of the impact that IFRS 9 will have on its financial statements, using models that are still subject to improvement and internal and external validation, the adoption of IFRS 9 is not expected to have any material impact.

The tax treatment of any impacts the adoption of IFRS 9 may have will depend on the tax law to be approved during 2018.

During 2018 the Bank will continue to calibrate the models it has developed to meet the new requirements under IFRS 9 and will follow any guidelines issued by national and international regulators regarding the application of the new standard.

IFRS 9 requires a fairly extensive set of additional disclosures, especially as regards credit risk and the calculation of expected losses. The Bank is analyzing the information currently available in order to identify potential additional information needs and at the same time is implementing a process for gathering and controlling the data that is needed in order to meet the new requirements.

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INDEPENDENT AUDITOR'S REPORT
(Amounts expressed in thousands of kwanzas)

To the Board of Directors of
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 31 December 2017, showing a total of 1 443 064 million Kwanzas, equity of 217 422 million Kwanzas and net profit of 69 085 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.

Basis for the Qualified opinion

6. As described in Note 3.4 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 2017 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 Bank decided not to apply the provisions of that standard to the Bank's financial statements at that date. At 31 December 2017, the cumulative inflation rate for the last three years was close to or more than 100%, depending of the index used, and was expected to continue to exceed 100% on a cumulative basis in 2018, 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 2017 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, which also require that the financial statements for the previous year be restated to allow like-for-like comparison. 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 2017, which we believe to be material.

7. As described in Note 18 to the financial statements, in 2017, following the principle of prudence, the Bank set aside a provision for macroeconomic and financial stability risks in the amount of 16 592 400 thousand Kwanzas. However, we consider that the technical conditions for recognition of such a provision under International Financial Reporting Standards are not strictly met and so, in these circumstances, the provisions heading is overvalued by 16 592 400 thousand Kwanzas and the net profit for the year 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 2017 and of its financial performance and cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards (IFRS).

19 April 2018

PricewaterhouseCoopers (Angola), Limitada
Registered with OCPCA under no. E20170010

Represented by:

Ricardo Santos

Ricardo Santos, OCPCA member no. 20120086

Relatório e parecer do Conselho Fiscal

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholders,
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 2017.

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:

   Paragraph 6:
   "As described in Note 3.4 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 2017 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 not to apply the provisions of that standard to the Bank's financial statements at that date. At 31 December 2017, the cumulative inflation rate for the last three years was close to or higher than 100%, depending of the index used, and was expected to continue to exceed 100% on a cumulative basis in 2018, which is an objective quantitative condition that leads us to consider, leaving aside the existence of other conditions specified in IAS 2018, that the functional currency of the Bank's financial statements at 29 December 31 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, which also require that the financial statements for the previous year be restated to allow like-for-like comparison. 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 2017, which we believe to be material."

   Paragraph 7
   "As described in Note 18 to the financial statements, in 2017, following the principle of prudence, the Bank set aside a provision for macroeconomic and financial stability risks in the amount of 16 592 400 thousand Kwanzas. However, we consider that the technical conditions for recognition of such a provision under International Financial Reporting Standards are not strictly met and so, in these circumstances, the provisions heading is overvalued by 16 592 400 thousand Kwanzas and the net profit for the year is undervalued by the same amount."

4. As regards the external auditors' qualified opinion stated in item 6 of the report, we hereby inform the Shareholders that the Bank acted in accordance with the instructions issued by Banco Nacional de Angola, the financial sector regulator, in its letter sent to ABANC, which presents BNA's view on the performance of the Angolan economy, stating that it is not hyperinflationary. The instructions issued by Banco Nacional de Angola, as financial sector supervisor and regulator, are mandatory under the laws and regulations in force in Angola.

5. Within the scope of our duties, we examined the balance sheet at 31 December 2017 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 2017 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 2017,

    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, 18 April 2018
The Supervisory Board

Amílcar Safeca
Chairman

Rodrigo Aguiar Quintas
Member

Henrique Manuel Camões Serra
Member

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 contract** - Contract 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.
- **Overdue loans ratio** - Ratio of Customer loans with overdue principal or interest payments to total loans.
- **Capital Adequacy Ratio** - A measure of the amount of a bank's capital expressed as a percentage of its risk-weighted credit exposures. The Capital Adequacy Ratio is an indicator of a company's financial stability.

- **Regulatory Capital Adequacy Ratio (RCAR)** - 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 an overdue 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.

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