# Annual Report'16

BFA

BFA has pressed ahead on a steady growth path throughout 2016, reporting financial performance indicators, which once again strengthen our financial identity.

**– The BFA Fortress.**

# 2016 in Review

+23%

**Market leader in banking services offering in December 2016, with the following market shares:**

24,4%
Share of Debit Cards

26,3%
Share of POS terminals

56,0%
Share of Visa Cards

**Number of BFA Employees rose from**

2.610
in December 2015

to

2.632
In December 2016

+0,8%
Growth rate over 2015

1.365

**Transactions registered on BODIVA**

+64%
increase over 2015

**BFA secured 67% of the market share of registered transactions in 2016.**

+8,4%

**Number of Customers in December 2016 reached**

1.571.107

+6,8%

**Net profit increase of**

24.046
Amount stated in AOA million

+63,5%
Growth over 2015

**BFA is the bank of choice of**

60,0%

**of Private Customers, according to the national Customer Satisfaction survey.**

**Increase of**

108.939
in AOA million in securities (TBonds and TBills)

**The Bank keeps its buying position with respect to securities,**

39,4%
Securities Market Share

**A Customer growth of with BFA Net Service**

+7.147

**Asset Portfolio Growth to**

1.312.880
in AOA million

+6,8%
over 2015

First Digital Annual Report issued in Angola

4.332 Hours of Training conducted via the eLearning platform: eFormar

Sirius award in the "Best Financial Sector Company" category.

The Banker magazine Award for "Bank of the Year in Angola 2016".

EMEA Finance Award for "Most Innovative Bank 2016".

**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

# CONTENTS


## REPORT

Message from the Executive Committee of the Board of Directors 4
Our Strategy 6
Vision, Values and Commitments 6
Strategy 7
How We Add Value 8
Key Indicators 10
Business Performance: 2014 – 2016 12
Outlook for 2017 14

## ECONOMIC ENVIRONMENT

Global Economy 18
Angolan Economy 21
Regulatory Changes 28

## O BFA

**Corporate Governance** 34
Corporate Governance and Internal Control System 34
Guiding Principles of Corporate Governance 34
Shareholding and Governance Model 35
Composition of Governing Bodies 41
Organization Chart 41
Executive Committee of the Board of Directors 42
Internal Control System 46
Remuneration of Governing Bodies 46
Profit Appropriation Policy 47
Ethical Principles and Conflict of Interest 48
Risk Management System 49
Internal Reporting 50
Monitoring 51
**Core Business Areas** 52
Individuals and Companies 54
Investment Centres 58
Companies 60
Oil & Gas 64
Capital Market 65
Business Development Unit 68
**Human Resources** 70
**Innovation & Technology** 73
**Payment System** 76
**BFA in Digital Banking** 80
**Communication** 82
**Social Responsibility** 89
**Awards** 92

## RISK MANAGEMENT

Governance and Organization of Risk Management 96
Credit Risk 99
Liquidity Risk 106
Foreign Exchange Risk 108
Interest Rate Risk 110
Operational Risk 112
Compliance Risk 116

## FINANCIAL REVIEW

Financial Review 122
Proposal for the Appropriation of Profits 133

## FINANCIAL STATEMENTS AND NOTES

Financial Statements 136
Notes to the Financial Statements 140
Audit Report 212
Report and Opinion of the Supervisory Board 214

## ANNEXES

Glossary 218
BFA Contacts 222

# Message from the Executive Committee of the Board of Directors

## "The outlook for 2017 is for a moderate recovery, underpinned by a boost in global economy growth and prospects of commodity prices steadily higher than those prevailing in 2016."

In the challenging macroeconomic environment that persisted throughout 2016, BFA has pressed ahead on a steady growth path throughout 2016, reporting financial performance indicators, which once again strengthen our financial identity – **The BFA Fortress.**

A Fortress built on a strict and rigorous management model, permanently striving for improvement of Customer service and fully dedicated to implementing and developing rules and procedures that meet each and every challenge arising from prudential regulations and the Anti-money Laundering and Terrorist Financing Scheme.

### STRONG GROWTH

BFA's net profit totalled 61.9 billion AOA (USD 377.2 million) in 2016, representing the highest result ever and an year-on-year growth of 63.5% (20.9% in USD). Hand-in-hand with these figures, the Bank reported high levels of efficiency and profitability and a balance sheet showing high liquidity and capitalization, all of which are reflected in the following indicators:

- Cost-to-income ratio stood at 32% (33% in 2015);
- Return on Equity reached 41.4% in 2016 (33.6% in 2015);
- Loan-to-deposit ratio stood at 22%;
- Regulatory Capital Adequacy Ratio reached 31.7%, well above the stipulated 10%.

Such strong economic indicators are paired with a strong Customer acquisition performance. A record-breaking 160 000 new Customers were achieved in 2016, taking the Bank's Customer base over the 1.5 million mark. This figure strengthens BFA's performance momentum in the retail banking area, where once again it asserts itself as a benchmark financial institution, a position acknowledged by the several domestic and international awards received in the course of the year.

### MAIN FOCUS ON SERVICE QUALITY

Two new Mystery Shopper Surveys were carried out strengthening the commercial team's focus on the improvement of key issues of Customer service. In addition, the breadth and depth of in-house training has also increased and our e-learning platform, eFormar, now offers 19 courses and over 4 300 hours of training recorded.

BFA's increasingly stronger electronic banking approach has brought Customers closer and made access to the Bank more convenient. This translates into a marked improvement in our feedback ability and efficiency concerning Customer interactions.

The corporate website registered over 700 thousand visits and the homebanking and mobile banking services, BFA Net, BFA Net Empresas and BFA App, have been enhanced with new features linked to services payment.

BFA's Customer Support Line has enhanced its position as the preferred communication channel on issue clarification and complaint handling, recording a year-on-year 40% increase in contacts received.

Systematic assessment of Customer Satisfaction began with a nationwide survey which assesses and ranks BFA within a set of variables over its key competitors. The outcome is extremely positive when coupled with the favourable indicators disclosed in the AAMPS Luanda 2016[1]. In this market research BFA was ranked first for the second year running in areas such as swift

[1] Angola All Media & Products Study – Luanda 2016 (AAMPS). Market survey carried out by Marktest Angola.

troubleshooting, least system failures, best customer support and shortest waiting time. Our motivation is driven by these results, while increasing our responsibility and commitment to look ahead with the same degree of endeavour and willingness which led us here.

## REGULATORY CHALLENGES AND RISK MANAGEMENT

Pressures stemming from legislation and regulation as well as from customers and the global financial system concerning Anti-Money Laundering and Terrorist Financing, kept this matter at the top of our agendas, leading to the implementation of more effective tools, improvement of processes and strengthening of managerial staff training.

Furthermore we continued to work on a set of measures aimed at mitigating operational risk. Within this area in 2016 the following is worthy of mention:

- Check clearing system progress allowed for a significant reduction of operational risk within the clearing procedure;
- Application migration process to the new Data Processing Centre (CPD) in EMIS was launched in 2015 and provides full redundancy for all BFA systems including the central system and support applications; and
- The incorporation of new processes in eMudar@BFA, namely the term deposit process, wire transfers and deposit/check clearing.

Another topic worthy of mention was the full adoption of the International Financial Reporting Standards (IAS/IFRS) which are currently BFA's financial reporting key standard. This was the main and most important accounting/tax innovation to occur in 2016 and is in fact a milestone marking the end of a complex process initiated in 2014.

## ONGOING DEVELOPMENT OF PRODUCT AND SERVICE OFFERING

As far as services and products offer is concerned, we wish to underline that insurance products have been placed on the market and are available throughout our commercial banking network. At this early stage, insurance products are exclusively available coupled with loan products, giving the Bank greater control over loan process guarantees as well as substantially streamlining the Customer's experience regarding the loan application process. This endeavour has made it possible to lay the foundations for the development and diversification of the insurance portfolio during 2017.

We have incorporated BFA Gestão de Activos – Sociedade Gestora de Organismos Colectivos, S.A. and the relevant registration with the Securities Market Commission occurred in December 2016. Upon completion of this legalization process we are now able to incorporate Investment Funds within BFA's portfolio, broadening the range of financial products and thereby diversifying our Customers' solutions for allocation of resources.

BFA was considerably active in the BODIVA markets and secured a 35.2% traded volume market share, strengthening its market leadership position.

## 2017

Despite facing a tangible stagnant economic growth in 2016, the Angolan economy is in to a moderate economic recovery in 2017 backed by accelerated growth of the global economy and the prospects of raw material prices consistently above recorded in 2016. Leading Global organisations forecast indicate an inflation slowdown, albeit at high levels, and a progressive increase in credit demand.

Against this backdrop, BFA will continue to deepen its key strategic guidelines that have been implemented over the preceding years; this will be coupled with high operating revenue levels and controlled risk exposure, a strong capital base, high levels of liquidity and continuous improvement of efficiency levels, thus strengthening BFA's insurmountable market leading position within the Angolan banking sector.

## THANK YOU

In a year marked by a challenging economy, a heartfelt thank you and acknowledgement go out to our Employees for their commitment, effort and diligence with which they have tackled the challenges faced in 2016.

Lastly, a special word of thanks to our Customers for the preference and confidence they have always shown and for the privilege of serving them They can rest assured that BFA will continue to do all in its power to continuously and sustainably improve the quality of customer service and the standard and security of the banking services it provides.

# Our Strategy

## VISION, VALUES AND COMMITMENTS

## STRATEGY

The Bank's strategic challenges and priorities are Customer-focused and intend to broaden the 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

## Best Bank to work in

Focusing strongly on personal and professional development to engage, employ and strengthen Employee ties.

## Best Customer Bank

Making use of our branches and electronic channels to build loyalty, ensure the delivery and fulfilment of more suitable options and an exceptional service.

## Best Shareholder Bank

Generating appealing and sustainable payback for Shareholders in the form of high yields, risk control and efficient equity employment.

## Best Community Bank

Supporting economic and social advancement in Angola particularly regarding educational involvement.

## Best Bank to work in

- Gender diversity and equality in career opportunities;
- Talent management through general, initial and specialized training;
- Creation of the e-learning platform and other in-house training;
- Mindful orientation of interns through two training sessions, with a focus on the history of BFA, its products, services and main features as well as the rules and procedures for acquiring and using the products portfolio;
- 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.

## Best Bank for our Customers

- A comprehensive range of products and services that are straightforward, affordable and individual tailored Customer needs;
- Use of clear and succinct language, both when offering products and services and when handling inquiries and troubleshooting;
- Innovation in payment methods and electronic channels that provide Customers security and convenience;
- Fulfilment of commitments and responsibilities to Customers;
- Profitability and security of household savings;
- Creation of Mystery Shopper to pinpoint areas for improvement that will affect the service levels of branches.

## Best Bank for shareholders

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

## Best Bank for the community

- Establishing partnerships with universities by granting distinctions and merit awards to the top students;
- Supporting regional events through sponsorship;
- Involving in solidarity campaigns;
- Establishing and managing a Social Fund amounting to USD 17 million in December 2015. This fund was provisioned 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 | Dez. 14 | Dez. 15 | Dez. 16 | Var. % 14-15 | Var. % 15-16 |
|---|---|---|---|---|---|
| Total Assets | 1.073.056,4 | 1.229.579,2 | 1.312.879,6 | 14,6% | 6,8% |
| Loans and advances to customers[1] | 229.478,5 | 220.796,0 | 235.310,9 | -3,8% | 6,6% |
| Customer Deposits | 929.382,2 | 1.017.159,6 | 1.079.702,0 | 9,4% | 6,1% |
| Shareholders' equity and equivalents | 104.487,3 | 126.455,5 | 173.221,1 | 21,0% | 37,0% |
| Operating income | 53.919,3 | 69.769,6 | 99.571,6 | 29,4% | 42,7% |
| Net interest income | 30.728,8 | 41.022,1 | 66.945,3 | 33,5% | 63,2% |
| Net non-interest income | 23.190,4 | 28.747,5 | 32.626,3 | 24,0% | 13,5% |
| Operating expenses[2] | 19.585,0 | 25.043,8 | 35.829,6 | 27,9% | 43,1% |
| Net operating income | 37.047,1 | 48.760,5 | 68.379,5 | 31,6% | 40,2% |
| Net profit for the year | 31.796,1 | 37.866,3 | 61.912,1 | 19,1% | 63,5% |
| Return on assets (ROA) | 3,4% | 3,2% | 4,4% | -0,2 p.p. | 1,2 p.p. |
| Return on equity (ROE] | 34,8% | 32,0% | 38,1% | -2,8 p.p. | 6,1 p.p. |
| Cost-to-Income ratio | 36,3% | 35,9% | 35,9% | -0,4 p.p. | 0 p.p. |
| Total assets per employee | 424,80 | 471,1 | 498,8 | 10,9% | 5,9% |
| Loan-to-deposit ratio | 24,7% | 21,7% | 21,8% | -3 p.p. | 0,1 p.p. |
| Regulatory Capital Adequacy Ratio | 24,0% | 24,3% | 31,7% | 0.3 p.p. | 10,3 p.p. |
| Past-due loans / Total loans to customers | 3,3% | 4,6% | 4,7% | 1,3 p.p. | 0,1 p.p. |
| Provision coverage ratio, past-due loans | 136,0% | 146,5% | 125,4% | 10,5 p.p. | -21,1 p.p. |
| Provision coverage ratio, total loans | 4,5% | 6,7% | 5,8% | 2,2 p.p. | -0,9 p.p. |
| Number of service outlets[3] | 186 | 191 | 191 | 2,7% | 0,0% |
| Number of employees | 2526 | 2610 | 2.632 | 3,3% | 0,8% |
| BFA Net penetration rate | 38,8% | 40,4% | 37,2% | 1,6 p.p. | -3,2 p.p. |
| Debit card penetration rate | 53,5% | 57,6% | 57,6% | 4,1 p.p. | 0 p.p. |

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

Amounts expressed in USD million

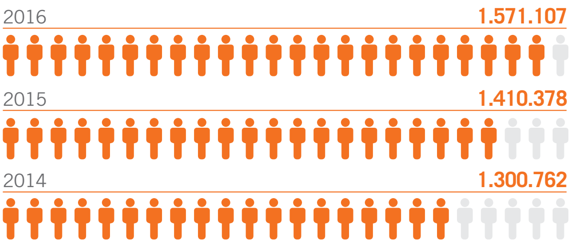
| USD | Dez. 14 | Dez. 15 | Dez. 16 | Var. % 14-15 | Var. % 15-16 |
|---|---|---|---|---|---|
| Total Assets | 10.431,9 | 9.086,8 | 7.913,5 | -12,9% | -12,9% |
| Loans and advances to customers[1] | 2.230,9 | 1.631,7 | 1.418,4 | -26,9% | -13,1% |
| Customer Deposits | 9.035,1 | 7.517,0 | 6.508,0 | -16,8% | -13,4% |
| Shareholders' equity and equivalents | 1.015,8 | 934,5 | 1.044,1 | -8,0% | 11,7% |
| Operating income | 547,0 | 574,8 | 607,6 | 5,1% | 5,7% |
| Net interest income | 311,6 | 340,6 | 407,2 | 9,3% | 19,5% |
| Net non-interest income | 235,4 | 234,2 | 200,4 | -0,5% | -14,4% |
| Operating expenses[2] | 198,7 | 206,6 | 218,2 | 4,0% | 5,6% |
| Net operating income | 375,8 | 401,0 | 417,7 | 6,7% | 4,2% |
| Net profit for the year | 322,0 | 312,1 | 377,2 | -3,1% | 20,9% |
| Return on assets (ROA) | 3,4% | 3,2% | 4,4% | -0,2 p.p. | 1,2 p.p. |
| Return on equity (ROE] | 34,8% | 32,0% | 38,1% | -2,8 p.p. | 6,1 p.p. |
| Cost-to-Income ratio | 36,3% | 35,9% | 35,9% | -0,4 p.p. | 0 p.p. |
| Total assets per employee | 4,13 | 3,5 | 3,0 | -15,7% | -13,6% |
| Loan-to-deposit ratio | 24,7% | 21,7% | 21,8% | -3 p.p. | 0,1 p.p. |
| Regulatory Capital Adequacy Ratio | 24,0% | 24,3% | 31,7% | 0,3 p.p. | 10,3 p.p. |
| Past-due loans / Total loans to customers | 3,3% | 4,6% | 4,7% | 1,3 p.p. | 0,1 p.p. |
| Provision coverage ratio, past-due loans | 136,0% | 146,5% | 125,4% | 10,5 p.p. | -21,1 p.p. |
| Provision coverage ratio, total loans | 4,5% | 6,7% | 5,8% | 2,2 p.p. | -0,9 p.p. |
| Number of service outlets[3] | 186 | 191 | 191 | 2,7% | 0,0% |
| Number of employees | 2526 | 2610 | 2.632 | 3,3% | 0,8% |
| BFA Net penetration rate | 38,8% | 40,4% | 37,2% | 1,6 p.p. | -3,2 p.p. |
| Debit card penetration rate | 53,5% | 57,6% | 57,6% | 4,1 p.p. | 0 p.p. |

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

# Business Performance: 2014-2016

## Clients

BFA number of Clients' upward trend has remained steady experiencing a substantially higher growth compared to previous years.

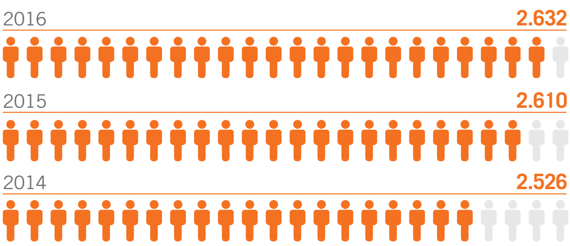



## Service Outlets

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

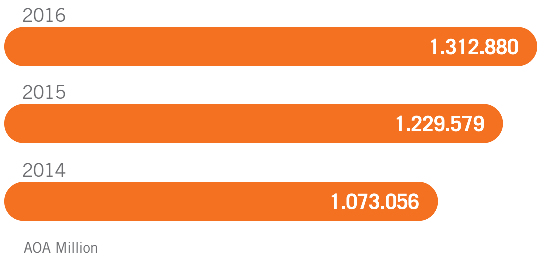

## Staff

Team growth presents a strong correlation with the expansion of the commercial network. In 2016 the Bank recorded a 1% increase positive change in the number of Employees.



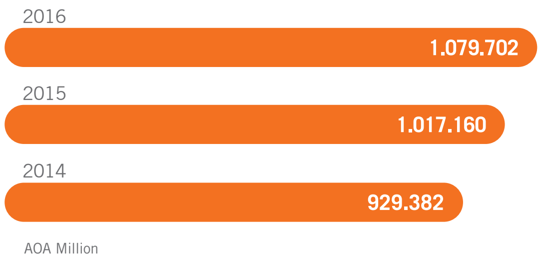

## Total Assets

BFA's business growth and strong deposit-taking in 2016 is reflected in the 6.8% growth of Total Assets.



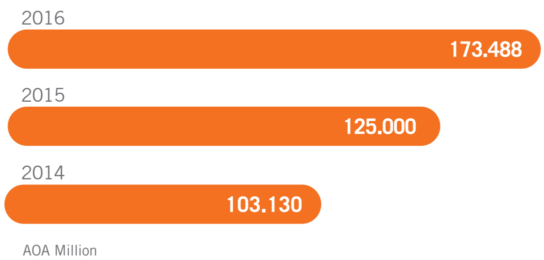

## Total Deposits

The steady increase in core deposits shows market confidence in the Bank, with deposits up nearly 6% compared to 2015.



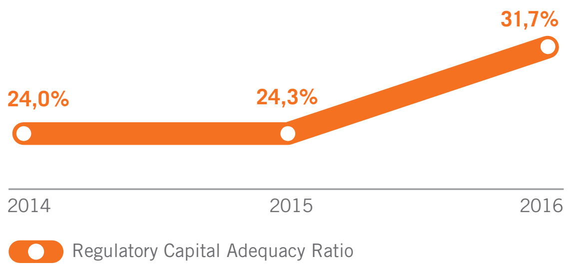

## Total Equity

BFA's Equity growth rate accelerated in 2016 and reached 38.6% strengthening the Bank's financial standing and ability to meet its Customers' needs.



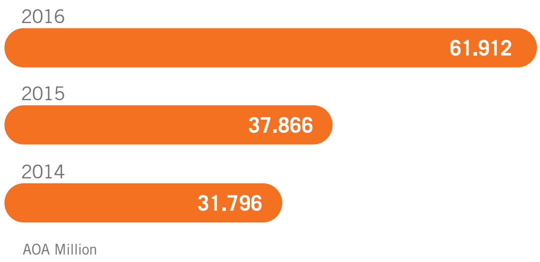
## Capital Adequacy Ratio

The Bank is financially sound, with a capital adequacy ratio 3.2 times above the regulatory minimum of 10%.



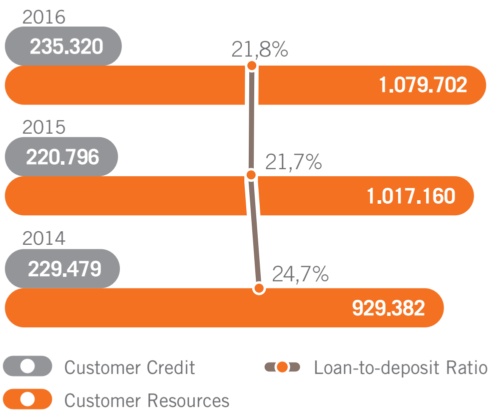

## Net Profit

In 2016 BFA scored a record high net profit of around AOA 62 billion corresponding to an increase of 63.5% over 2015.



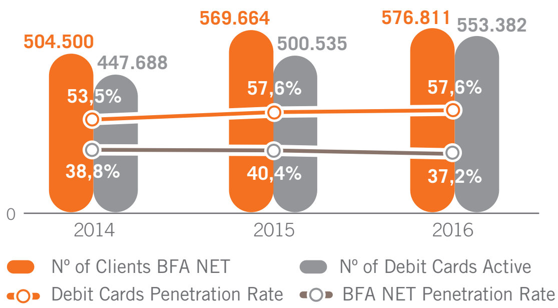

## Customer-related operations

The loan-to-deposit ratio shows a slight increase compared to the previous year. This growth is explained by a higher growth in loans granted over deposits.



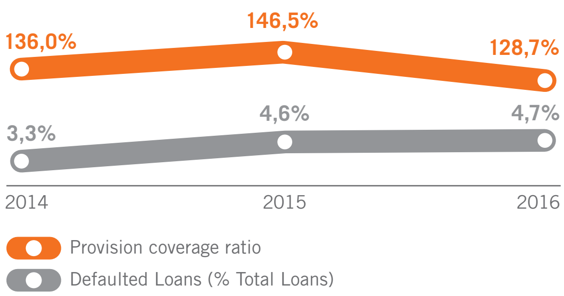

## Services

In 2016 BFA increased both the number of BFA NET users and Active Debit Card holders. The Debit Card penetration rate is in line with the previous year while the BFA Net Penetration Rate shows a slight decrease over the same period.



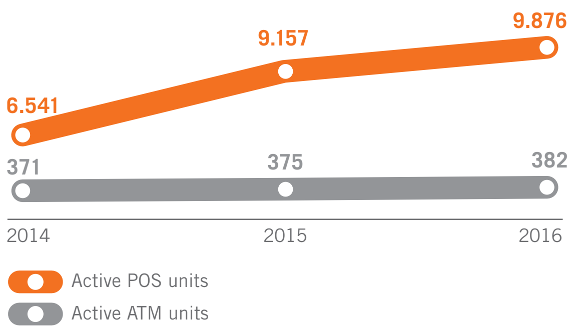

## Loan Quality

Decrease in Overdue Loan and Provision Coverage ratios, indicating a slight improvement in the loan quality.




## ATM and POS Terminals

The number of ATM 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.



# Outlook for 2017

Business growth is not expected to be more than moderate given the current setting of economic recovery. Therefore, 2017 will be dedicated mainly to improving the Bank's operational performance and preparing it for the next growth cycle.

**I. Innovation & Technology**

The focus on technological innovation is one of BFA's strategy cornerstones. The investments made in information systems Information Systems investments and the projects undertaken in this area have yielded strong returns allowing the Bank's systems not only to keep pace with but also foster their own growth. The goals for 2017, keeping up with the advances accomplished are as follows:

- Proceed with the eMudar@BFA project;
- Strengthen the information systems backbone in terms of concerning capacity, performance, resilience and security through improvement of the Bank's core system, communication network and data protection mechanisms security devices;
- Proceed with the customer closeness strategy by expanding the mobile platforms such as BFA Net, BFA Net Empresas and BFA App, as well as enhancing Customer's multi-channel relationships;
- Deploy solutions for the capital markets and BODIVA;
- Strengthen Anti-Money Laundering and Terrorist Financing measures;
- Develop technologically advanced solutions to meet the evolving official reporting and disclosure demands.

**II. Premium Service**

In 2017 BFA will continue to strengthen and develop new procedures and tools to provide a better Customer service to this end, it proposes to:

- Proceed with the Mystery Shopper programme, carrying out further surveys in 2017, aimed to ensure the Bank's Customer service and Customer support ongoing assessment;
- Support diversification and progress of the various Bank contact channels not only by enhancing the closeness strategy through refurbishing and rejuvenating the branch service outlets network, but also by enhancing the features of the home-banking websites, corporate website, mobile banking solutions and call centres, with the purpose of bringing the Bank closer to its Customers;
- Develop/Expand the claims handling process, allocating technical and human resources, in line with best international standards;
- Invest in commercial teams training and qualification with the aim of improving Customer service quality and closeness;

**III. Human Resources**

In 2017 BFA will proceed with its talent acquisition strategy, aimed at recruiting highly qualified individuals. To this end, it proposes to:

- Strengthen its online recruitment strategy through electronic channels;
- Promote Build up the specific orientation programme for new employees, based on a schedule of workplace visits;

In addition and during the course of the current year (2017), BFA will continue to target employee skill development through specific training having scheduled the following steps:

- Building a training handbook according to staff position or job role to integrate classroom courses, eLearning courses and internships;

- To make available a comprehensive course offering  on the BFA's e-learning platform – eFormar;

- Providing involvement in post-graduate  programmes, in the fields of management , accounting and finance;
- Supporting ongoing training in the of the most important subject matters to the Bank's activity, in partnership with the Banking Training Institute of Angola (IFBA);

### IV. Anti-money Laundering and Terrorist Financing

In order to foster compliance with applicable laws and regulations, BFA updated and renewed its account opening and maintenance procedures to ensure greater control and the collection and report of required information

In 2017 BFA will:

- Continue to enforce the full implementation of all applicable laws and regulations, developing and improving existing processes and procedures, introducing new global techniques and methodologies as a measure of continuous improvement and in compliance  with international best practices;

- Proceed with the Anti-Money Laundering and Terrorist Financing training program through classroom courses and the eLearning platform;

- Strengthen the Compliance Management team ensuring that they have the ability and possess the necessary skills to achieve their goals;

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

### V. Capital Markets

BFA became the first registered trading member of BODIVA and carried out 73.8% of all trades between May 2015 and December 2016. BFA will continue working to consolidate its position as market leader.

In December 2016 BFA Gestão de Activos – Sociedade Gestora de Organismos Colectivos, S.A. was approved for business by the CMC (Capital Market Commission); this will allow the Bank to broaden the offer of financial products to Customers.

In 2017 BFA aims to establish a pension fund management company allowing for the marketing of pension funds and take yet another step towards becoming a preferred partner in Financial Intermediation.

# 02

# ECONOMIC ENVIRONMENT


International Economy 18
Angolan Economy 21
Regulatory Changes 28

# International Economy

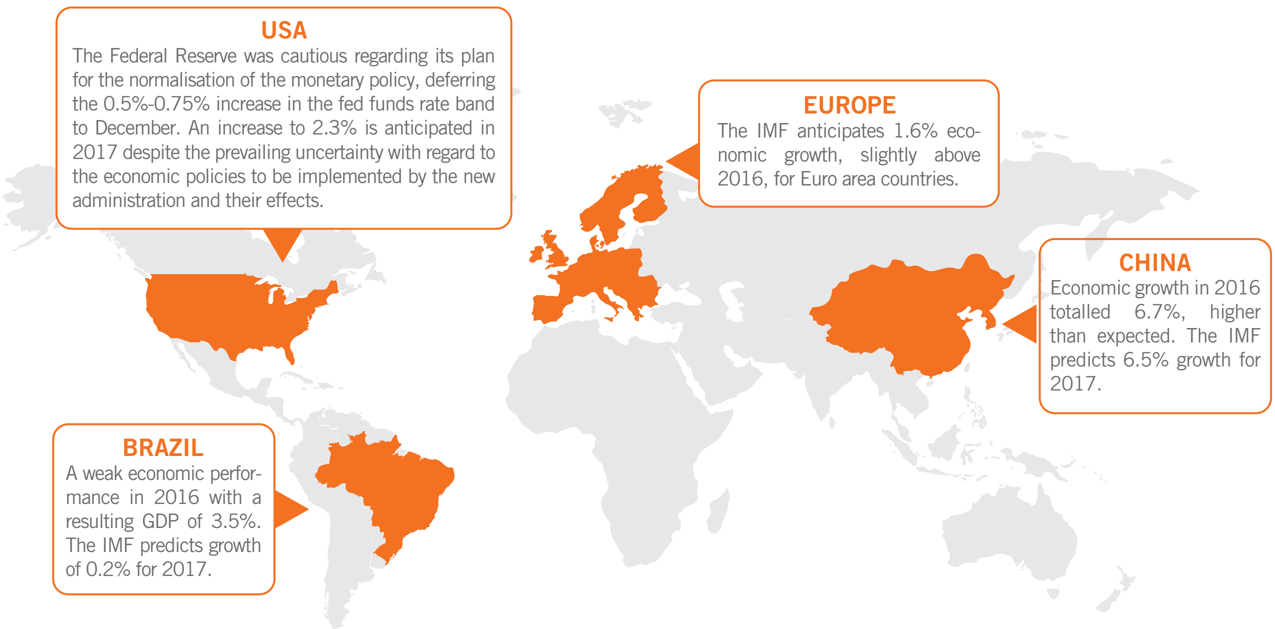
## ECONOMIC ENVIRONMENT

The International Monetary Fund estimates that the global economy experienced a mild slowdown in 2016, to 3.1% (3.2% in 2015). The slack growth of the global economy reflects mainly the low rate of growth in the developed economies (GDP increased by only 1.6% in 2016, -0.5 p.p. less than in 2015), as a result of political and economic factors that impacted the confidence and activity of the economic players. The main such factors included the turmoil at the start of 2016 resulting from fears of a sharp economic slowdown, net capital outflows from China, the referendum in the United Kingdom in June and the presidential elections in the USA towards the year-end. Hence, the emerging economies performed very inconsistently and the IMF estimates their growth at 4.1% in 2016, in line with 2015.

The IMF has a more optimistic outlook on 2017 and expects the global economy to grow 3.4%, with positive contributions from both the developed economies (1.9%) and the emerging and developing economies (4.5%). According to the IMF, the risks for the emerging economies are on the downside and are predominantly related to an increase in protectionist policies and more restrictive global financial conditions. There is significant uncertainty surrounding the expectations for recovery in the developed countries, especially considering political factors surrounding the electoral timetable in the European Union, scepticism around the policies of the newly elected US Administration and the United Kingdom's process of withdrawal from the EU ("Brexit").

In the US, the prospects of stronger growth and an inflation rate performance in line with the targets set by the Federal Reserve support the Fed's intention to proceed with the gradual normalisation of monetary policy. The European Central Bank strengthened the ultra-expansionary nature of its policy in 2016. In addition to reducing the benchmark rates to historical minimums, the ECB has increased the monthly purchase volume of long-term assets to 80 billion Euros and included non-bank debt securities in the range of eligible assets.

**GDP - events and exposures**



| | | | | |
|---|---|---|---|---|
| Interbank Market | Euribor | 1. The ECB bolstered the ultra--expansionist nature of its policy in March 2016 by setting the main refinancing rate at 0.0% and reducing the deposit facility and marginal lending facility rates to 0.4% and 25%, respectively. Furthermore, it stated that this status should remain unchanged beyond the expected expiry date of the asset purchase programme, which has since been postponed to December 2017.<br><br>2. Four new TLTRO (targeted longer--term refinancing operations) were launched with the purpose of stimulating the credit market. The main distinction from the previous series being the potential negative cost that these operations entail for Banks. | The monetary conditions established by the ECB are mirrored in the historically low Euribor rates:<br><br>- 3 months: - 0.319%<br>- 6 months: - 0.221%<br>- 12 months: - 0.082% | The 3-month Euribor rate maintained its downward trend until the end of February 2017 to close to -0.33%. |
| | Dollar LIBOR | Federal Reserve started the fed funds rate normalization cycle. | Three and six-month dollar LIBOR rate climbs to highest levels since 2009<br><br>- 3 months: 0.9982%<br>- 6 months: 1.3226% | In 2017 the Central Bank is encouraged to proceed with the steady normalisation of the monetary policy based on expectations for an energised growth of the US economy and an inflation trend aligned with its targets. This setting has led to an increase in the short-term interest rates with the 3-month US Libor standing at 1.05% by the end of February. |
| Public Debt | Yields | Key benchmark yields suffered a sharp drop to a record low towards the end of the year followed by a recovery. | The monetary policies were instrumental as well as the awareness of a rebound in the US market and a pickup of the European market. | |
| | 10-year Yield on Securities | The USA closed the year at 2.432% after recording a low of 1.321%. The first days of 2017 were characterised by the stabilisation of the 10-year UST yield at levels close to those recorded at year-end.<br>The 10-year German Bund closed the year at 0.207% after rebounding from a minimum of -0.204%. The deflationary trend continued during the first days of 2017 while the corresponding yield climbed to levels of close to 0.3-0.35%, a reflex of growth bias and a consequence of ECB's announced intention to prioritise purchases on the short end of the yield curve.<br>A mixed growth scenario was observed in debt markets surrounding the euro zone with upward pressure on risk premiums of vulnerable countries. The year wound down in Portugal with the 10-year yield at 3.76%, and a risk premium of around 350 points in relation to the German benchmark (Bund), compared to 2015 figures of 2.54% and 190 points. Towards the end of February, the 10-year yield on treasury bonds was close to 4.0% and the corresponding risk premium close to 370 points in relation to the German Bund. | | |

## MONEY MARKET AND BONDS

Political and economic events have affected the financial markets performance in 2016. The result of the referendum in the United Kingdom on their membership of the European Union and the surprise win of the presidential candidate, Donald Trump, have explained why almost every asset class showed a volatile behaviour. The year was marked by different monetary policies in the major economic areas.

## FOREIGN EXCHANGE MARKET

In the foreign exchange market front, USD appreciated sharply in 2016. The EUR/USD closed at 1.05 and the USD aggregate exchange index (in relation to the main market currencies) reached an all-time high of 103,60 since 2002. The key factors were the USA's positive economic performance in comparison with other parts of the world and the interest rate increase expectations (which materialised at the year-end only) broadening the differences to other currencies. Given the uncertain and disappointing economic growth in other regions of the world, the US Dollar became a safe currency. The British pound lost 16% to the US Dollar and the Euro as a result of the United Kingdom's decision to withdraw from the European Union.

# Angolan Economy

## ECONOMIC ACTIVITY

### ECONOMIC INDICATORS AND FORECASTS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015P | 2016F | 2017F |
|---|---|---|---|---|---|---|---|---|
| Real growth of Gross Domestic Product (tvh, %) | 4,7 | 3,5 | 8,5 | 5,0 | 4,1 | 0,9 | 0,0 | 1,3 |
| Oil Sector | -3,0 | -5,4 | 4,5 | -1,1 | -2,6 | 6,4 | 0,8 | 1,5 |
| Non-oil Sector | 7,6 | 9,5 | 5,5 | 10,9 | 8,2 | 1,6 | -0,4 | 1,3 |
| Oil production (Million barrels/day) | 1,76 | 1,66 | 1,73 | 1,72 | 1,67 | 1,78 | 1,79 | 1,82 |
| Angolan oil price (average, USD/barrel) | 76,5 | 108,7 | 110,9 | 107,7 | 96,9 | 50,0 | 40,5 | 46,0 |
| Consumer Price Index (yoy change, end of period) | 15,3% | 11,4% | 9,0% | 7,7% | 7,5% | 14,3% | 42,0% | 20,0% |
| Budget balance (% of GDP) | 3,4 | 8,7 | 4,6 | -0,3 | -6,6 | -3,3 | -4,1 | -6,7 |
| Primary non-oil budget balance (% of non-oil GDP) | -47,4 | -51,1 | -53,7 | -47,4 | -43,2 | -20,9 | -12,9 | -14,1 |
| Gross international reserves (USD billion, end of period) | 19,7 | 27,5 | 32,2 | 32,2 | 27,8 | 24,4 | 22,4 | 19,4 |
| Average exchange rate (AOA/USD) | 91,9 | 93,9 | 95,5 | 96,5 | 98,3 | 119,7 | - | - |

P - Provisional; F - Forecast
Source: FMI, INE
Note: With the exception of the global GDP growth figures, all other data was collected before the review of the National Quarterly Accounts series carried out by INE in February 2017

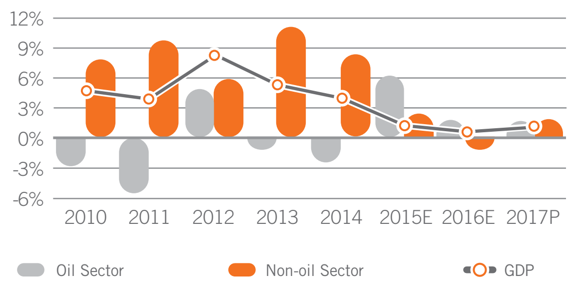
According to the new series of Quarterly National Accounts System (published by INE in February 2017), the Angolan economy decreased significantly in business activity until the 3rd quarter of 2016: the GDP underwent a year on year decrease of 4.7% during the first 9 months of the year followed by a slightly positive year on year development for 2015 (+0.9% yoy).

The most significant decline occurred in the 2nd quarter when the GDP was 7.8% lower than in the same period of 2015. In the 3rd quarter this decline slowed down and settled at -4.3%.

A comeback in activity is expected in 2017 resulting mainly from oil prices recovery.

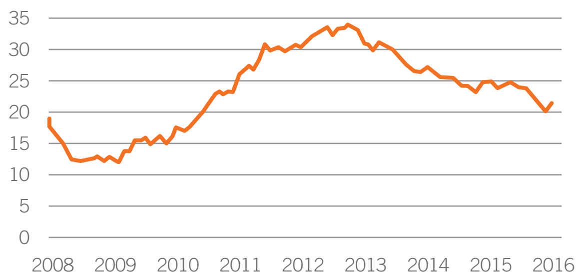
| | 2016 | 2017 |
|---|---|---|
| Oil GDP | Crude oil extraction and refining operations dropped in the 2nd and 3rd quarter (respectively -1.5% yoy e -2.8% yoy) after a 4.6% rise in the first quarter. The primary effect on the economy derives from the loss of oil revenue in USD, a consequence of the low oil prices, which reached a record low in January 2016. In addition to the weakened domestic demand brought on by the reduced tax revenue, these circumstances impaired foreign exchange availability and put the brakes on the import of consumer goods and investment. | IMF forecasts, in line with the government budget, predict that Angolan oil prices should level out at USD 46 in 2017, a humble rise in comparison with the USD 45 estimated for 2016. Hence, the oil GDP will grow 1.5% in 2017, underpinned by a 1.82 mbd increase in output operations, on par with government expectations. |
| Non-oil GDP | Circumstances in the oil sector have led to a downturn in non-oil sectors:<br>- The manufacturing industry suffered a 15.8% yoy and 11.4% yoy decline respectively in the 1st and 2nd quarter, recovering 4.0% yoy in the 3rd quarter;<br>- Trade fell in the 3 quarters of 2016, with an intensified drop in Q3 (- 15.5% yoy);<br>- The public sector, which still has a considerable vested interest in the Angolan economy, witnessed a decline in activity in the 3 quarters (respectively in the same period, -7.6%, -22.9%, -15.0%) owing to a shrinkage in government spending and investment. | The increase in revenue should allow the non-oil market to grow its output by 1.3%. The Government is in turn expecting an economic growth of 2.1% this year, with hikes of 1.8% and 2.3% in the oil and non-oil sectors respectively. The 2017 state budget forecasts particularly vibrant activity in the energy (+40.2%), agriculture (+7.3%) and manufacturing (+4.0%) sectors. |

## Real GDP growth




Source: IMF; INE

## Foreign exchange reserves




Unit: Billion USD
Source: BNA

## BALANCE OF PAYMENTS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015P | 2016F | 2017F |
|---|---|---|---|---|---|---|---|---|
| Current account (% of GDP) | 9,1 | 12,6 | 12,0 | 6,7 | -3,0 | -10,0 | -4,3 | -6,1 |
| Trade Balance (% of GDP) | 41,1 | 45,2 | 41,1 | 33,5 | 24,1 | 12,1 | 14,0 | 11,6 |
| Export of goods (% of annual change) | 23,9 | 33,0 | 5,6 | -4,0 | -13,3 | -43,9 | -17,2 | 15,0 |
| of which: oil (%of annual change) | 24,0 | 32,9 | 6,3 | -4,0 | -13,8 | -44,7 | -17,8 | 15,3 |
| Import of goods (% of annual change) | -26,4 | 21,4 | 17,2 | 11,1 | 8,5 | -26,6 | -32,2 | 25,4 |
| Capital and Financial account (% of GDP) | 14,4 | 18,3 | 15,5 | 7,1 | -5,8 | -12,6 | -8,3 | -8,6 |

Caption: P - Provisional F – Forecast
Source: IMF (Article IV, Feb. 2017)

### EXTERNAL SECTOR

According to IMF forecasts, Angola's balance of payments imbalance will have improved during 2016. On one hand, although the balance on current account showed a deficit for the third year running, that deficit is now 4.3% of GDP, well below the 10% recorded in 2015. Basically this trend was caused by the considerable 32% fall in imports, which offset the 17% decrease in exports, resulting in an increase in the trade surplus to 14.0% of GDP (12.1% in 2015), following 4 years of consecutive falls. As a result, the balance of trade of goods and services should once again score a positive balance equivalent to 2.1% of the GDP. On the other hand, the capital account should have recorded a lower deficit of 8.3% of the GDP as well basically due to a retraction in Angolan foreign direct investment, largely by Sonangol, and which inevitably varies in accordance with the availability of funds and the Company's current situation.

The marked recovery of imports, whose growth will be driven by a steady easing of the country's economic plight, has helped deteriorate the trade balance of goods with the subsequent worsening of the current account deficit, which the IMF expects will suffer a modest deterioration, standing at 6.1% of the GDP. Imports of goods are forecasted to increase 25.4%. In combination with a less significant increase in exports (+15.0%) the trade balance of goods should hold steady at 11.6%. Hence the balance of trade goods and services will, once again, record a deficit of 0.5% of the GDP.

The Government's pursuit of a conservative exchange rate policy has ensured a relative stability of the reserves when compared with similar economies. Nevertheless, there is a downward trend. The net international reserves have amounted to USD 24 billion between June 2015 and April 2016. However, there were consecutive drops from May onward bringing the government reserve down to USD 21,4 billion by December 2016. This amount represents 7 months of imports, which the official authorities once considered as a reference level. Basically the decline in reserves results from the Angolan government's efforts to stabilise the Kwanza; this can be seen in the consolidation of the reserves downward trend after BNA has devaluated the local currency between January and April of 2016, amounting to a decrease of 22.6% against the US dollar. The first devaluation of 15% occurred at the beginning of the year followed by several small-scale drops and subsequent stabilisation. However the drop in the Kwanza value to approximately USD 166.7 was still not sufficient to close the gap between the official and informal exchange rates, as the latter reached levels of over USD 600 and traded at around USD 490 in December. The monetary authorities intend to keep the current exchange rate and see no need for further devaluations.

### PUBLIC ACCOUNTS

With regard to public finances, subject to the government having met its plans, 2016 will close with a high deficit of 5.9%. In accordance with the Amending Budget drawn up by the Angolan government in August, the deficit target was revised upwards, from 5.5% to 5.9%. This increase stemmed from a more realistic oil price assumption, which was also revised, although downwards, from USD 45 to USD 40.9. This revision also took into account a lower oil output price, circa 1.79 mbd, than the one considered in the initial budget, 1.89 mbd. The Angolan government therefore decided to accommodate a slightly higher deficit. However, in order to appease market players and their probable concerns (according to official sources) budget implementation in the first semester was subject to tremendous restraint, so much so that a surplus of 1.4% of the GDP was achieved. In the first semester 38.6% of the revenue was collected, strongly restricted by the low level of budget execution in relation to oil revenue (34.3%). Public spending, however, recorded an even lower rate of execution (28.9%). Investment expenditure was particularly ineffective and managed to implement only 6.1% of the budget with many planned investments being deferred by the government.

The strategy for 2017 is to sustain a conservative fiscal policy and encourage the economy while using public investment as a brake. The Angolan government predicts an increase in revenue and expenditure of 5.5% and 7.5% respectively, thereby reversing the downwards trend recorded until 2016. Yet, these increments translate into a real reductions of revenue and expenditure on account of the increase of the nominal GDP (driven by the reasonably high inflation rate in 2017), and ultimately have a negative impact on the deficit as a percentage of the GDP by one tenth, to 5.8%.

| | 2016 | | | 2017 |
|---|---|---|---|---|
| **Public Debt** | According to the IMF, public debt as a percentage of the GDP should reach 71.6% by the end of 2016, Sonangol debt included. This amounts to a 6 p.p. increase over the projected 65.4% for 2015, a build-up year itself with an even higher debt position (40.7% in 2014).<br><br>The IMF forecasts a considerably more subdued increase if the state oil company is not considered, from 51.2% in 2015 to 52.7% in 2016. A forecast aligned with the Government expectation of 52.5%. | **Internal debt** | The Government resorted to T-Bonds, which represent 12.4% of GDP (while simultaneously paying off 7.1% of the GDP in T-Bonds). | The IMF forecasts a drop in public debt to 62.8% of GDP (49.1% excluding Sonangol), whereas the Government has a less optimistic outlook and projects an increase to 53.3% in 2017. |
| | | **External debt** | External financing is expected to have accounted for around 8.2% of GDP for national projects. The Government has repaid outstanding amounts raised in previous year's equivalent to approximately 3.4% of GDP. | T-Bonds will be the main source of funding in 2017 according to the Annual Borrowing Plan amounting to AOA 1.803 billion, with AOA 1.568 billion in Treasury Bills (T-Bills) and AOA 123 billion in co-financing. |

## INFLATION AND INTEREST RATES

The annual inflation rate returned to its former high values. The price increase was felt in particular from January onwards when the monthly rate of change in prices exceeded 3% for the first time since 2004 and remained above this level until August. After hitting a maximum of 4% in July the monthly inflation has since been steadily decreasing.

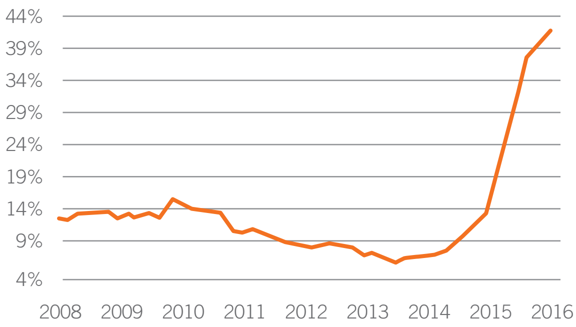
| | 2016 | |
|---|---|---|
| **Inflation Rate Increase** | Inflation figures were fairly high during 2016, averaging 32% and closing with an annual rate of 41.95% in December. | **International factors:**<br>• Inflationary pressure on food prices in Southern Africa<br><br>**Domestic factors:**<br>• Cuts in subsidized oil prices<br>• Currency devaluation<br>• Restrictions on imports and consequent price increase of imported goods |

Monetary policy took on a restrictive stance in order to counter this significant increase in inflation:

- BNA policy rates experienced several increases, especially the base interest rate, which was raised three times in 2016, from 11% to 12% in February, 14% in March and finally to 16% at the end of June;
- Increase in the 7-day liquidity absorption rate to 7.25% (1.75% at the beginning of the year);
- Increase in the marginal lending and rediscount rates to 20% (both 13% at the beginning of the year);
- Increase in the cash reserves requirement ratio from 25% to 30% in May.

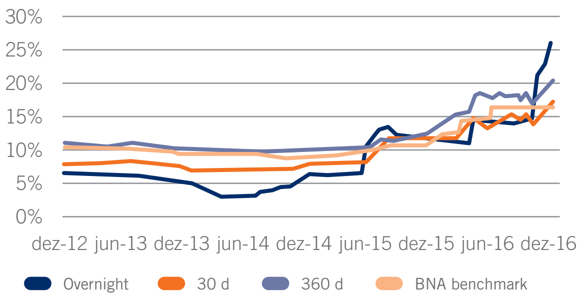
In keeping with the trend of relative inflation deceleration, BNA decided to maintain the rates in the second semester.

## Annual Inflation rate (yoy)




Source: BNA. Annual CPI variation

## Interbank Money Market Rates




Source: BNA. LUIBOR Rates

## BANKING SECTOR

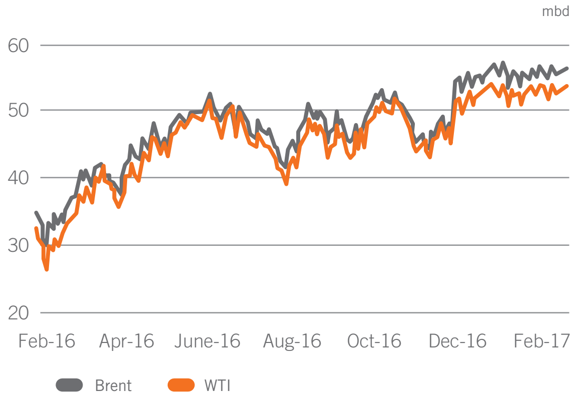
**2016**

| | | | |
|---|---|---|---|
| **Loans** | The annual average growth of total domestic loans was 18.3% in 2016, compared to a drop of 6.5% in 2015. | + | Private sector loans expanded significantly, with an annual average increase of 20.5%. |
| | | – | The past-due loans ratio rose to 15.2% of total debt in September 2016. |
| **Deposits** | The recorded average growth of 21.1% represents a significant acceleration in comparison with the 10.7% average growth in 2015. | ▶ | Foreign currency deposits decreased very slightly as a proportion of total deposits, to an average of 34.3%, 0.2 p.p. less than the previous year. In December 2016 they stood at 32.7% of total deposits. |

## OIL PRICES RETURNS TO RECORD LOWS

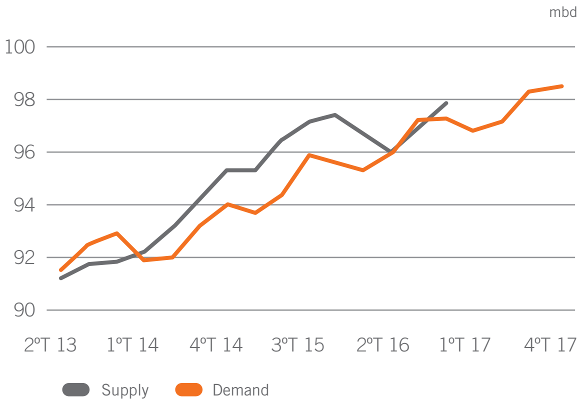
Most raw material prices rock-bottomed in 2016 amidst a global market tagged by free supply and lower demand in an environment of: low global growth, weak trade, deflationary pressures and accumulation of stocks. In addition, 2016 also marked the recovery of prices apart from being a simple pricing correction resulting from the previous sharp decline. Therefore, the outlook for 2017 is for a strengthening of the economic recovery that started in mid-2016, underpinned by a surge in consumption in the major economic sectors, whose growth should become steadier in an environment of improved financial balance. The supply of certain goods should also be subject to adjustment, namely in the energy market.

## Brent and WTI Price




Source: Reuters

## Crude Oil Demand* and Supply



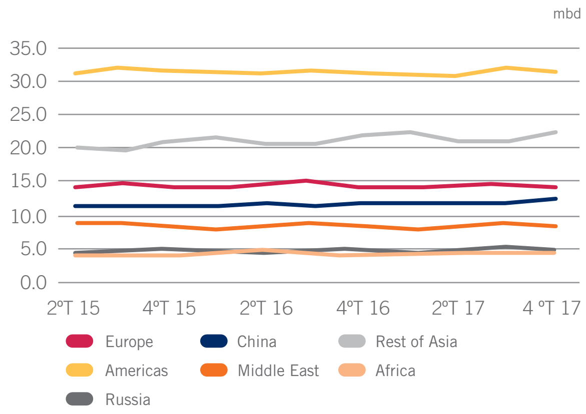

Source: IEA

China's growth and consumption, a major factor in the commodity market, initially caused considerable apprehension in 2016. China has been the frontrunner in both the supply and demand of raw materials over the last years and plays a pivotal part in pricing for both industrial base metals and various sources of fossil energy and agricultural prices. The question lingered throughout most of the year as to whether the downturn resulting from a business model more focussed on the internal middle-class consumption and new technologies and services would be dramatic or mild. Despite some hesitation regarding imbalances that have arisen, especially concerning corporate debt, structural change is expected to be progressive, stabilisation seems imminent and a new growth standard is under way, China is to keep its global economic importance.

The outlook for 2017 is for faster economic growth and a slight improvement in global spending, chiefly by developed countries, which should be steered by the USA. The commodity markets are expected to witness a more widespread effect and positive impact from the Trump administration's promise of economic stimulus, such as the increase in public investment in infrastructures and tax incentives for families and corporations. Against this background, inflation is likely to increase, accompanied by an increase in commodity speculation, given the low returns from alternative instruments.

In the energy sector, 2016 kicked off with the lowest Brent price in 13 years, of USD 27,10. A sustained growth developed in the course of the year, closing at USD 56 (a 107% appreciation) and subsequent stabilisation. The sustained prices resulted from the agreement reached between OPEC and several non-OPEC countries aiming to reduce daily production. OPEC agreed to an output cut of 1,2 million barrels per day (mbd) starting in January 2017 and guaranteed a cutback of 558 thousand barrels in non-OPEC countries (Russia being the most representative country). However, when the cuts were decided in November, the cartel had attained a record production of 34,2 mbd (300 kbd more than in October). Production in 2016 was 1,4 mbd above that of the previous year. Saudi Arabia, holder of the largest oil reserves and output capacity, consented to a cut of 486 kbd, around 5%, to 10,1 mbd. Iraq and the United Arab Emirates, second and fourth ranked OPEC producers respectively, followed with corresponding 210 kbd and 139 kbd cuts, respectively (also approximately 5%). The new output limits for Iraq and the UAE stand now at 4,4 mbd and 2,9 mbd, respectively. As stated above, Iran, the third largest producer, was allowed an output increase of 90 kbd, to 3,8 mbd. These output caps are expected to promote a greater global balance between oil supply and demand, and a consequent positive impact on prices. The substantial oil overstocking over the last year should also be factored in, although this trend has been slowing down. If 2017 global economic growth exceeds that of 2016, as forecast by leading international organisations, oil consumption should rise (opinion shared by the International Energy Agency) and rebalance the market. It therefore seems that confirmed price sustenance will become a reality, although at a slower pace due to the offset by the probable market inflow of producers using unconventional techniques with lower costs and more flexibility.

## Oil consumption of the main economic sectors




Source: IEA

# Regulatory Changes

The main regulatory changes introduced by the Supervisory authorities during 2016 are listed below:

| Month | Event |
| --- | --- |
| FEBRUARY | **Presidential Legislative Decree no. 1/16**<br>Regulates the legal and tax relations which make the payment of the Special Levy on Banking Transactions mandatory. For the purpose of this Decree, banking transactions are any transactions settled or posted by banking and non-banking financial institutions. |
| MARCH | **Executive Decree no. 111/16**<br>Regulates the rules and procedures that allow for the control of taxpayers showing reiterated tax irregularities. |
| APRIL | **Instruction no. 2/16**<br>Determines the level of Statutory Reserves of Banking Institutions established on national territory. |
| | **Directive no. 1/DRO/DSC/16**<br>Determines the information that Institutions must submit to Banco Nacional de Angola within the scope of complaints reporting framework. |
| MAY | **Instruction no. 4/16**<br>List of amendments to Instruction no. 2/2016 of 11 April. |
| | **Directive no. 01/DCC/16**<br>Determines the rules for providing information regarding Foreign Exchange Transactions within the scope of the Monetary Policy. |
| JUNE | **Notice no. 2/16**<br>Regulates the method of calculation, determines the minimum value of the capital adequacy ratio (CAR) and provides the framework and parameters for the basic components of regulatory capital (RC). It applies to Financial Institutions supervised by Banco Nacional of Angola in accordance with the provisions of Financial Institutions Basic Law. |
| | **Regulation no. 4/16**<br>Sets the requirements for the fulfilment of obligations provided by Law no. 34/11 of 12 December, the Anti-Money Laundering and Terrorism Financing Law, and the tools, mechanisms and implementation measures needed to enforce it. |
| | **Notice no. 3/16**<br>Sets the regulatory capital requirements that Financial Institutions should consider regarding credit risk and counterparty credit risk. Applies to Financial Institutions supervised by Banco Nacional de Angola in accordance with the provisions of Financial Institutions Basic Law. |
| | **Notice no. 4/16**<br>Sets the regulatory capital requirements that Financial Institutions should consider regarding market risk and counterparty credit risk of the trading portfolio. |
| | **Notice no. 5/16**<br>Sets the regulatory capital requirements that Financial Institutions should consider within operational risk framework. |
| | **Notice no. 6/16**<br>Sets the general principles of compliance for Banking Institutions within the scope of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), from FY2016 onwards. |
| | **Notice no. 7/16**<br>Sets the requirements and principles that should govern the internal risk management systems of Financial Institutions, in accordance with provisions of Notices no. 1/13 and no. 2/13 on Corporate Governance and Internal Control, Notice no. 3/16 on regulatory capital requirements for credit risk and counterparty credit risk, Notice no. 4/16 on regulatory capital requirements for market risk and counterparty credit risk in the trading portfolio, and Notice no. 5/16 on regulatory capital requirements for operational risk and in the BNA Instruction on liquidity risk instruction. |
| | **Notice no. 8/16**<br>Describes the testing requirements to be followed by Financial Institutions under supervision by Banco Nacional de Angola within the scope of interest rate risk of the banking portfolio. |
| | **Notice no. 9/16**<br>Sets the limitations regarding major risks and interests held in non-financial corporations. |

| Month | Event |
|---|---|
| AUGUST | **Instruction no. 5/16**<br>Sets the procedures to be followed by Banking Institutions when calculating impairment losses of the customer credit portfolio. |
| | **Instruction no. 6/16**<br>Sets the procedures to be followed by Banking Institutions when disclosing information about financial instruments. |
| | **Instruction no. 7/16**<br>Sets the procedures to be followed by Banking Institutions when applying the effective interest rate method to the recognition of income and expenses associated with financial instruments. |
| | **Instruction no. 9/16**<br>Sets the procedures to be followed by Banking Institutions when recognising and measuring of transferable securities. |
| | **Instruction no. 11/16**<br>Sets the procedures to be followed by Banking Institutions when dealing with the accounting and prudential processing of losses of the customer credit portfolio. |
| | **Instruction no. 12/16**<br>Regulates the technical specifications regarding regulatory equity requirements on credit risk and counterparty credit risk provided in Notice no. 3/16. |
| | **Instruction no. 13/16**<br>Regulates the submission of information to Banco Nacional de Angola by Financial Institutions regarding regulatory equity requirements on credit risk and counterparty credit risk. |
| | **Instruction no. 14/16**<br>Describes the technical specifications regarding regulatory equity requirements on credit risk and counterparty credit risk provided in Notice no. 4/16. |
| | **Instruction no. 15/16**<br>Regulates the submission of information regarding regulatory equity requirements on market risk and counterparty credit risk of the trading portfolio to Banco Nacional de Angola by Financial Institutions in accordance with provisions of Notice no. 4/16. |
| | **Instruction no. 16/16**<br>Regulates the technical specificities regarding regulatory equity requirements on operational risk provided in Notice no. 5/16. |
| | **Instruction no. 17/16**<br>Regulates the submission of information regarding regulatory equity requirements on operational risk to Banco Nacional de Angola by Financial Institutions in accordance with provisions of Notice no. 4/16. |
| | **Instruction no. 18/16**<br>Regulates reporting on regulatory capital and the capital adequacy ratio by Financial Institutions to Banco Nacional de Angola in accordance with provisions of Notice no. 2/16. |
| | **Directive no. 5/DRO/DSI/2016**<br>Issues guidelines about the information that Financial Institutions should include in their action plan in accordance with the provisions of Notice no. 2/16 regarding regulatory capital. |
| | **Instruction no. 19/16**<br>Sets the quantitative analysis requirements to be performed by Financial Institutions under the supervision of Banco Nacional de Angola and within the scope of liquidity risk. |
| SETEMBRO | **Instruction no. 20/16**<br>Sets the procedures to be followed by Banking Institutions when first applying the International Financial Reporting Standards, in accordance with International Financial Reporting Standard – 1: First-time Adoption of International Financial Reporting Standards. |
| | **Instruction no. 22/16**<br>Sets the reporting obligations to be followed by Banking and non-Banking Financial Institutions within the scope of the deposit-taking activity. |
| | **Notice no. 10/16**<br>Sets the general terms and conditions for opening, operating and closing of Deposit Accounts. |
| | **Notice no. 11/16**<br>Describes the reporting procedures and requirements regarding the opening and closing of branches and service points to Banco Nacional de Angola. |

| Month | Event |
| --- | --- |
| | **Notice no. 12/16**<br>Sets the rules and procedures to be followed when marketing financial products and services. |
| | **Notice no. 13/16**<br>Sets the reporting obligations to be followed by Banking and non-Banking Financial Institutions within the scope of the deposit-taking activity. |
| | **Notice no. 14/16**<br>Sets the reporting obligations to be followed within the scope of credit approval by Financial Institutions, customer obligations and the possibility of debt recovery in the event of financial difficulties. |
| | **Directive no. 3/DRO/DMA/16**<br>Regulates the additional requirements that Financial Institutions supervised by Banco Nacional de Angola should comply with in order to access the Marginal Lending Facility within the scope of the provisions laid out in Notice no. 12/12. |
| | **Directive no. 4/DRO/DSC/DMA/16**<br>Sets and regulates the charging of fees on the interest and custody of government bonds. |
| DECEMBER | **Instruction no. 24/16**<br>Sets the obligation of identification and of enhanced due diligence applicable to high risk individuals, regardless of nationality, place of residence or jurisdiction over the performance of respective duties. |
| | **Instruction no. 25/16**<br>Regulates the implementation of activities, policies and risk management processes, in accordance with the provisions of Notice no. 7/16, for the purpose of identification, assessment, monitoring, control and supply of information regarding credit risk. |
| | **Instruction no. 26/16**<br>Regulates the implementation of activities, policies and risk management processes, in accordance with the provisions of Notice no. 7/16, for the purpose of identification, assessment, monitoring, control and supply of information regarding liquidity risk. |
| | **Instruction no. 27/16**<br>Regulates the implementation of activities, policies and risk management processes, in accordance with the provisions of Notice no. 7/16, for the purpose of identification, assessment, monitoring, control and supply of information regarding market risk. |
| | **Instruction no. 28/16**<br>Regulates the implementation of activities, policies and risk management processes, in accordance with the provisions of Notice no. 7/2016 of 22 June, for the purpose of identification, assessment, monitoring, control and supply of information regarding operational risk. |

## CESOB AND THE IMPLEMENTATION OF IAS/IFRS

From a tax point of view 2016 brought nothing new as the tax reform follows its course. There are, however, a number of noteworthy topics that deserve special mention.

The first is the Special Levy on Banking Transactions (CESOB - *Contribuição Especial Sobre as Operações Bancárias*). CESOB was levied on banking and financial transactions and movements of funds in accordance with the provisions of the Presidential Legislative Decree no. 1/16 of 24 February. CESOB was introduced as a temporary levy and was applied to all transactions carried out between 1 July 2016 and 31 December 2016.

Almost all debit transactions carried out by banking institutions were subject to CESOB, including those relative to deposit, loan, savings, escrow accounts or others.

The tax liability fell on natural or corporate persons, public companies and banking and non-banking financial institutions, bank account holders featuring banking transactions and movement of funds at a rate of 0.1%,

in accordance with aforementioned legal framework.

Mention should be made regarding the exemption granted to the State and any of its departments, institutions and bodies, except for public companies, and the existence of specific exemptions regarding particular banking transactions and financial movement of funds, in accordance with aforementioned legal framework.

To this extent, BFA had to ensure its IT systems setting for collection of CESOB not only from Client transactions, but also from its own banking operations.

Another topic worthy of mention in 2016 was the full adoption of the International Financial Reporting Standards (IAS/IFRS) which are currently the key standards in use by BFA as the financial reporting guidelines. This was the most significant achievement in the accounting and tax domain in 2016.

We are witnessing the outcome of a complex and time-consuming implementation process - which, if you recall, National Bank of Angola has been promoting the full adoption of IAS/IFRS for National Financial Institutions since October of 2013 - with a cross-sectional impact on several areas of BFA.

The adoption of new accounting standards also has a heightened tax impact, whose implications had to be anticipated and provided for within the scope of the implemented procedures. Furthermore, regardless of the tax impact of the new accounting standards, the tax regulations were not subject to any amendments in order to accommodate them, which posed an additional effort on the part of BFA to adapt accordingly.

# 03

# BFA


| | |
|---|---|
| **Corporate Governance** | 34 |
| Corporate Governance and Internal Control System | 34 |
| Guiding Principles of Corporate Governance | 34 |
| Corporate Structure and Governance Model | 35 |
| Composition of Governing Bodies | 41 |
| Organization Chart | 41 |
| Executive Committee of the Board of Directors | 42 |
| Internal Control System | 46 |
| Remuneration of Governing Bodies | 46 |
| Profit Appropriation Policy | 47 |
| Ethical Principles and Conflicts of Interest | 48 |
| Risk Management System | 49 |
| Internal Information | 50 |
| Monitoring | 51 |
| **Core Business Areas** | 52 |
| Individuals and Businesses | 54 |
| Investment Centres | 58 |
| Companies | 60 |
| Oil & Gas | 64 |
| Capital Market | 65 |
| Business Development Unit | 68 |
| **Human Resources** | 70 |
| **Innovation & Technology** | 73 |
| **Payment System** | 76 |
| **BFA in Digital Banking** | 80 |
| **Communication** | 82 |
| **Social Responsibility** | 89 |
| **Awards** | 92 |

# Corporate Governance

## CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

Corporate governance is a cornerstone of any financial institution given its importance towards the enforcement of the regulatory framework. BNA's Notice no. 1/13 regulates the introduction of Corporate Governance-related policies and processes by financial institutions.

In view of this regulation, BFA sought to establish a set of Corporate Governance practices that would impact the management model through formulated measures aimed at the capital and organisational structure, remuneration policy, code of behaviour and conflict management as well as transparency and disclosure processes, while simultaneously outlining reporting guidelines related to the governance model.

The ongoing concern with the refinement of the relevant structure and practices in these matters, has prompted the Board of Directors to approve the enforcement of an action plan in accordance with Notice no. 1/2013 (26)(2) and Notice no. 2/2013 (22)(2), aimed at ensuring that the Bank's corporate governance model complies with the relevant regulations.

To accommodate Instruction no. 1/13 of 22 March, which regulates the submission of information by financial institutions to BNA, within the framework of Notices no. 1/13 and no. 2/13 of 22 March, BFA's Board of Directors submitted its Annual Report on Corporate Governance and the Internal Control System on 30 November 2016. This Report contains the opinion of the Supervisory Board and External Auditor.

## GUIDING PRINCIPLES OF CORPORATE GOVERNANCE

The guiding principles of the Corporate Governance policy in force at BFA are aligned with international standards best practices and follows BNA's blueprint and requirements, and those of its major shareholder BPI, of which BFA is a subsidiary under the scope of consolidated supervisory regulations. The main principles are:

| | | |
|---|---|---|
| **Management Transparency** | In-House | Ongoing and full reporting. It 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 and accurate reporting. It allows Shareholders, Authorities, Auditors, Investors and stakeholders in general to assess the quality and appropriateness of the information provided and the outcomes obtained. |
| **Independence** | Executive management autonomy in relation to Shareholders or 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 the management of the different risks inherent to the Bank's activity. | |
| **Participation in decision-making** | Participation in the decision by adopting corporate models in the 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 Management and Employees. | |

## CORPORATE STRUCTURE AND GOVERNANCE MODEL

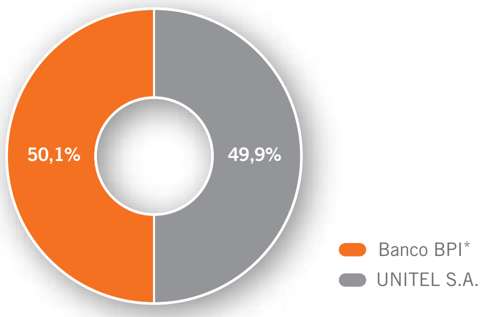
BFA was incorporated by deed on 26 August 2002 as a result of the transformation of the Angolan branch of Banco BPI, S.A. into an Angolan bank, majority-held by the BPI Group.

The Articles of Association (AoA) were subject to substantial amendments by public deed and since then no further amendments were made.

### CORPORATE STRUCTURE AND EQUITY INTERESTS

BFA's share capital is held by BPI Group, and its wholly owned subsidiaries, and UNITEL, S.A.

Shareholding Structure




*Banco BPI and its wholly owned subsidiaries

BFA has legal interest in EMIS, Sociedade de Fomento Habitacional and Instituto do Mercado de Capitais, of which the last two are currently inactive.

As founding shareholder, BFA has continuously endorsed and encouraged the initiatives launched by EMIS, and is generally one of the first Banks in the market to implement the solutions and services offered, such as:

Installation of the new BFA Data Processing Centre in 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 80% of cards issued;

New digital check clearing system using 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. BFA is represented by the following governing bodies:

- Board of Directors: Dr. Otília Faleiro.

### GOVERNANCE MODEL

BFA's operating model is laid down in its Articles of Association (AoA), which were approved at its General Meeting held on 27 November 2008, and complies with the provisions of the Financial Institutions Act (Law no. 13/05).

The Governing Bodies are the Statutory Bodies and are comprised of: the General Meeting and its chairman, the Board of Directors and the Supervisory Board, the Board of the General Meeting, the Executive Committee of the Board of Directors (ECBD) and the External Auditor.

Pursuant to the provisions of Notice no. 1/13 and no. 2/13, the Board of Directors set up two new commissions: the Risks Committee and the Audit and Internal Control Committee.

The members of the Governing Bodies were appointed at the General Meeting held on 20 October 2014 for a three-year mandate: 2014-2016. On the same date, and in accordance with the AoA, the Board of Directors appointed the members of the Executive Committee of the Board of Directors and its Chairman.

All members of BFA's Governance Bodies are bound to a strict duty of confidentiality and subject to a set of rules aimed at preventing conflict of interest or the misuse of insider information, based on international standards best practices and principles of sound and wise management.

Furthermore, all Governance Bodies members have the technical expertise, professional experience and moral character to perform their duties.

The setting up of the Audit and Internal Control Committee (CACI) and the Risks Committee, in 2014, was a critical step toward compliance with the laws and regulations in force, contributing to major improvements in BFA's Internal Control System, which started in 2015 and continued in 2016.


| 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 and Duties | ▪ Appointment of the members of the Board of Directors, the Supervisory Board, the Chairman, the Vice-Chairman and the Secretaries of the Board of the General Meeting and elect the External Auditor;<br>▪ Assess the Board of Directors' annual report and discuss and vote on the balance sheet and consolidated and individual financial statements, considering the opinions of the Supervisory Board and the External Auditor;<br>▪ Approve the fixed and/or variable remuneration of the members of the corporate bodies;<br>▪ Decide on the appropriation of profits proposed by the Board of Directors;<br>▪ Decide on amendments to the Articles of Association;<br>▪ Decide on the increase or reduction of capital and the merger, demerger, transformation or dissolution of the company;<br>▪ Decide the acquisition and disposal of own shares or bonds. |

## Board of Directors

| | |
|---|---|
| Composition | The Board of Directors (BD) is composed of a minimum of 7 and a maximum of 15 members, appointed at the Shareholders' General Meeting. The current Board of Directors is made up of 11 members after the loss of two members in the course of 2016. |
| Powers and Duties | ▪ Set BFA's general policies;<br>▪ Approve the business plan and the annual and multi-annual plans and budgets, their amendments and monitor their performance on a regular basis;<br>▪ Prepare the accounting documentation and the proposal for the appropriation of profits for submission to the General Meeting;<br>▪ Propose amendments to the Articles of Association and share capital increases, including the issuance of bonds that fall outside its powers, by submitting its proposals to the General Meeting;<br>▪ Approve the code of behaviour for wholly controlled companies;<br>▪ Take all other necessary or appropriate measures to undertake the activities included in the corporate purpose, namely:<br>- Represent the company in or out of court, in an active or passive manner, file and challenge any court or arbitration proceedings, accept claims, desist or withdraw in any legal action and engage in arbitration;<br>- Acquire, dispose of or encumber any assets or rights;<br>- Appoint agents for specific acts, or classes of acts, setting the limits of their mandates.<br><br>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 and implemented by each of the BFA's Departments involved in their execution. This strategy is reflected in the Annual Budget and in Action Plans proposed by the Executive Committee and approved by the Board of Directors.<br><br>The Board of Directors acts in accordance with the Articles of Association and with specific Regulations.<br><br>To regulate its internal operation, the Board of Directors delegated current management of the Bank to an Executive Committee made up of three, five or seven members, subject to the limits set in the delegation-approval resolution and in the Executive Committee own operating Regulations. |
| Frequency | The Board of Directors will meet at least quarterly and whenever summoned by the Chairman of the Board. |

## Executive Committee of the Board of Directors

| | |
|---|---|
| Composition | Executive management of the Bank is performed by three, five or seven Directors, appointed by the Board of Directors, and who's Chairman will be chosen from among them. |
| Powers and Duties | It has the required and appropriate management powers for the performance of the banking activity, under the terms and to the extent permitted by law, namely the power to decide and to represent the Company regarding specific matters.<br>The Committee's performance is subject to ongoing monitoring by the Board of Directors, the Supervisory Board and the External Auditor. |
| Frequency | The Executive Committee of the Board of Directors meets whenever summoned by its chairman, usually once a week and at least once a month. |

## Risks Committee

| | |
|---|---|
| Composition | The Risks Committee comprises three to six executive or non-executive members of the Board of Directors (BoD) and, if the BoD so decides, by non-board members who are freely chosen specialists in the Risk Management area. Members are appointed by the BoD, who also appoints its Chairman and, should it so decide, a Vice-Chairman. |
| Powers and Duties | ■ Advise the Board of Directors on risk strategy;<br>■ Monitor the management of the risk policy regarding the risks inherent to the Bank's activity. |
| Frequency | The Risks Committee meets quarterly or whenever convened by its chairman. Members of the Supervisory Board and the External Auditor may attend the meetings of the Risks Committee, without 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, by non-board members who are freely chosen specialists in the area for which they were chosen.<br>Members are appointed by the BoD, who also appoints its Chairman and, should it so decide, a Vice-Chairman. The number of non-board members must never exceed half of the total Board members. |

## Audit and Internal Control Committee

| | |
|---|---|
| Powers and Duties | ■ Ensure that an effective and duly documented reporting system is in place and operational, including that of preparation and disclosure of the financial statements;<br>■ Supervise the implementation of the Bank's accounting policies and practices;<br>■ Review all financial information for internal publication or disclosure, namely the annual management accounts;<br>■ Check the independence and efficiency of the internal audit, approve and review the scope and frequency of their activity and supervise the implementation of proposed corrective measures;<br>■ Supervise how the compliance function is performing;<br>■ 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 And Internal Control Committee meets on a quarterly basis or whenever summoned 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.<br><br>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 the Company Law), have the technical qualifications and professional experience, including the operational banking expertise, allowing for the effective fulfilment of the tasks entrusted to them. |
| Powers and Duties | ■ To audit the Company's management;<br>■ Ensure compliance with the law and with the Articles of Association;<br>■ Monitor the effectiveness of the risk management, internal control and internal audit systems;<br>■ Validate the consistency of the books, accounting records and supporting documents;<br>■ Confirm that the accounting policies and the valuation criteria in use by the Bank lead to an accurate assessment of its assets and results; |

## Supervisory Board

| | |
|---|---|
| Powers and Duties | ■ Prepare an annual report concerning its auditing activities, including its opinion on the Annual Report, Statements and proposals submitted by Management;<br>■ Receive reports on irregularities submitted by shareholders, employees and others;<br>■ Call the General Meeting whenever the Chairman of the Meeting fails to do so;<br>■ Comply with any other legal provisions, Articles of Association and directives of Banco Nacional de Angola. |
| *Frequency* | The Supervisory Board meets at least once every quarter. |

## External Auditor

| | |
|---|---|
| Composition | The financial statements were submitted to an independent audit performed by the external auditors Deloitte & Touche – Auditores, Lda. Notice no. 4/13 lays down the rules governing the provision of External Auditing services.<br><br>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 factored into its governance practices and policies various mechanisms to safeguard the independence of its auditors. |
| Powers and Duties | ■ Audit BFA's Financial Statements as of 30 June and 31 December;<br>■ Issue an opinion as to whether the Annual Report presents a true and fair view of corporate governance and the internal control system. |
| *Frequency* | The External Auditor carries out an annual review of the procedures of selected Departments and/or processes wherein the inclusion of the General IT Controls is mandatory. |

## COMPOSITION OF GOVERNING BODIES

| BOARD OF THE GENERAL MEETING | |
|---|---|
| Chairman | Rui de Faria Lélis |
| Secretary | Alexandre Lucena e Vale |
| **BOARD OF DIRECTORS** | |
| Chairman | Fernando Costa Duarte Ulrich |
| Vice-Chairman | Isabel dos Santos |
| Members | José Pena do Amaral<br>Mário Silva<br>Diogo Santa Marta<br>Mariana Assis<br>António Matias<br>Vera Escórcio<br>Otília Faleiro<br>Francisco Costa<br>Manuela Moreira |

| EXECUTIVE COMMITTEE | |
|---|---|
| Acting Chairman | Mariana Assis |
| Members | António Matias<br>Vera Escórcio<br>Otília Faleiro<br>Francisco Costa<br>Manuela Moreira |
| **SUPERVISORY BOARD** | |
| Chairman | Amilcar Safeca |
| Member | Susana Trigo Cabral |
| Chartered Accountant | Henrique Camões Serra |
| **EXTERNAL AUDITOR** | |
| Deloitte & Touche – Auditores Lda. | |

## ORGANIZATION CHART

BFA's organizational chart is underpinned on a multi-disciplinary operational structure. Under the supervision of each Executive Directors, provides a clear delimitation of business areas and separation of tasks.

| Mariana Assis | António Matias | Vera Escórcio | Otília Faleiro | Francisco Costa | Manuela Moreira |
|---|---|---|---|---|---|
| Accounts and Planning Department | Corporate Department | Financial and International Department | Organisation and Training Department | Individual and Business Loans Department | Individuals and Business Department |
| Human Resources Department | Facilities and Assets Department | Procurement Department | Information Systems Department | Corporate Credit Risk Department | Investment Centres Department |
| Audit and Inspection Department | | Assets Management | Foreign Sector and Treasury Department | Structured and Investment Financing Department | Protocol Management Department |
| Business Development Unit | | Marketing Department | Credit Processing and Support Department | Real Estate Operations Department | |
| | | | Cards and Automated Banking Department | Monitoring, Recovery and Litigation Department | |
| | | | New Business Department | Legal Department | |
| | | | Compliance Department | | |

# Executive Committee of the Board of Directors

Otília Faleiro
Director

António Matias
Director

Vera Escórcio
Director

Francisco Costa
Director

Mariana Assis
Director

Manuela Moreira
Director

# Executive Committee of the Board of Directors

**MARIANA ASSIS** Director
Date of Birth: 29 September 1953

Mariana Assis has been a member of the BFA Board of Directors since 2005. With 41 years' experience under her belt, Mariana starts out in 1975 at Banco Comercial de Angola, currently BPC, as a clerk in the Accounting Department. At the Banco Comercial de Angola (BCA) she was Head of the General Administration Closing Department (1979), Head of Budget Implementation and Control (1987) and Chief Accountant (1989). She was recruited by BFA in 1993 as Technical Analyst and served as Head of the Accounting Department between 1994 and 2001 when she was promoted to Accounting Director. She holds an Economy Degree with Post-graduation in Accounting and Finance from the School of Economics at Universidade Agostinho Neto.

**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 Agostinho Neto University's College of Economics and a postgraduate degree in Banking, Insurance and Financial Markets from ISLA (Instituto Superior de Línguas e Administração). Mr. Matias is the Chairman of the Board of Instituto de Formação Bancária de Angola – IFBA.

**VERA ESCÓRCIO** Director
Date of Birth: 17 September 1974

Vera Escórcio has been a member of the BFA Board of Directors since 2009. She holds 16 years' experience in the banking sector, started in 2001 at BFA, where she reached the status 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.

**OTÍLIA FALEIRO** Director
Date of Birth: 26 August 1954

Otília Faleiro has been a member of the BFA Board of Directors since 2011 and is also a non-executive member of the Board of EMIS. She has over 40 years of banking experience. In 1992 she took on the role of Assistant Manager of BPI's Information Technologies Department and was promoted to Coordinating Manager within that same department in 1998. She was appointed Project Manager of the Individuals and Small Business Network in 2000 and in 2007 became Central Head of Organisation and Methods, taking over as Central Head of Real Estate Financing in 2009 and as Head of the Credit Department in 2010. She holds a degree in Business Management and Organization from Lisbon's Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE).

**FRANCISCO COSTA** Director
Date of Birth: 22 August 1951

Francisco Costa has been a member of the BFA Board of Directors since 2011. His 30-odd years of experience in the banking sector began in January 1984 when he was employed at BPI as Project Analyst and later promoted to Project Coordinator in 1987. From 1989 onward he took on Management roles reaching Central Director in 1992. He became a member of the Board of Directors in 1995. He holds a degree in Electrical Engineering from Instituto Superior Técnico, Lisbon, and a degree in Economics from the Coimbra University's School of Economics.

**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 January 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 Departments in May 2006. She previously worked at the Ministry of Finance's Accounting Department and for the Ministry of Education as a teacher at 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.

## INTERNAL CONTROL SYSTEM

BFA's internal control system is an organisational plan of all the methods and procedures implemented by the Board of Directors to achieve a reasonably methodical and efficient performance of the Bank's activities, including the following: conjunction to management policies, asset protection, fraud and error prevention and detection, accuracy and completeness of accounting records and timely preparation of reliable financial information.

In accordance with BNA's Notice no. 2/13, which regulates the mandatory implementation of an Internal Control System by Financial Institutions, this is an adequate and efficient Internal Control System based on which the Board of Directors and the Management are reasonably assured that the Bank's strategic and operational goals are met, the reporting system is reliable and the rules and regulations are being followed.

BFA's current Internal Control System is adequately and comprehensively upheld by 4 components with unique goals and tools:

| | |
|---|---|
| **Control Environment** | The Control Environment concerns the posture and behaviour of the Bank's governing bodies and employees considering their respective levels of knowledge and experience and the high standard of ethics and integrity to which they adhere. |
| **Risk Management System** | The Risk Management System aims to establish a comprehensive set of policies and procedures that ensure proper risk identification, assessment, monitoring, controlling and reporting. All pertinent risks must be taken into account and dealt with in an effective, consistent and timely manner. |
| **Information and Communication** | The Bank's information and Communication systems must not only provide full, reliable, consistent, comprehensible information that is aligned with the designated goals and measures, but also the guidelines for its collection, management and disclosure according to international standards best practices. |
| **Monitoring** | The supervision of the internal control system ensures the continuous, effective and timely detection of shortcomings in terms of strategy, policy, procedures and all risk categories in addition to ethical and professional principles. |

## REMUNERATION OF GOVERNING BODIES

### Remuneration Structure of Executive Directors

The remuneration policy employed by BFA for the executive members of its management body - the Executive Committee of the Board of Directors (ECBD) - is designed to include fixed and variable components. The latter is awarded as a measure of the performance of both BFA and individual Directors during the year preceding the payment of said compensation. Furthermore, is designed to assess consistency with long-term performance and is based on the assessment of the following criteria, among others:

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

Os valores de remuneração fixa pagos aos membros da CECA, são consistentes com a prática de mercado e resultam da aplicação do respectivo contrato de trabalho e da legislação de trabalho em vigor.

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 to 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.

Since BFA is not a public traded company, the variable remuneration supplement in question is fully paid in cash.

### Remuneration of Non-executive Members of the Board of Directors, the Supervisory Board and the 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 one is elected, or directly by the shareholders at the General Meeting.

### Remuneration amounts paid out in 2016

In 2016, the aggregate remuneration paid to members of the Board of Directors, the Supervisory Board and the Board of the General Meeting amounted to AOA 656,7 million, as follows:

- Members of the ECBD, AOA 568,7 million, including both fixed and variable remuneration;
- Non-executive members of the Board of Directors, Supervisory Board and Board of the General Meeting, AOA 88,0 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 profits were paid out as dividends and allocated to the free reserve in the proportion of 40% to 60% respectively.

The proposal for the appropriation of profit for 2016 is to pay out 40% as dividends, the remaining 60% to be transferred to free reserves.

## ETHICAL PRINCIPLES AND CONFLICTS OF INTEREST

The Code of Behaviour, the Regulation of the Board of Directors and the Regulation of the Executive Committee of the Board of Directors 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.

Hence, they also foster relations clarity between corporate bodies and employees, discouraging the participation in illegal activities and excessive risk-taking, all of which contribute to transparency in contractual relationships between the Bank and its counterparts; furthermore they provide 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 ethical principles set in BFA's Code of Behaviour and 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 legal provisions and regulations, the members of BFA's corporate bodies and its employees act and conduct their business 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, responding to the requests of customers and the competent authorities in a strict, timely and thorough manner, while observing the duty of professional secrecy;

- To establish and uphold strict professional secrecy;

- To provide Fair and Equitable Treatment to the Bank's Customers unless there are legal and/or contractual and/or risk-related grounds for doing otherwise;

- To manage Conflict 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 Customer interests, Bank interests, or of its Employees and Directors, arising from current activities of the Bank must be resolved in favour of the Customer, unless there are legal or contractual grounds for doing otherwise;

- To preclude the improper gains and abuse of position: Governing Bodies members 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 Bodies members and Employees must act diligently, seeking clarification from their respective immediate superiors whenever necessary.

- Ensuring that loans granted to Shareholders, Governing Bodies members, Employees or related parties follow normal market conditions, bearing in mind their specific risk profile (possibility of waiver of loans of a social nature, 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 bodies 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.

## RISK MANAGEMENT SYSTEM

The Risk Management System enables for the comprehensive overview and management of the risks inherent to financial institutions activities with a view to mitigate potential losses associated with risk events.

Currently, monitoring and control of the risk management system falls under the Board of Directors' responsibility, which includes non-executive Directors and the Risks Committee.

The Supervisory Board, the Audit and Internal Control Committee and the Risks Committee are also responsible, within the scope of their duties, for the assessment of the main indicators and areas of risk management.

Identifying and assessing risk situations are the responsibility of all BFA's areas in general, although the following departments have particular responsibility for credit risk:

- Individual and Business Loan Department - responsible for assessing credit operations within this segments;
- Corporate Credit Risk Department - responsible for assessing credit operations within this segment;
- Structured and Investment Finance Department - responsible for structuring complex, high-value financings and all investment loan applications, including those covered by the Angola Investe Program;
- Real Estate Operations Department - responsible for the assessment of loan applications and the monitoring of the mortgage-backed or CRE (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.

BFA has a set of General Credit Regulations, supplemented by another set of internal rules and procedures to ensure proper control of credit risk, which were reinforced in 2011 when BNA's Credit Risk Centre became operational. Since then it became an indispensable tool for proper assessment of credit risk.

As regards the risk management of liquidity, exchange rate and interest rate, the Financial and International Department (DFI) is responsible for ensuring compliance with supervisory rules in force and with the in-house approved ratios and limits listed in the department's Limits and Procedures Manual, in particular the mandatory reserves ratio and the foreign exchange exposure limits. It is also responsible for liaising with BNA on these matters.

The Organization and Training Department is responsible for managing operational risk, thereby contributing to the more cost-effective and rational performance of the Bank. It is involved in and coordinates projects and defines processes and procedures, so as to ensure that internal regulations are prepared and maintained, that BFA's organizational structure and processes are appropriate from the point of view of efficiency and risk, and that its management receives the support required at all times. It is also responsible for gathering information and preparing reports on operational losses.

The Compliance Department is responsible, within the scope of anti-money laundering and terrorist financing management procedures, for carrying out prior and post hoc controls to identify sanctioned entities, detect suspicious transactions and check compliance with applicable laws and regulations affecting the financial institution.

The task of the Internal Audit and Inspection Department (A&I) is to protect the integrity and security of the Bank's assets and of its customers. To this end, regular reviews on the activities of the Business Units and Central Services are performed. These reviews are supplemented by thematic audits carried out by the external auditor or by a specifically-hired auditor hired. The department is also responsible for assessing compliance with internal regulations and the Code of Behaviour.

The methodology and tools used when managing each of the aforementioned risks may be reviewed in detail in the relevant risk chapter.

## INTERNAL COMMUNICATION

BFA's commitment to and ongoing investment in Information Systems is part of its strategy to achieve high levels of innovation, modernization and risk control. Information systems promote the sustainable growth of the Bank, not only optimizing 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, the quarterly financial statements summaries and BFA's corporate presentation, "bfa@glance", which is available on the corporate website.

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

Every six 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, forecasts and other subject matters.

### INTERNAL MAGAZINE - BFA YETU

BFA designed and launched the BFA YETU project in 2013 with the aim of enhancing the Bank's internal communication strategy. The suggestive title "YETU" means "ours" in the Kimbundo language. The magazine is printed quarterly and aims to disclose the Bank's activities to all its employees.


Revista Interna n.º 7 Março 2016


Revista Interna n.º 8 Novembro 2016

## 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 Offices are subject to regular assessment in order to safeguard the integrity and safety of BFA's and Customer assets and ensure 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 are they are identified and are in line with applicable legislation affecting each process.

## LEGAL DEPARTMENT

BFA has currently a restructured Legal Department with a fresh operating model designed to foster an environment whose structure and organisation facilitate an efficient response by specialized staff to the Bank's legal issues.

The new Legal Department is made up of 4 new divisions with 31 staff members: Customer Account Management, Loan Approvals, Central Services Support and General Litigation.

A key element of the new operating model is the Quality Unit, within Loan Approvals. Its mission is to assure quality in the loan agreements originated in the Sales Departments.

BFA now boasts a new Legal Library, an integral part of the Legal Capacity-Building Centre under management by the Central Service Support Division, which is responsible for collecting, assessment, structuring, disclosing, recording and updating of legal information relevant to the Bank's business. The Legal Department aims to make use of the Legal Library to track the publication and progress of relevant legislation and disclose the information among BFA Employees.

# Core Business Areas

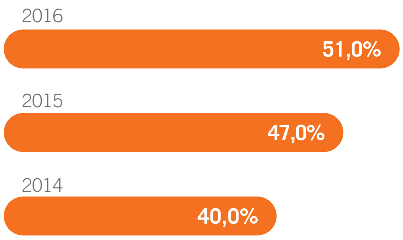
## STRENGTHENING OF THE LEADERSHIP POSITION AND BUSINESS DEVELOPMENT

### Significant increase in the process of promoting Banking services within the Angolan population

One of the major focuses of the Financial Sector is the promotion of Banking Services within the Angolan population. Thanks to the joint efforts of BNA and the Financial Institutions, provisions have been made for a progressive implementation, reflected on the steady growth of the Banking services index.

According to a 2016 survey carried out on Luanda and Benguela residents aged 15 and over, recorded a Banking services index of 51%, accounting for a 4 pp increase over 2015 and 11 pp over 2014.

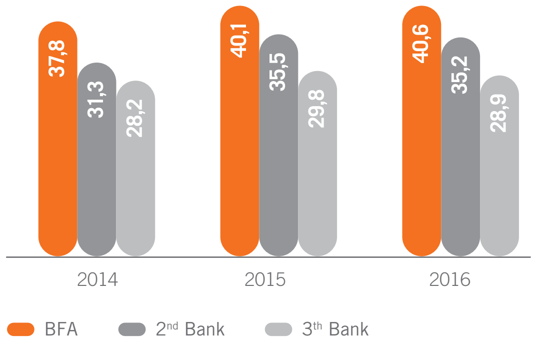
### Development of the Banking Services Index[1]




[1] Angola All Media & Products Study – Luanda 2016 (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 of more than 3 500 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 development, BFA's penetration rate within the population of Luanda province aged 15 or more has shown an increase. Hence, BFA's market leadership remained unchanged with respect to other banks (40.6%), being strengthened in 2016. This is a major aspect because it stresses out BFA's work and momentum with respect to customer acquisition, the Bank's relationship with the market and with its customers.

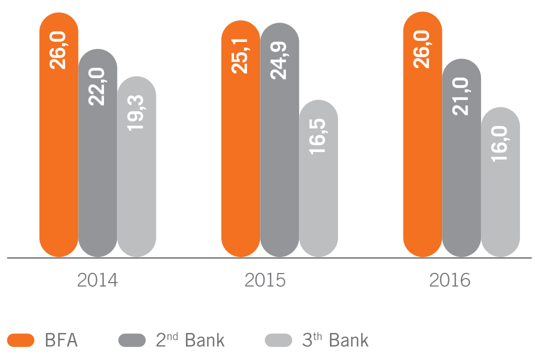
### Development of the Penetration Rate[2]




[2] Angola All Media & Products Study – Luanda 2016 (AAMPS). Sample of respondents who are bank account owners residing in Luanda aged 15 and over.

This strong resilience coupled with BFA's efforts to expand its nationwide footprint and broaden product and service offering is reflected in a 26%-sustained market share as the Angola leading Bank.

### Development of the Market Share as Leading Bank



## Sustainability and Strengthening of Leadership Position

Improved customer service, based namely 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 customer base growth. BFA won 160 thousand new Customers in 2016 representing an 11.4% increase over 2015.

## RENEWAL AND MAINTENANCE OF THE BRANCH NETWORK

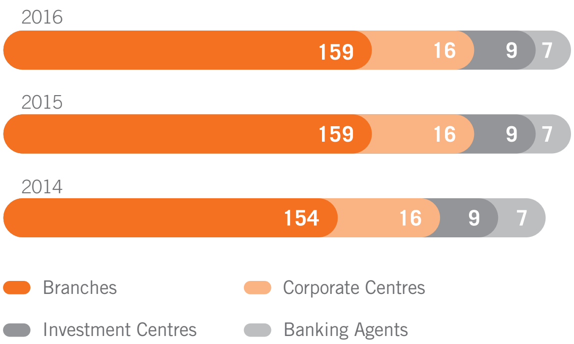
### Renewal of the Commercial Network

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, specialized in individual customers, business owners and business operations banking management; 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 personalized customer care.***

In 2016, BFA opened 2 new service outlets, refurbished 4 service outlets and 1 Corporate Centre, and closed down 2 service outlets. Overall, the BFA network features 159 Branches, 16 Corporate Centres, 9 Investment Centres and 7 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 outlets locations, project approval and licensing, work execution and refurbishment of existing service outlets.

The commitment to refurbishing instead of building new service outlets will prevail throughout 2017 and will afford a rejuvenated look to old, run-down service outlets.

### BFA Network Distribution



### Increased efficiency in Customer support

Within the scope of service quality improvement, it should be highlighted 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. Over the course of 2016, have been checked and embedded the following procedures: term deposits, wire transfers, account deposits, check clearing, coupled with opening and amendment of individual and corporate accounts, check requisition, subscription and activation of both Multicaixa cards and BFA Net, already built-in during the course of 2015.

Furthermore, for the third year running, BFA has carried out a Mystery Shopper survey in all its service outlets to measure customer service quality and support, followed by the establishment of target sets and areas of improvement. This survey was carried out with the aim to strengthen commercial team focus on key issues of Customer Service quality.

In 2016, BFA undertook second phase of the Customer Satisfaction Survey project: from a sample of 10 thousand individual Customers, we were able to determine that 60% of them consider BFA as their Bank of Choice. The aforementioned positive outcomes are those that drive BFA to strengthen its efforts to improve its Customer support effectiveness and efficiency.

### Customer Acquisition Performance Strength

In 2016, the number of customers of the individual customers, Business owners and Business Operations sectors increased by 11.4% over 2015, a net growth of more than 160.000 new customers, a record-breaking high. This data strengthens BFA's performance momentum in the retail banking area, where once again it asserts itself as the market leader.

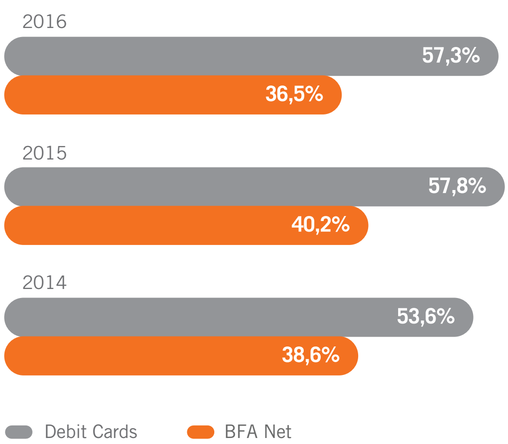
## CUSTOMER BASE AND SERVICE DEVELOPMENT – INDIVIDUALS AND BUSINESSES

| | 2014 | 2015 | 2016 | Var. % 14-15 | Var. % 15-16 |
|---|---|---|---|---|---|
| Customers (no.) | 1.291.089 | 1.400.234 | 1.560.313 | 8,5% | 11,4% |
| BFA Net (no.) | 498.222 | 563.053 | 570.013 | 13,0% | 1,2% |
| Debit Cards (no.) | 692.420 | 808.871 | 893.558 | 16,8% | 10,5% |
| Credit Cards (no.) | 14.528 | 14.117 | 13.006 | -2,8% | -7,9% |
| Salary Accounts (no.) | 70.012 | 80.701 | 90.169 | 15,3% | 11,7% |

There is a positive sales trend of products and services linked to means of payment and new online channels. As in the preceding year, Credit cards are the exception when compared with other payment methods and feature a drop of 7.9% over 2015. This decrease follows the restrictions imposed on credit card issuance, a direct result of the country's foreign exchange framework during that period of time.

The use of basic services, namely debit cards and BFA Net, retreated slightly 0.5 and 3.7 pp respectively.

### Debit Card and BFA Net Penetration Rate



## SERVICE QUALITY

### Mystery Shopper Survey

Between 2014 and 2016, BFA carried out five (5) Mystery Shopper surveys throughout the entire banking service outlets network (individual and business). The aim of this quality survey is to assess customer service and support offering, as well as to set goals and areas for improvement with regard to branch and staff image and streamlining customer support and behaviour in a sales background.

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 discussed during distinct sales meetings.

BFA's response within this area is aimed at strengthening the commercial team's focus concerning the improvement of Customer service quality.

### Customer Satisfaction Survey

BFA drew the first phase of its Customer Satisfaction Survey project to a successful close in 2014. The assessment model was designed, assembled and tested thoroughly for setting up the Customer Satisfaction Index.

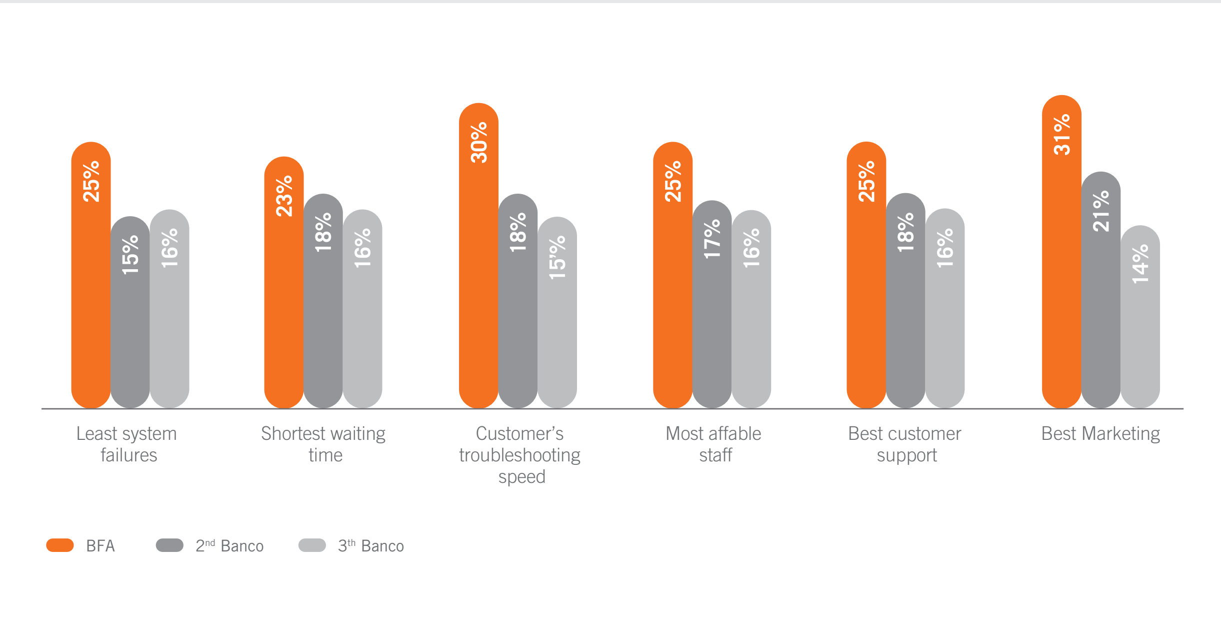
A pilot study was also carried out in the Luanda and Benguela Province service outlets during this first phase.

The second phase of the Customer Satisfaction Survey project was carried out in 2016 on a national scale. This was conducted with a sample of 10 thousand individual Customers of whom 60% have BFA as their Bank of choice.

### AMPS Study: Bank Perception

The outcome of the survey conducted in the Luanda Province revealed that Customers have an overall positive perception of the Banks in general. Furthermore, from the analysis it was concluded that BFA stood out positively in comparison with second and third-rated banks, as in the previous year.

Customer troubleshooting speed is BFA's most distinctive category with a differential higher than 11 pp from the second-ranked bank. Follow-up categories in which BFA stood out in relation to the second-ranked bank were: Best Advertising recording a change of 11,5 pp; Least System Failures showing a 9 pp gap; Bank with most friendly staff registering a 7,8 pp gap; Bank with best customer support recording a change of 6,9 pp; and lastly, Bank with shortest waiting time registering a 5,1 pp gap in comparison with the second-ranked bank.



## CUSTOMER FUNDS - INDIVIDUALS AND BUSINESS

AOA million

| | 2014 | 2015 | 2016 | Δ% 14-15 | Δ% 15-16 |
|---|---|---|---|---|---|
| Funds | 329.817,2 | 372.619,0 | 423.822,4 | 13,0% | 13,7% |
| Deposits | 329.625,6 | 372.522,4 | 423.706,8 | 13,0% | 13,7% |
| Demand Deposits | 229.535,0 | 264.673,7 | 309.824,5 | 15,3% | 17,1% |
| Term Deposits | 100.090,6 | 107.848,6 | 113.882,3 | 7,8% | 5,6% |
| Other Funds | 191,6 | 96,6 | 115,6 | -49,6% | 19,7% |

### Local Currency Deposits – Growth

### Funds Development in Domestic Currency

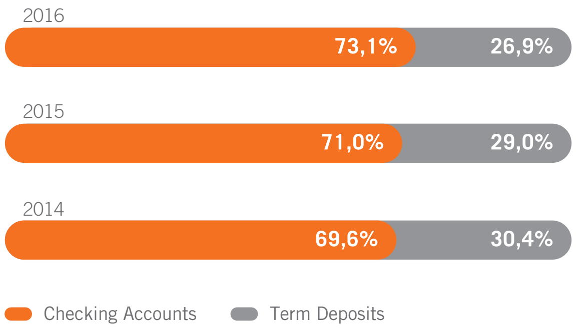
Fundraising enables BFA to maintain high levels of liquidity, ensuring both the financing of the Angolan Economy and BFA's preparation for the challenges ahead. To this end, a key indicator for BFA performance assessment is the deposits rate development.

The volume of individuals and business deposits has increased 13.7%, accounting for a total of AOA 423,706.8 million.

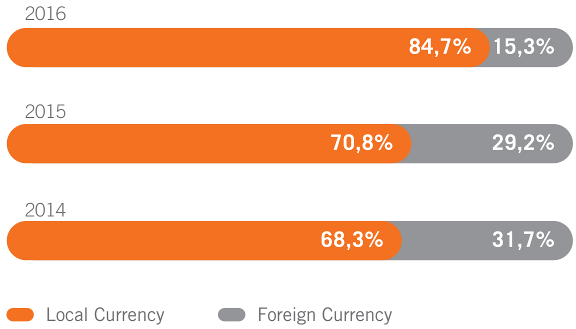
The largest source of funds, as in previous years, is demand deposits, which make up close to 73% of total deposits and show a positive growth change of 17.1% in comparison with 2015. Even though term deposits decreased as a proportion of total deposits, they increased by 5.6% (AOA 6,033.7 million) in comparison with the previous year.

The ongoing de-dollarization of the economy has resulted in a steady increase in the proportion of local currency deposits, which reached 84.7% of total retail deposits, up 13.9 pp compared to 2015.

Deposits Rate Development in Domestic Currency
Individuals and Businesses




Deposits Structure by Currency and Type
Individuals and Businesses

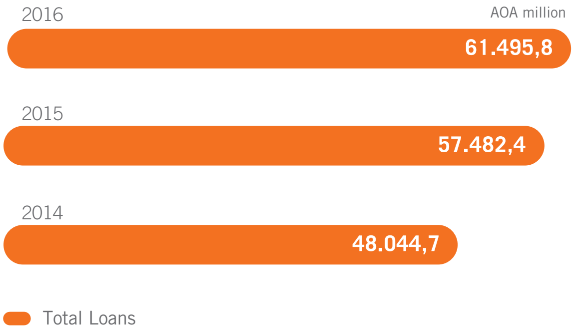


### Increase in Loans and Advances to Customers

The loan portfolio, keeping with the previous year's trend, grew by 7%, reaching AOA 61,495.8 million, with a strong focus on the Individuals segment, which represents 84% of the portfolio.

The Businesses segment made up the remaining 16% of the loan portfolio with a 2% growth compared to 2015. Business loans consist mostly of Investment financing (62.3%), in line with BFA's increased exposure to and support for business.

### Loans and Advances Individuals and Businesses




## PROTOCOL MANAGEMENT DEPARTMENT

Set up in July 2013, Protocol Management Department (DGP) aims to enable the signing of Protocols with Institutional and Corporate customers in an organized and competitive manner. These protocols offer access and price benefits to particular loan operations to the employees of said Institutions and Corporations who open a salary account at BFA.

During 2016, DGP signed 23 new protocols, most of them within the Public Sector. The DGP, with the support of the Branches and Investment Centres network, also coordinated several promotional campaigns directed at the Employees of these companies with the aim of providing an excellent and personalized customer service.

Following the efforts made in 2015, management pressed ahead with the development of initiatives, thereby achieving greater proximity with protocol Customers on a national scale, as well as a widespread promotion and understanding of the loan products and services provided. The campaigns focused primarily on loan simulations, providing the employees with clear and accurate information regarding loan amounts, terms, instalments, effort rates, and transaction costs.

Follow-up actions, aimed at strengthening relations with corporate customers and measuring employee satisfaction and protocol performance, were also conducted throughout the year.

In order to guarantee customer satisfaction and service quality the DGP offers specific products, including:

- Civil Servant Offer, which proposes special pricing terms for personal, car and housing loans; and
- Personal Express Loan, with subsidised rates and no need for guarantors, exclusively for loans granted under protocols established with oil companies.

In 2017, the DGP plans to invest in promotional team training through segmented and coordinated courses, coupled with other Bank departments, and to extend the proximity campaigns with customers (companies and employees) and their sales teams (support and training). Furthermore, targeted campaigns are scheduled with the aim of increasing the level of customer satisfaction, acquiring new customers, increasing lending and increasing defaulted loan recovery.

## CUSTOMER BASE AND SERVICE DEVELOPMENT - INVESTMENT CENTRES

| | 2014 | 2015 | 2016 | Δ% 14-15 | Δ% 15-16 |
|---|---|---|---|---|---|
| Customers (no.) | 3.500 | 3.722 | 4.214 | 6,3% | 13,2% |
| BFA Net (no.) | 2.926 | 3.039 | 3.093 | 3,9% | 1,8% |
| Debit Cards (no.) | 2.868 | 2.932 | 2.874 | 2,2% | -2,0% |
| Credit Cards (no.) | 2.262 | 2.270 | 2.195 | 0,4% | -3,3% |

### DEVELOPMENT OF CUSTOMER PORTFOLIO AND CUSTOMER FUNDS

With the aim to strengthen growth strategy and ongoing customer support improvement, the Investment Centre Support Office has provided an increasingly tailored and customer-focused service, also achieving its objective to provide administrative assistance to the management's sales teams.

#### Customer Base Growth

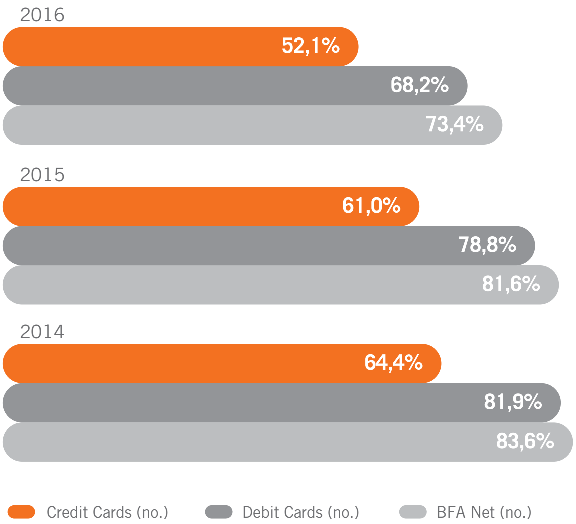
In 2016 the customer base experienced the greatest jump in recent years amounting to 13.2% and exceeding the 4 000 mark.

The total number of customers with active Homebanking services reached 3,099, which translates into a 1.8% rise in comparison with 2015.

The number of new card-holders, both debit and credit, dropped slightly by 2% and 3.3% respectively.

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 regarding BFA Net and debit card services.

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




#### Strong Growth of Customer Funds

Customer funds followed recent trends and continued to register considerable growth in 2016, with an increase of 16.7%, to reach AOA 211,918 million.

Term deposits amounted to AOA 177,721 million, up 13.2% in comparison with 2015. They continue to account for a much larger proportion (83.9%) of total deposits than demand deposits, highlighting the savings propensity and capacity in this market segment.

## CUSTOMER RESOURCES - INVESTMENT CENTRES

AOA million

| | 2014 | 2015 | 2016 | Δ% 14-15 | Δ% 15-16 |
|---|---|---|---|---|---|
| Funds | 179.007,0 | 181.582,3 | 211.917,8 | 1,4% | 16,7% |
| Deposits | 178.848,6 | 181.477,6 | 211.817,9 | 1,5% | 16,7% |
| Demand Deposits | 20.018,1 | 24.483,3 | 34.096,7 | 22,3% | 39,3% |
| Term Deposits | 158.830,6 | 156.994,1 | 177.721,2 | -1,2% | 13,2% |
| Other Fund | 158,4 | 104,7 | 99,9 | -33,9% | -4,6% |
| Securities* | 10 484,4 | 48 440,2 | 78 282,6 | 362,0% | 61,6% |

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

Demand deposits also increased significantly for the second year running, with a 39.3% growth compared to 2015, reaching a total of AOA 34,096.7 million.

In response to the need for liquidity and to satisfy investment opportunities and variation of its customers' portfolios, BFA continued its financial brokering activity in relation to public debt securities initiated in 2014. In 2016, the overall amount applied in securities amounted to AOA 78,3 billion, a 61.6% when compared to 2015.

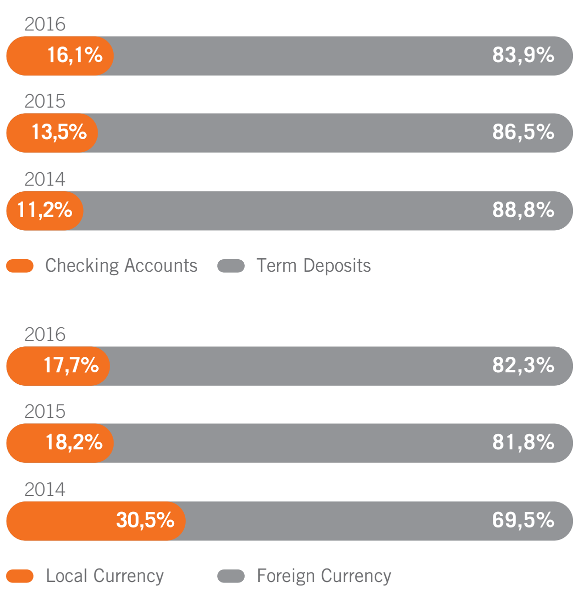
Investment Centre customer funds consist largely of term deposits, showing that this is essentially a savings segment.

An in-depth analysis per currency type shows that the proportion of foreign currency deposits is up 0.5 pp compared with the previous year, strengthening its position in overall customer funds, accounting for 82.3%.

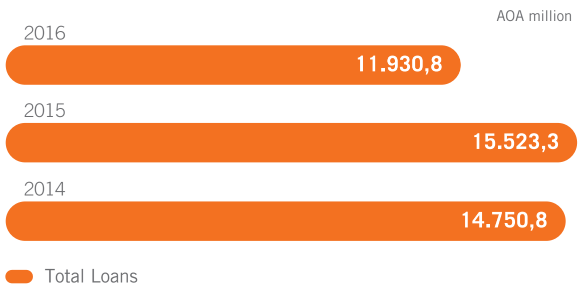
### Development of Loans and Advances to Customers

The loan portfolio recorded a drop of 23% in 2016, totalling AOA 11,930.8 million.

### Deposits by Type and Currency Investment Centres




### Customer Loans Investment Centres



## CORPORATE

### CUSTOMER BASE AND SERVICE DEVELOPMENT - CORPORATE

| | 2014 | 2015 | 2016 | Δ% 14-15 | Δ% 15-16 |
|---|---|---|---|---|---|
| Customers (no.) | 6.156 | 6.389 | 6.524 | 3,8% | 2,1% |
| BFA Net (no.) | 3.349 | 3.562 | 3.690 | 6,4% | 3,6% |

### Improvement of Service Quality

The effect of the economic turmoil in Angola became more apparent during 2016, disrupting businesses in general, with a noticeable decrease of economic activity and company closures. The sales teams had a more continuous presence in the field, aimed at supporting business owners and continuing on-site customer visits programme. Informal preparatory meetings were held between Regional Managers and their teams to organize the schedule of visits.

### Development of the Customer Base and Service Penetration Rate

The number of Corporate Banking Customers rose once again in 2016, reaching 6,524 customers.

In 2016, BFA Net Empresas, which is equipped with specific business tools, registered increases in both membership and penetration rate of 3.6% and 56.6%, respectively.

This specialised service aimed at corporate customers allows them to carry out online banking transactions conveniently and effortlessly.

BFA Net Penetration Rate
Corporate Banking

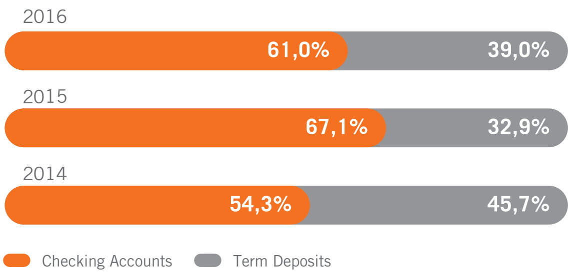

### Development of Customer Funds

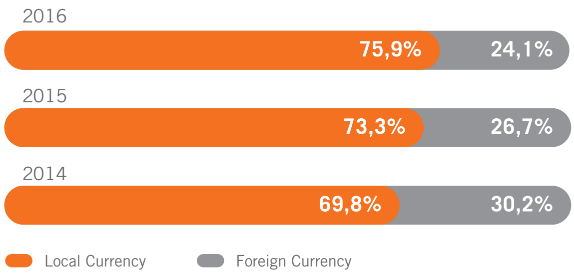
In 2016, customer deposits within the Corporate Banking segment recorded a decrease of 4.3% when compared to 2015, amounting to AOA 439,912 million. This decrease was triggered by a 12.4% decline in demand deposits (AOA 38,392.1 million) and was offset by the 12.1% increase in term deposits (AOA 18,294.4 million) in comparison to the previous year.

However, customer funds continue to grow (+17.6%), boosted by the securities portfolio high level performance (Treasury Bonds), up 107.6%, in 2016.

An in-depth analysis of the deposits structure per currency type once again reveals an increase in local currency deposits, up 2.6 pp of the total deposits in comparison with 2015, a direct effect of the de-dollarization of the Angolan economy.

Deposits Structure by Type and Currency
Corporate Banking



## CUSTOMER FUNDS – CORPORATE SEGMENT

AOA million

| | 2014 | 2015 | 2016 | Δ% 14-15 | Δ% 15-16 |
|---|---|---|---|---|---|
| Funds | 470.427,7 | 572.218,7 | 673.063,0 | 21,6% | 17,6% |
| Deposits | 417.387,8 | 459.918,9 | 439.921,0 | 10,2% | -4,3% |
| Demand Deposits | 226.806,2 | 308.663,7 | 270.371,6 | 36,1% | -12,4% |
| Term Deposits | 190.581,6 | 151.255,0 | 169.549,4 | -20,6% | 12,1% |
| Securities * | 53.039,9 | 112.299,8 | 233.132,0 | 111,7% | 107,6% |

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

## CUSTOMER LOANS - CORPORATE SEGMENT

AOA million

| | 2014 | 2015 | 2016 | Δ% 14-15 | Δ% 15-16 |
|---|---|---|---|---|---|
| Total Loans | 227.873,5 | 203.242,6 | 196.609,9 | -10,8% | -3,3% |
| Corporates | 227.872,3 | 203.240,6 | 196.607,2 | -10,8% | -3,3% |
| Customer Loans | 168.539,5 | 149.337,6 | 159.984,9 | -11,4% | 7,1% |
| Guarantees and Letters of Credit | 59.332,8 | 53.903,0 | 36.622,3 | -9,2% | -32,1% |
| Import Letters of Credit | 22.592,0 | 23.534,6 | 8.796,9 | 4,2% | -62,6% |
| Guarantees Provided | 36.740,8 | 30.368,3 | 27.825,5 | -17,3% | -8,4% |
| Others | 1,23 | 2,01 | 2,63 | 62,9% | 30,7% |

Note: loan volume excluding accrued interest

### Development of Loans and Advances to Customers

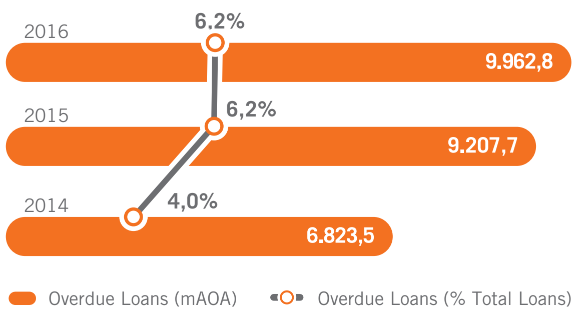
The corporate segment loan portfolio decreased by 3.3% compared to the previous year. Loans and advances to customers was the single heading with a positive performance, which increased AOA 10,647.3 million (7.1%). The foreign exchange constraints experienced in the country caused a sharp decline in unsecured loans, as a result of the Government's decision to cut back on public works projects.

### Overdue Loans Portfolio

The volume of overdue loans in the Corporate Banking sector increased AOA 775.1 million, an 8% growth in comparison with 2015. Despite the drop 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 6.2%.

The provision coverage ratio was 104% in 2016, showing the high-quality and strength of the loan portfolio.

Loan Quality
Corporate Banking






Report
Economic Environment
BFA
Risk Management
Financial Review
Financial Statements and Notes
Annexes

## 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 to engage in defining and monitoring DE's sales targets, oversee the outcomes, and propose courses of action, as well as to promote products and services offering that secure BFA's competitiveness and market leadership position.

This GADC is made up of two specialised areas:

The **Products and Operational Support Area**, focused on:

- Developing and adapting products and services;
- Proposing changes in the product and service offering or coordinating and monitoring the launch of new products;
- Formulating customer support practices aimed at optimizing sales and service quality;
- Constantly monitoring the offering of main market rivals;
- Setting, creating and implementing cross-selling methods and business for the Corporate segment;
- Supporting the Marketing Department in developing sales content;
- Creating profile, segmentation, risk, abandonment and value reports.

The **Sales Promotion and Corporate Support and Cooperation Office** is focused on:

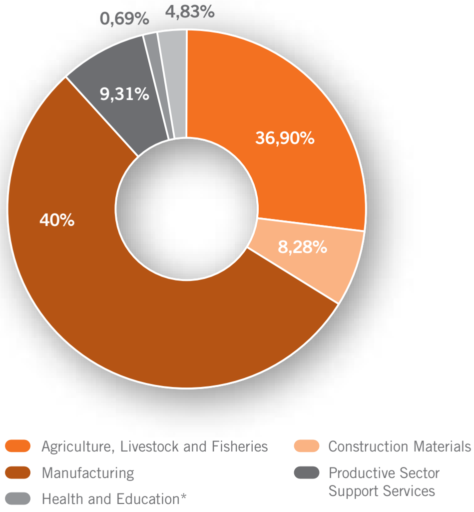
- Ensuring that sales teams are trained / informed about specific products and services offering;
- Visiting Corporate Centres on a regular basis;
- Implementing main elements of sales operations and management of the sales teams;
- Participating in key Customer meetings for the purpose of showcasing products;
- Detecting improvement of 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 organization with due quality control;
- Taking part in, vitalizing and monitoring the Corporate Centres' teams in customer meetings for the promotion of Banking products;
- Supervising the powers of attorney of account contract's expiration date registered on eMudar;
- Providing customer support with the aim of optimizing sales and service quality;
- Reviewing the DE database in order to provide support in the conceptualization of sales campaigns;

### Structured Financing and Investment Funding

The Structured Financing and Investment Funding area is responsible for providing tailor-made structured financing on a medium and long-term basis, characterized by 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 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 the 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.




* These sectors are not the focal point of the programme and are subject to approval by the Ministry of Economy (MINEC).

### 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.

The main objective of the programme is to create and strengthen national MSMES, enabling them to generate employment on a large scale and so contribute decisively to the country's development and the diversification of the economy.

As of December 2016, BFA had approved 61 loan applications amounting to AOA 6,989 million and paid out 56 loans amounting to AOA 5,835 million. The Credit Guarantee Fund issued 44 government guarantees and 15 guarantee reinforcements to cover approved financing and financing reinforcements.

## THREE AREAS OF ACTION: SPECIALISED SUPPORT, OPERATIONAL EFFICIENCY, SOUNDNESS AND SECURITY

Three major performance vectors underpin BFA's response strategy to the challenges posed by Oil & Gas Corporations: Specialised Support, Operational Efficiency, and Soundness and Security.

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

By the end of 2016, the country's economic situation led to constraints in relation to the USD. Despite this, 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.

| | |
|---|---|
| **Specialised Support** | The Bank relies on two dedicated Corporate Centres to address the specific needs of oil companies:<br>- Oil & Gas Operators Corporate Centre;<br>- Oil & Gas Vendors Corporate Centre.<br><br>The establishment of these units between 2012 and 2013 reaffirms BFA's commitment to ensure wide availability and close monitoring of oil sector companies and its status as their preferred business partner.<br><br>Oil sector customers therefore have access to dedicated teams that are qualified to furnish fully customer-tailored solutions streamlined to their particular needs. The goal of providing support delivered by experts with a vast knowledge of the sector's transactional features, as well as fast guidelines handling. |
| **Operational Efficiency** | BFA's operational payment system and wire transfer framework is designed to meet the high standards of oil-sector companies in light of their transactional needs:<br>- The Bank provides automated file upload options from Customer systems in order to fulfill its commitment to support and encourage the use of electronic means of payment;<br>- BFA enables Customers to receive statements according to chosen frequency by MT940 and Swift for transactions processed by MT101, in addition to PSX file batch payments that allow processing go to beneficiaries and other Banks ensuring greater payment confidentiality;<br>- Tax payments are available on Homebanking through the creation of an access profile on *BFA Net Empresas* with restricted transaction permissions. |
| **Soundness and Security** | - BFA's sound balance sheet and high liquidity ensure that the Bank is fully prepared for close cooperation with its oil-sector Customers providing them timely fulfilment of financial and operational needs;<br>- The Oil & Gas Operators and Vendors Corporate Centres offer their Customers applications and technological solutions based on procedures and technologies aligned with best sector practices, thereby ensuring full operational security, speed, efficiency and integrity in the processing of transactions. The *BFA Net Empresas* service in particular guarantees full operational confidentiality and security in the processing of transactions, by relying on the use of passwords and confirmation codes, which allows for the setting up of differentiated authorization profiles according to the nature of operations to be carried out;<br>- The current economic landscape has changed the way Oil & Gas Customers protect and capitalize on their assets. Against this backdrop, BFA's strong financial health has enabled the setting up of alternative sources of finance meaning. Hence, for Customers with surplus liquidity, BFA has provided T-Bonds in local currency indexed to the US dollar as insurance against the devaluation of domestic currency. |

## 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 liquidity and investment opportunities.

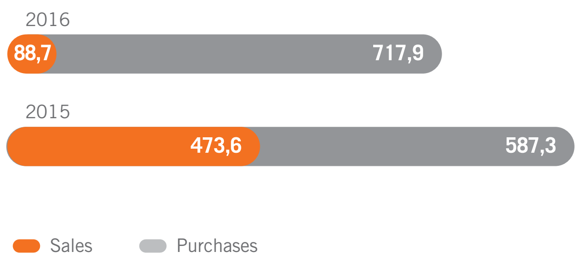
From November 2013, the Finance Ministry began to issue Negotiable Public Debt, namely Treasury Bonds indexed to the USD, to meet the payment of supplier and contractor debts (mainly in the Public Works sector).

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 2016, BFA brokered Public Debt with its Customers in local and foreign currency with a total trading volume of USD 806.6 million.

The sales volume increased by 22% in comparison with the previous year.

### Public Debt Operations with Customers in MUSD




Given the macro-economic environment, businesses were not readily willing to sell their securities to the Bank, forcing BFA to resort to the primary market in order to satisfy the high demand.

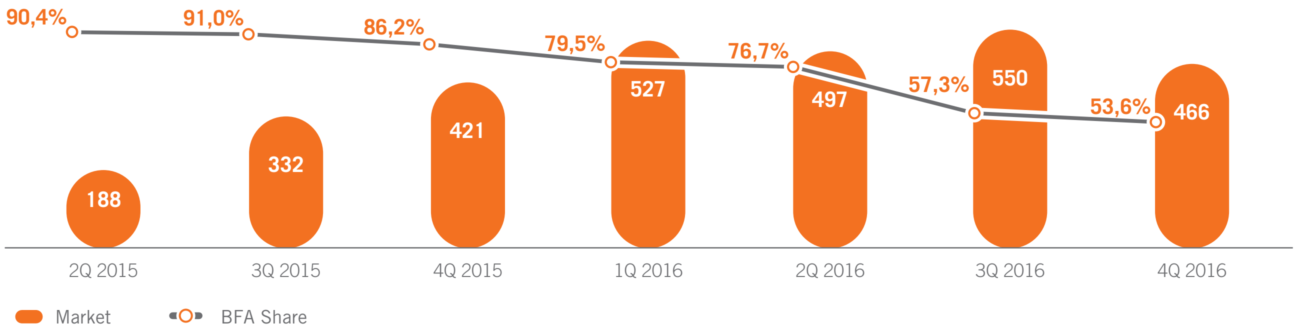
Regarding the stock of Public Debt securities held by Angolan banks, BFA took the lead, with a market share of 23.6% by the year-end.

### BODIVA

The Bank's strong standing as a Financial Broker is closely linked to the opening of the Angolan Stock Exchange, BODIVA, in 2015. This status was consummated when BFA became BODIVA's first trading member, authorized to trade in the regulated markets on its own account and as a financial broker executing orders on behalf of third parties.

In 2016, BODIVA doubled the trading volume of 2015. With an approximate trading volume of 2,040, the annual recorded growth reached 120%. These figures resulted in an accumulated total of 2,981 trades between May 2015 and December 2016, 73.8% of which were made by BFA

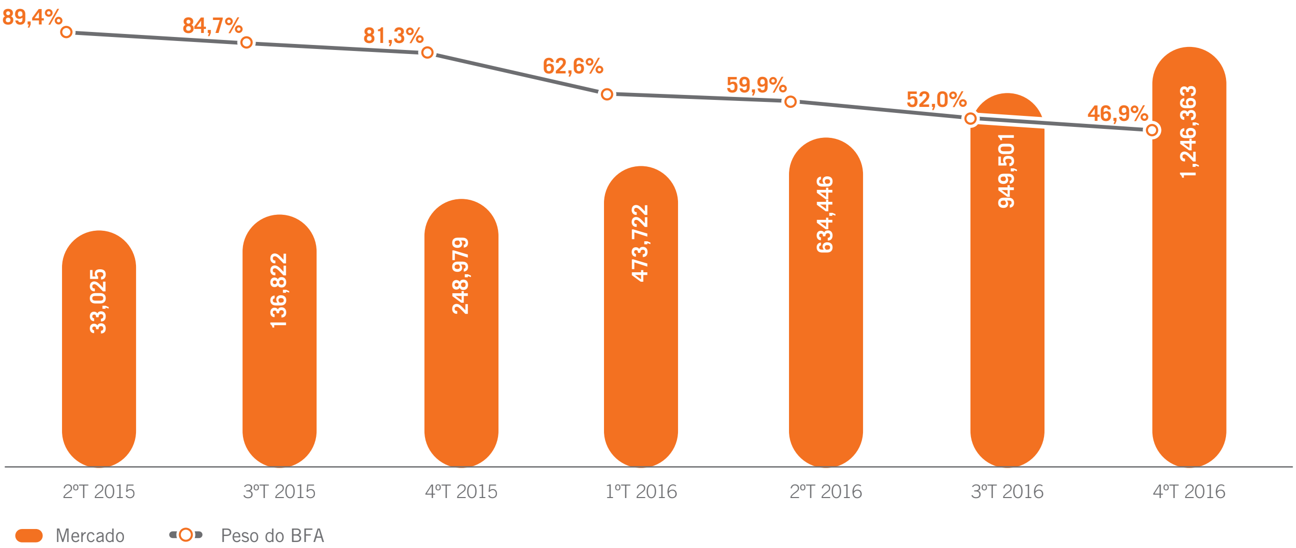
### Deals performance by Quarter




BFA secured its market leadership position in 2016, with a market share of 35.2% of the total amounts traded in the BODIVA markets.

### Montante Acumulado de Negócios Realizados

Milhões AKZ




BODIVA is a regulated-market management company responsible for implementing the trading environment that allows secondary market transactions of treasury bills, corporate bonds, equities, investment fund units and other securities.

Registration as a BODIVA member allows all market players to access the same information, ensuring full price transparency for those wanting to trade Treasury Bills. This is a critical and crucial factor for the implementation of a Capital Market, leveraging securities trading between the various market players.

## Capital Market Commission

Since the enactment of Law no. 12/05 (Securities Act), which started the process of constructing a legislative framework for the capital market, Angolan legislation has developed the basis for the setting up of the capital market with the publication of a set of regulations, namely:

- Presidential Legislative Decree no. 4/13, which laid the foundations for the creation of the public debt market;
- Presidential Legislative Decree no. 4/13, which laid the foundations for the creation of the public debt market;
- Legislative Presidential Decree no. 5/13 regulating Securities Brokerage firms;
- Presidential Legislative Decree no. 6/13 governing the Legal Framework for Regulated Market Management Companies and Financial Services in Transferable Securities;
- Presidential Legislative Decree no. 6/13 governing Collective Investment Schemes.

Publication of this legislation secured the conditions for BFA to start operating in the various sectors.
As an important step in BFA's strategy in relation to the capital market in Angola, the Capital Market Commission completed BFA's registration as a financial broker institution. As a result, BFA is now a qualified institution for:

- Receive and transmit orders on behalf of third parties;
- Execute orders on behalf of others in regulated markets or elsewhere;
- Trade on its own account;
- Provide registry, deposit and custody services;
- Provide assistance in public offerings and advisory services in relation to capital structure, industrial strategy and related issues, as well as company mergers and acquisitions;
- Act as placement player in non-underwritten offerings;
- Act as placement player in public underwritten offerings;
- Provide credit, including securities lending, for the execution of transactions to which the lender is a party;
- Provide the necessary foreign exchange services in order to provide the foregoing services on the terms stipulated by the foreign exchange legislation.

As far as investment funds management requires a corporate structure, BFA has forged ahead with the incorporation of BFA Asset Management – Collective Investment Schemes Company (BFA Gestão de Activos – Sociedade Gestora de Organismos Colectivos, S.A.) and the registration with the Capital Market Commission occurred in December 2016. Now that the incorporation process has been concluded, BFA can broaden its financial product offering to its customers.

In 2017, BFA aims to incorporate a Pension Fund Management Company to market pension funds.

## BUSINESS DEVELOPMENT UNIT

### AN EXPERT TEAM WITH EXPERIENCED PROFESSIONALS

The Business Development Unit (BDU) is focused on identifying investment opportunities in Angola, especially in the sectors with the most growth potential, selecting the best placed national and international players to exploit whatever opportunities have been identified. There are four phases in the BDU's activity:

**PHASE I**
**Business information**

- Information about businesses and sectors
- Strategic partners
- Tax and legal information
- Governmental investment promotion programmes
- Supply sources
- Investment sources

**PHASE II**
**Market analysis**

- Macroeconomics
- Selected economic sectors/areas
- Product and service supply/demand
- Competitive analysis

**PHASE III**
**Analysis and assessment**

- Entry strategy
- Business Plan preparation
- Feasibility studies
- Investment decision advisory

**PHASE IV**
**Implementation**

- Counselling and support in strategic partnership implementation
- Support in selecting locations/sites
- Support in obtaining permits from the authorities
- Implementation support

The BDU business activity is carried out by an expert team of experienced Angolan and Portuguese professionals with a proven track record in investment banking and financial advisory and consulting services.

In its six years of activity the BDU has strengthened its institutional marketing campaign, "Angola's Opportunity", through roadshows in various geographical areas, with the aim of identifying potential investors for new opportunities

Backed by the BPI Group's extensive international Investment Banking experience and know-how and aided by exploratory contacts established with some of the main international players in sectors crucial to the development of the Angolan economy, the BDU is in a privileged position to support Angolan businesses in their efforts to spur the country's agricultural and industrial development.

### Foreseeable Moderate Growth

Given the current Angolan economy landscape, which is still feeling the crunch of historically low Brent crude oil prices, the BDU expects moderate growth of business during the coming year.

As in the previous year, Angola continues to attract foreign investment. This foreign investment, when coupled with a more professional approach to business and asset portfolio reorganization and optimization by groups and companies operating in Angola, gives the BDU a solid base on which to achieve continuous, sustained growth in its activity.

## UBD SERVICES RANGE

### Corporate Finance

- Business and industry restructuring
- M&A and Joint-Ventures
- Privatisations and public tenders
- Investment projects Advisory in Angola
- Business plans and support for the acquisition and structuring of funding
- Advisory of companies entering the Angolan market
- Advisory of companies with internationalisation plans

### Project Finance

- State Advisory
- Private Investment
- PPPs (structuring, negotiation, implementation)
- Structuring of loan facilities (specific projects)

### Capital Market

- Share Offering
- Debt Offering
- Privatizations and other capital market transactions
- Trading

# Human Resources

## ONGOING INVESTMENT IN HUMAN CAPITAL

### Talent Acquisition Policy to Support Growth

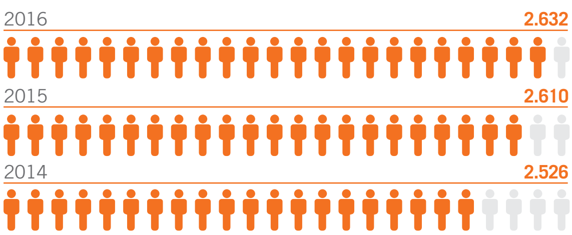
BFA realizes that its strategy and aspiration of improved customer service and closeness requires a substantial investment in human resources.

In order to recruit highly qualified professionals the Human Resources Department regularly attends job fairs at universities, both in Portugal and in Angola, which are an important avenue for attracting and taking on new employees.

In the course of 2016, the digital channels were also streamlined as recruitment tools, especially through the corporate website and the LinkedIn network.

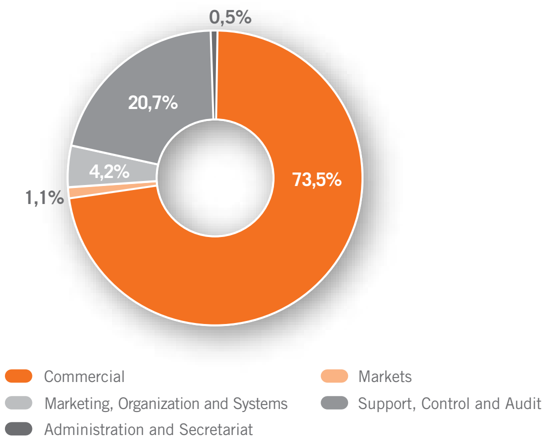
In 2016, BFA hired 125 new employees with an average age of 28.

### Development of the workforce




At end of 2016, BFA had 2,610 employees, 0.8% more than at the end of 2015. Of this total, 73.5% were assigned to the sales teams and 20.7% to the Support, Control and Audit Departments.

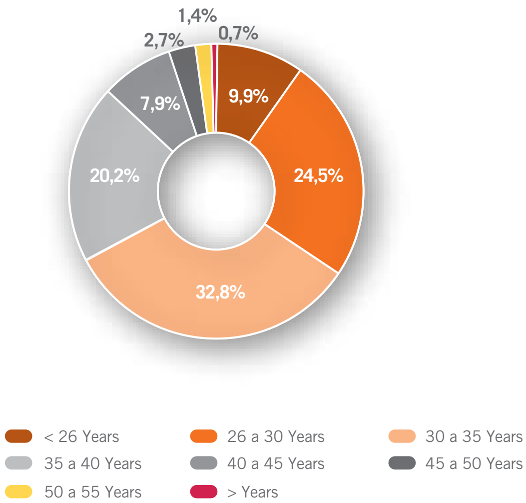
### Workforce by Business Unit in 2016




### A Young Workforce

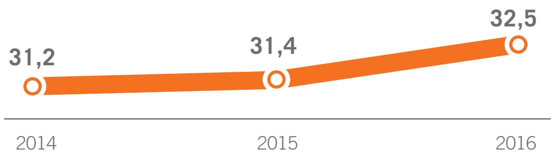
BFA invests not only in the acquisition of human capital but also in training and developing its workforce, aiming to boost employees' advancement potential and skill building within the Bank. In keeping with its policies, BFA has thus built up a young team where close to 67.2% of employees are under the age of 35.

### Workforce by Age

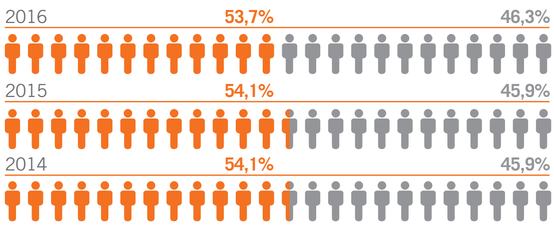


In 2016 the average age of employees was 32.5.

### Workforce Average Age




### Workforce by Gender




Regarding the breakdown of the workforce by gender, BFA has a balanced composition of 53.7% male and 46.3% female employees.

### A Healthy Workforce

The employee absentee rate recorded a slight increase of 2.47% compared to the previous year, reaching 6.61%. This rate translates into 61,028 hours of absenteeism.

### Qualification of the Human Resources

One of the core principles of the BFA's human resources management is the personal and professional growth of its employees as a means of ensuring customer satisfaction and of improving service quality.

To this end, BFA invests in on-the-job the development and improvement of its employees through training courses covering a wide variety of business areas and activities pertinent to the Bank's activities.

In 2016, as in preceding years, BFA maintained its approach to investment in staff training and specialization. Throughout 2016, the Bank focused on the following training fronts:

- **Welcoming of New Employees**: training sessions of sales Employees with one week of work experience at BFA occurs over a span of two days. In the aftermath of the 2015 training programme remodel for new Bank Employees, training courses were designed for the eLearning (eFormar) platform in 2016 to facilitate classroom training and tackle the main operations carried out at Bank counters.

- **Functional Training Cycles for the Sales Network**: the technical side of the Management Training Cycle was designed and administered throughout 2016 with the support of the IFBA (Banking Training Institute of Angola) and In-House Instructors. In 2017 the intention is to maintain the Training Cycle approach for other positions, in particular for that of Treasurer.

- **Training on the Prevention and Anti-Money Laundering**: in 2016, several Anti-Money Laundering classroom-training courses were administered to the Sales Network and Management Department. Additionally, programme contents directed at the eFormar platform will be developed in 2017.

- **Academic Education**: BFA invests in the advanced training of its high potential staff, namely by enrolling employees in the following postgraduate courses:
  - MBA Atlântico;
  - Executive Master in Bank Management;
  - Postgraduate Course in Accounting and Corporate Finance;
  - Marketing and Sales Promotion Programme;

- **Technical Training for Central Services**: in 2016, training courses for the acquisition of technical expertise in specific issues set by the head of each area were administered. Particular emphasis was placed on the Information Technologies Department (DSI), Compliance Department (DC) and Audit and Monitoring Department (DAI).

## E-LEARNING PLATFORM - eFORMAR

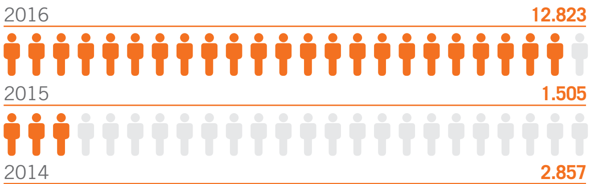

During 2016, several training courses were designed for this platform with the aim of complementing classroom courses and tackle the main operations carried out at Bank counters.

At the present time, eFormar provides **19 courses**, which are established and designed by the Individuals and Small Businesses Department and the Organisation and Training Department. These courses encompass a wide range of subjects, namely computing, BFA Net / BFA SMS, Accounts and Agents, Wire Transfers and Checks.

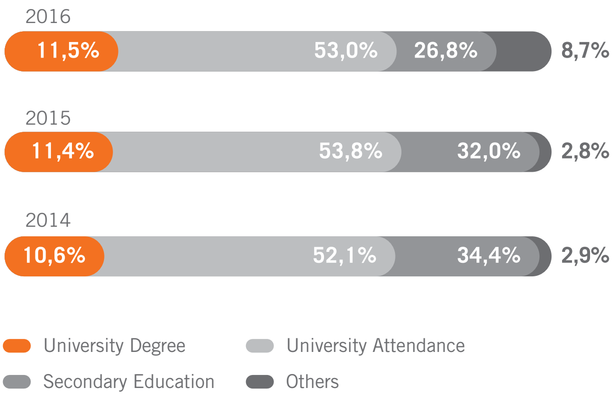
In 2016, the eFormar platform trained **7.594** individuals in a total of **4.332** hours.

Over the course of 2016, 224 training sessions administered to 12,823 trainees in 51,904 hours corresponding to a 90% increase in number of sessions and 134% increase in the number of hours in comparison with 2015. This growth is owed to the eFormar platform which provided all BFA Employees with at least one training session in 2016, whether in a classroom environment or through eLearning.

### Development of the no. of Participants in Training Activities




### Workforce Distribution by Educational Level




Following the previous year's trend, around 65% of the Bank's staff members either have a university degree or are attending university.

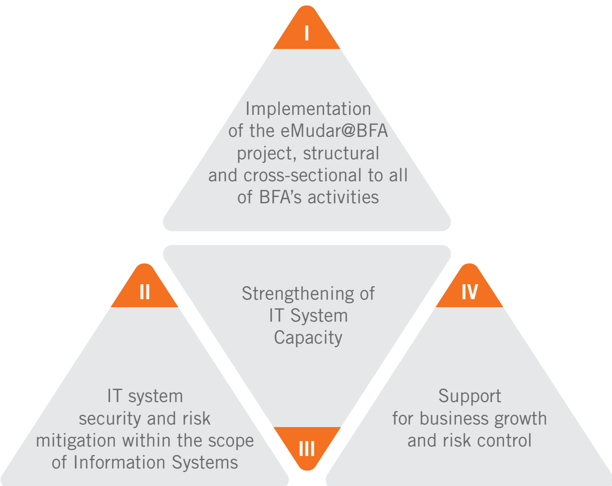
# Innovation & Technology

## BFA'S STRENGTHENING IN THE MODERNIZATION OF ITS SYSTEMS

### Ongoing Investment in the Modernization of its Systems

During 2016, BFA continued to invest in its Information Systems as a cornerstone of the Bank's Innovation, Modernization and Risk Control. The ongoing implementation of initiatives and the launching of technological development projects are aimed at equipping the Bank with Information Systems that reflect and stimulate its sustainable growth, ensuring the optimization not only of the Bank's growth driving processes and procedures but also of its continued improvement of customer service quality.

To this end, in 2016 BFA's investment in technology was focused on:




### I. Implementation of the eMudar@BFA project: A project that structures and spans all of BFA's activities

The investment and development of the eMudar@BFA programme continues to be a priority for the Bank as one of its technological innovation cornerstones. During 2016, new features were developed within the framework of this programme.

The system consists of a front-end application for Branches, Corporate Centres and Investment Centres that provides tools based on standardized workflow methods for processing various operations carried out by banking agents. These tools allow for a high degree of dematerialization, increasing efficiency and mitigating the level of operational risk.

This system is pivotal for the development of BFA's activities, to the extent that:

- Provides a **significant reduction in operational risk**;
- Establishes **standardized procedures** making processes more simple and intuitive;
- Ensures service levels and **reduces processing time**;
- Enables **process automation**, enhancing security and faster response times of ordinary operation approval channels;
- Enables **dematerialization of processes and hardcopy documents** replacing them, whenever possible, with digital documents and allowing later decentralized consultation, monitoring and audit;
- Ensures **process standardization** regardless of the channel used (Sales Network, Central Services, Telephone, Internet);
- Is **compatible with the employee database**, ensuring high security in application management; and
- Provides a clear and unmistakable improvement of **customer service quality**.

During 2016, the following processes were reviewed and embedded on this new platform: term deposits, wire transfers, deposits and check clearing. Furthermore, these have been incorporated with the processes of opening and amendment of individual and corporate accounts, check requisition, subscription and activation of Multicaixa debit cards and BFA Net (already embedded during 2015). These activities represent more than 4 million cases managed by this new platform.

| | | |
|---|---|---|
| **4 Million** No. of eMudar@BFA Cases | **+ 1 Million** SMS sent | **79%** Automatic activation of Debit Cards |
| | **99,8%** Automatic activation of BFA Net Access | **74%** Automatic activation of Checks |

Apart from digitizing these files, subscription and activation control mechanisms were established for SMS dependent products so that Customers could be notified at different stages of the subscription and activation process. A monthly average of more than 140 thousand SMS were sent in 2016, 45% more than in 2015, with high response rates in the activation processes.

During 2016, additional capacity was added to the eMudar@BFA-dedicated systems in order to ensure sufficient resources for safe use at the required service level.

## II. Information Systems Security and risk mitigation

BFA recognizes that the security and availability of its systems directly affect its business performance. To improve availability BFA's security components were further strengthened in 2016 through the enforcement of several measures, including:

- **Infrastructure migration**: system reorganization continued and the servers were moved to the main and secondary data processing centres (DPC) according to function;;
- **Internet Access**: internet security was enhanced through the use of state-of-the-art equipment and software coupled with response capacity for detecting and blocking threats and malicious content;
- **Traceability**: tracking capacity of accessed information assets was improved for early detection of suspicious behaviour;
- **Neutralizing cyber-attacks**: detection and neutralization of threats to application servers was expanded;
- **Vulnerability Scanning**: a vulnerability detection and correction programme was executed;
- **Disaster Recovery**: work on system and procedure improvement programmes continued, as did the strengthening of vital components that ensure effective response capacity in contingency scenarios;
- **System monitoring and management**: the system monitoring and management contract signed with IBM was implemented and is fully operational; External monitoring of the BFA websites is also active, as is an in-house developed software for intelligent application monitoring;
- **Process optimization and fault reduction**: New operational procedures, inspections and indicator monitoring were implemented with the aim of improving service quality and reducing error;
- **End of the credit card migration process**: The migration process of credit cards issued by BFA-owned companies to the new Electronic Interface for Card Management is complete. This solution was designed by EMIS, with whose platform BFA's purposely-modified system is integrated.

## III. Strengthening of Information Systems Capacity

Mindful of the vital importance of IS response capacity for business development, BFA has strengthened the key system components:

- **Capacity building of the Bank Core System**: The Bank Core support systems were overhauled with the aim of greatly improving its performance and that of business support applications and customer service;

- **Improvement of the communications network**: a new redundant communications standard was imparted on banking agents with twice as fast fibre-optic cable and mobile network backup; The communications network that connects the central buildings and DPCs was also subject to improvements in terms of capacity, performance and resiliency to ensure the correct operation of the various Bank departments and allow the DPCs to function collectively.

- **Software and hardware update**: Several components of the IT support structure were updated within the scope of the technical debt programme, as were some business solutions.

## IV. Support for Business Growth and Risk Control

Several projects were carried out in 2016 to directly support the growth of BFA's business and organization, including:

- **Check clearing**: porting of the Bank's check clearing system to the new EMIS platform was concluded;

- **New accounting software**: new CONTIF (Chart of Accounts for Financial Institutions) and IAS/IFRS-compliant Accounting software was implemented; this software provides more effective and functional analytical tools for the Accounting and Planning departments.

- **BODIVA operations**: BFA is implementing a tool that supports integrated online trading in the Angolan Stock Market; All the connections needed to make BFA the first trading member of BODIVA and enhance its market leadership position were established;

- **Equipment redundancy for branches with high volume operations**: Installation of multifunction equipment has been completed in critical branches with the highest volume of operations;

- **Improvement of file processing**: improvement of the verification features of file processing software has continued in order to minimize the occurrence of errors;

- **Currency management**: implementation of currency management features has continued in order to ensure regulatory compliance;

- **Development of Information Management**: There was a significant increment in the number of reports provided, aiding the CIRC (Credit Reporting Centre) and Prudential Management by reformulating the Sales Targets System, implementing CESOB and supporting Insurance marketing.

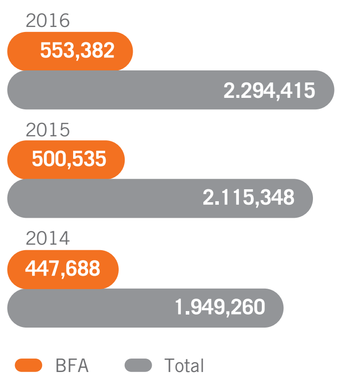
# Payment Systems

## ASSERTION OF BFA'S LEADERSHIP IN SERVICES OFFERING AND MEANS OF PAYMENT

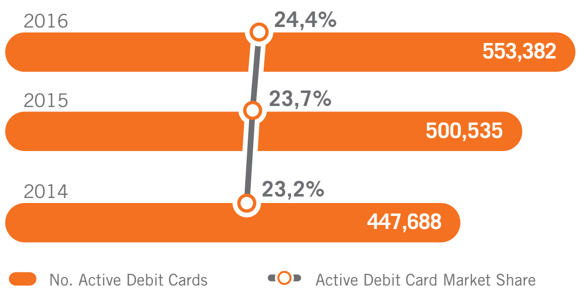
### Debit Cards

The total number of active BFA debit cards in 2016 was over half a million, an increase of nearly 11% compared to the previous year, outpacing Market growth (9%). Consequently, BFA's share of total active cards increased to 24.17%, securing BFA as the leading Multicaixa card operator in Angola.

### Active Debit Cards (no.)

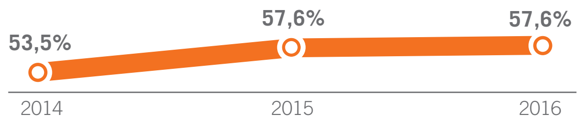



### Development of BFA Debit Cards




The debit card penetration rate was identical to that recorded in 2015, 57.6%.

### Debit Card Penetration Rate




## 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 said system, ensuring security, effectiveness, convenience and innovation.

EMIS was founded in 2002 and BFA is one of the founding shareholders. The Bank is currently the largest private shareholder with 6.5% of its capital and is also the main customer and user of the services provided by EMIS. The main shareholder is BNA, which holds 43.03% of its capital.

As founding shareholder, BFA is a strong supporter of the initiatives launched by EMIS and is generally one of the first Banks in the market to implement the solutions and services provided, such as the implementation of the new BFA Data Processing Centre in the EMIS facilities, use of the new Card Management Platform or the latest digital cheque clearance system.

EMIS currently provides Card Management Platform services for the Multicaixa (debit cards) and Visa (credit cards) networks, as well as Wire Transfer and Check 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 banking agents) to access payment options available in the Multicaixa network.

## MIGRATION FROM MULTICAIXA CARDS TO EMV CHIP TECHNOLOGY

The EMV Chip technology system ensures the protection of information and hinders card payment fraud such as card copying.

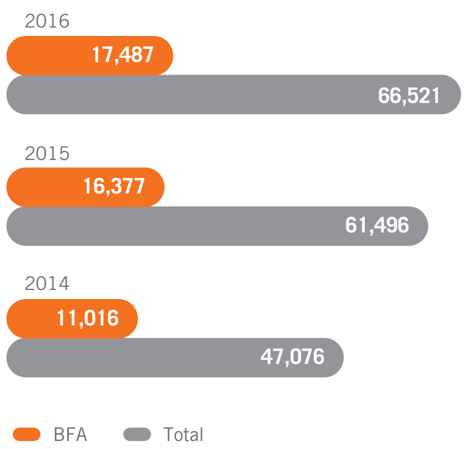
Certification of this new system began in 2016. System testing will begin once certification is complete, enabling the Bank to issue cards equipped with EMV chips.

As soon as testing has been completed and the process approved, BFA will commence production of Multicaixa cards equipped with EMV Chip technology and subsequent substitution of magnetic stripe Multicaixa cards with these new and more secure cards.

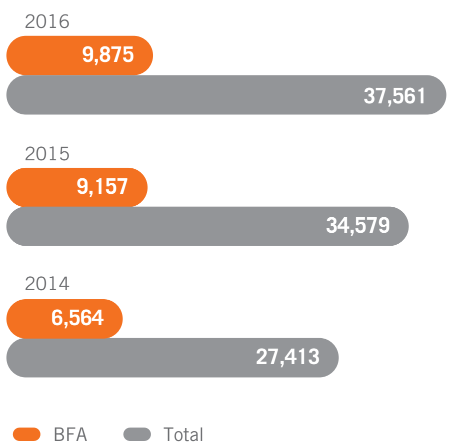
## Growth of the POS and ATM Network

The number of active and registered POS units in Angola continued to grow, both registering an 8% rise. EMIS therefore closed 2016 with a network of 37,561 active POS units, 2,982 more than in 2015. BFA's 8% contribution to this growth meant a corresponding increase in its own POS network to 9,876 units by the end of the year. In 2016, BFA held its position as market leader with over 26% of all POS units.

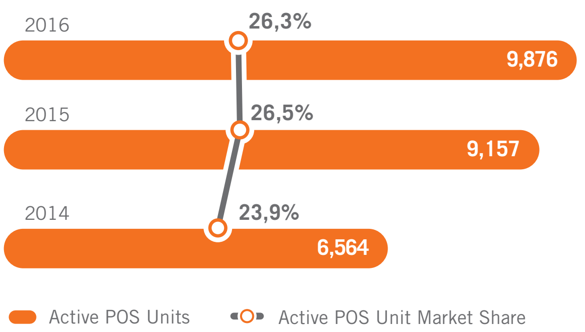
### Registered POS Units (no.)




### Active POS Units (no.)



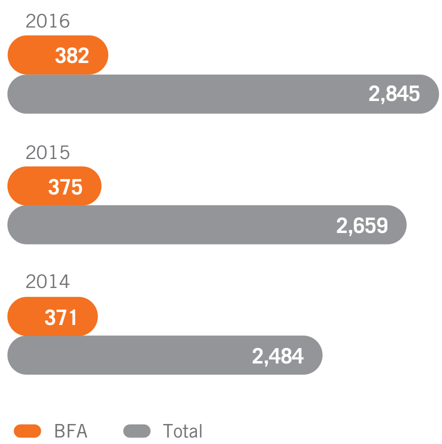

### BFA POS Growth Trend



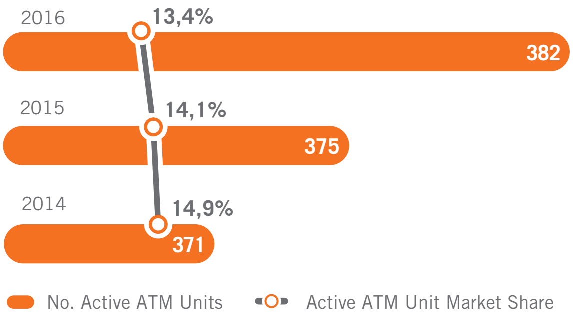

ATM units allow customers to carry out various transactions without the assistance of a banking agent, namely cash withdrawals, service payments, wire transfers, telephone account top-ups, mobile phone top-ups, IBAN inquiries, and so on. All the Multicaixa system member banks are responsible for making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

In 2016, the active ATM unit market grew 7% whereas BFA recorded a mere 2% with a drop of 0.7 pp in market share and penetration rate of 13.4%, corresponding to 382 active ATM units.

### Active ATM Units (no.)

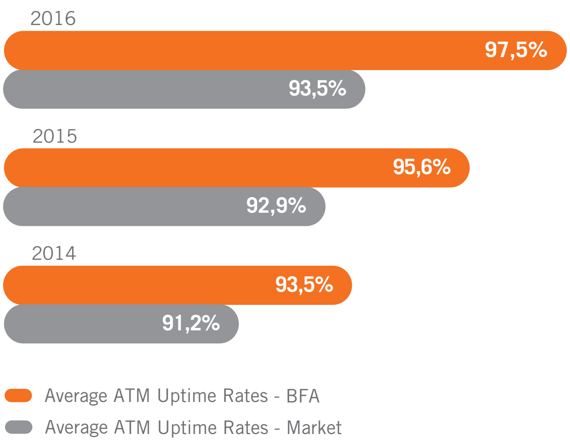


## BFA ATM Growth Trend




Following previous years' trend, the average 2016 annual ATM uptime rate registered an increase of 1.8 pp in comparison with 2015, 4 pp above the market average.

## Average Annual ATM Uptime Rates

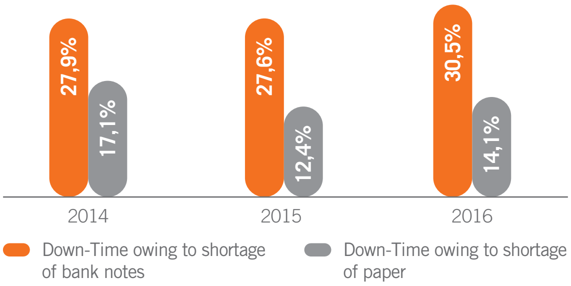



Remark: The Uptime Rate is a measure of the degree of use of ATM and is obtained as follows = – . . , considering an inoperative ATM to be one that registers no transactions

### Down-time Bank Due to Lack of Notes and Paper

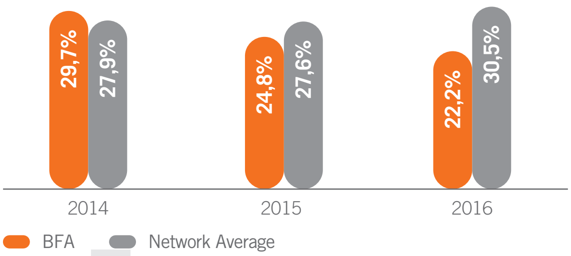
In 2016, the down-time percentages owing to lack of bank notes and paper increased by 2.8 and 1.7 pp, respectively.

## Down-time owing to shortage of Bank Notes and Paper

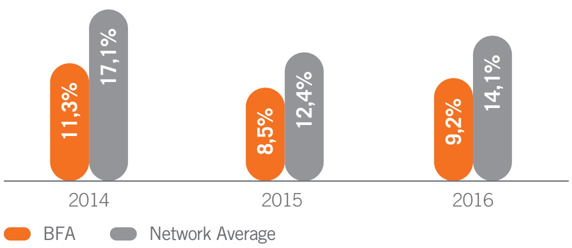



In comparison with the market average, BFA continued to reduce significantly its percentage of bank note shortage, although down-time owing to paper shortage increased by 0.6 pp, positioning BFA 8.3 and 4.9 pp, respectively, below the network average.

## Down-time owing to shortage of bank notes




## Down-time owing to shortage of paper

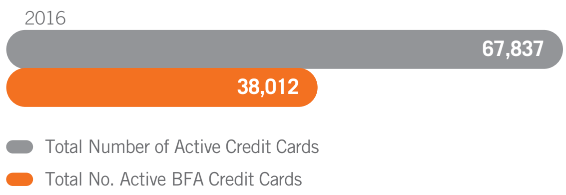


## CREDIT CARDS

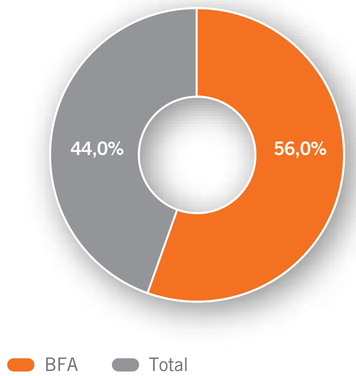
### Development of Number of Active Credit Cards

At the end of 2016, of the 67,837 active credit cards under EMIS management, 38,012 belonged to BFA, which translates to a market share of 56%, allowing BFA to retain its status as a Principal Member of Visa. A growth of 30% in active credit cards under EMIS management was recorded in 2016.

Active VISA Credit Cards (no.)




Active VISA Credit Cards Market Share

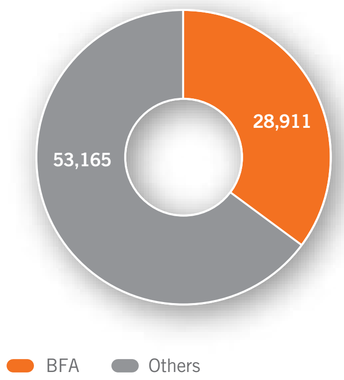



### H2H Payments

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 2016, payments made via BFA (BFA Net, BFA Net Empresas and BFA App) accounted for 35.2% of total payments, making BFA one of the leading banks providing this service to its Customers.

Market Share 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 2016, the Finance Ministry (MinFin) joined the STC and began using this system to pay the salaries of Public Sector employees. The outcome was a faster and safer payment method that benefited all agents (Banks) and Customers.

Having joined the STC, MinFin is also able to process Transfer Orders (OS) directly on STC instead of requesting that it be done by BPC via SPTR.

# BFA in Digital Banking

In 2016, BFA maintained its presence on Digital Channels. This year the focus was placed on the enrichment of information, features and procedures inherent to digital channels in an effort aimed at further modernization of Customer relations.

### PUBLIC BFA WEBSITE - COMMUNICATION HUB


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

During 2016, BFA's Public Website was visited more than 770 thousand times, mostly originating from search-engine results (48.8%). The 22 digital marketing campaigns account for the 11.7% of the total number of visits.

Visits via mobile devices (smartphones and tablets) registered growth of 93% in 2016. Access by these means accounted for around 26% of the total visits to BFA's Public Website.

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

### BFA NET – POSITIVE GROWTH OF THE HOMEBANKING SERVICE

The year 2016, like previous years, was defined by the growth in the number of BFA Net members, which exceeded 576,000. This growth was coupled with an even faster development of homebanking members with full access to all the available BFA Net features.

Aiming to broaden and improve BFA Net features, the following options were provided:

- Direct Top-ups – enables mobile phone top-ups and television payments;
- Contact form – enables inquiries, comments or complaints;
- Prepaid card loading request form.

In 2016, BFA Net registered a rapid growth of Services Payments, Tax Payments and Direct Top-ups. 8 BFA Net marketing campaigns carried out during the year accounted for this development.

**BFA Net and BFA App – NEW FEATURE**

In September 2016 BFA deployed the new Direct Top-up feature on its BFA Net, BFA APP and BFA Net Corporate Homebanking service pages. This feature enables its members to instantly top-up mobile phones, data and SMS as well as pay television services.

With this feature Customers can send instructions for payments or mobile and TV top-ups simply by indicating their mobile phone number or Customer number and receive the requested amount instantly.

This initiative complements BFA's Homebanking payment service offering and closes the gap with the Multicaixa network offering.

## BFA APP – BFA'S FIRST MOBILE APPLICATION

QR-CODE

Download the 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 2016, the BFA App was downloaded over 46 thousand times on mobile devices, of which 20% were Apple and 80% Android. By the end of 2016, the BFA App had been downloaded 63 thousand times since its launch.

## BFA ON SOCIAL NETWORKS – CLOSER TO THE WORLD AND ITS CUSTOMERS

### LinkedIn

In 2016, BFA continued to invest in LinkedIn as another institutional communication vehicle, which served to promote 154 announcements and acquire 1,704 followers. By the end of the year Banco de Fomento Angola on LinkedIn had over 5,500 followers.

### YouTube

A total of 17 new videos were uploaded to the BFA YouTube channel in 2016. Close to 8,900 views of BFA videos were registered throughout the year. The video illustrating the workings of BFA Balance and Operations Inquiries received the most hits during 2016, with a total of 914 viewings.

In 2016 a collection of videos was launched under the title "**BFA NET – Did you know that...**" This collection is comprised of 12 videos that illustrate the inner workings of some of the most used features of BFA Net.

## BFA CUSTOMER SUPPORT – 923 120 120

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

The BFA Support Line is remains committed to improving the quality of customer support, broadening the access to product and service information, reducing queue length at Banking Agents 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 2016, **increasing by 40.5%** between January and December. The ratio of incoming calls to calls handled translated into an overall **efficiency rate of 95.9%**.

# Communication

**CAMPAIGNS**

In 2016 BFA organized five major campaigns and continued to implement its digital communication strategy.
The campaigns were aimed at strengthening BFA's brand positioning and the marketing of its new products and services and acquiring new customers.


**BFA Net - Your statements at a click**

The aim of the **BFA Net - Your statements at a click** campaign was to publicize the new Digital Documents functionality. This new functionality, available in BFA Net and BFA Net Empresas, allows customers to view, save and print all the transactions made through these channels, safely and conveniently.



**BFA Kandengue account - Give your children a brighter future.**

The aim of the **BFA Kandengue account - Give your children a brighter future** campaign was to promote and publicize the new savings product BFA has added to its offering its youngest customers. The BFA Kandengue account is a term deposit in kwanzas, available exclusively for customers aged 0 to 18. It is mainly intended to encourage parents and guardians to save for their children's education, training and health.

**BFA Net / BFA App – It was already fast, now it's direct.**

In September 2016 BFA launched the **BFA Net / BFA App - It was already fast, now it's direct** campaign, aimed at increasing awareness of the new direct charge functionality available in the online banking service. This functionality allows customers to top up their mobile phone and pay for TV services through BFA Net, BFA Net Empresas and BFA App at any time, from anywhere, without having to buy a top-up voucher or go to a Multicaixa ATM.



### BFA Net Empresas - Wherever you are, your company doesn't stop working

The main objective of the **BFA Net Empresas - Wherever you are, your company doesn't stop working** campaign was to publicize the transaction approval functionality now available in BFA Net Empresas. Transactions can be approved by account managers from anywhere in the world, allowing companies to manage their business more efficiently, especially for paying salaries, invoices from suppliers or service providers, and taxes.

### Road tax - Buy your road tax disc here

As an authorized agent for the sale of road tax discs, in 2016 BFA launched the **Buy your road tax disc here** campaign as a way of promoting sales of road tax discs through its branches and outlets. The main objective is to increase the sales of discs and thus improve its profit margin.

## SPONSORSHIP

### 1º DE AGOSTO SPORTS CLUB

For the sixth year running, BFA sponsored the 1º D'Agosto Sports Club. The bank's support for the club's senior football team covers all the competitions in which 1º D'Agosto takes part, especially the Girabola and the Angola Trophy.

In the 2016 season 1º De Agosto were national football league champions.


### LUANDA CARNIVAL

Luanda Carnival is Angola's biggest cultural event. Its purpose is to celebrate carnival through dance and music. For three days, more than 15,000 Luandans, including carnival groups and spectators, gather on Luanda's sea promenade. In 2016 BFA decided to pay tribute to the Mumuilas, one of the tribes of the south of Angola.


### INTERNATIONAL CHILDREN'S FOOTBALL TOURNAMENT - THE FUTURE GENERATION

Held annually, the Future Generation international football tournament promotes friendship and youth sport. Taking part in 2016 were children from the 1º D'Agosto, Luanda Petro, Kilamba and Luanda Inter clubs. Besides sponsoring the event, BFA itself took part with a team made up of children of its employees.


### ESPAÇO LUANDA ARTE

BFA sponsored Espaço Luanda Arte (ELA), a contemporary art gallery in Luanda. ELA promotes emerging Angolan artists through artist residencies, talks and individual and group exhibitions. Opened in May 2016, it organized an international art fair, seven exhibitions and seven artist residencies during the year.

ELA
ESPAÇO
LUANDA
ARTE

## JAANGO

Jovens Artistas Angolanos (“Young Angolan Artists”, or JAANGO) is a movement whose aim is to promote artists in a wide variety of areas, from painting to photography, decoration and sculpture, along with other initiatives. Each year, JAANGO organizes an artist residency in Espaço Luanda Arte, with the objective of reinterpreting artistic ideas and concepts using recycled materials.

## MANGAIS/BFA ORDER OF MERIT

The Order of Merit is a golf championship sponsored by BFA. The championship is made up of 11 monthly events, held at Mangais Golf Resort, and is intended to promote interaction between amateur and professional golfers living in Angola. In 2016 more than 106 players of 10 different nationalities took part in the championship.


## KIZOMBA & SEMBA NATIONAL DANCE COMPETITION

The Kizomba and Semba Competition is Angola’s biggest dance competition. Its purpose is to showcase kizomba and semba dancing and promote networking between professionals interested in the development of dancing in Angola. This event has been sponsored by BFA since 2009 and draws participants from every province of Angola.


## ANGOLA FASHION WEEK / BENGUELA FASHION WEEK

Angola Fashion Week is one of the country’s top fashion events. Its purpose is to promote fashion professionals in Angola by providing a platform for Angolan popular culture and the latest work by Angolan fashion designers, so as to raise their public profile. 2016 also saw the celebration of the first Benguela Fashion Week, which was also sponsored by BFA.

## EVENTS

### CORPORATE GOVERNANCE CONFERENCE

BFA sponsored the 2ND CORPORATE GOVERNANCE CONFERENCE on the subject of "Challenges of Corporate Governance in the Current Context", held on December 2 in the Epic Sana Luanda Hotel.

This conference aims to promote the sharing of corporate governance best practices, so as to meet the challenges currently facing companies, investors and stakeholders.

Taking part were various corporate governance experts from Angola, Europe and the rest of the world, providing a unique opportunity for the sharing of knowledge and experience.

### UNIVERSIDADE CATÓLICA DE ANGOLA EMPLOYABILITY FAIR

BFA took part in the 5th Employability Fair, which was held from June 6 to 9 at the Universidade Católica de Angola (UCAN).

The main aim of the employability fair is to promote employment opportunities for students of the Universidade Católica de Angola.

As in previous years, BFA was present with a stand and received nearly 100 CVs per day.


Report
Economic Environment
BFA
Risk Management
Financial Review
Financial Statements and Notes
Annexes

## PANDA E OS CARICAS MUSICAL

For the ninth year in a row, BFA sponsored the Panda e os Caricas Musical. Following the success of previous years, this year's event was held in Benguela, Huambo, Huíla and Luanda.

Once again, the Bank offered the BFA Kandengues group the unique experience of taking part in the Panda e os Caricas Musical.

## VACCINATION I AGAINST YELLOW FEVER

Within the framework of the national campaign against yellow fever and with the support of the World Health Organization, BFA conducted an internal yellow fever vaccination campaign among its employees in Luanda.

A total of 443 employees were vaccinated in this campaign.

# Social Responsibility

BFA's social responsibility is closely linked to its values and its commitment to the development of the Angolan community.

In 2016, several projects lent substance to BFA's commitment, reflecting its genuine social concern. BFA supported several activities in its three major areas of activity: Education, Health and Social Solidarity.

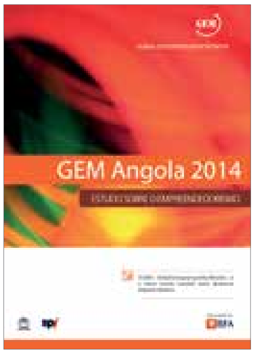
### CHRISTMAS KINDNESS - DAVID BERNARDINO PEDIATRIC HOSPITAL

In partnership with the Lookal Ocean Club, BFA promoted a Christmas concert on December 10 for the children at the David Bernardino Paediatric Hospital. The concert was part of the Christmas celebrations and featured the Portuguese singer João Pedro Pais, the Angolan singer Selda and the entertainer Nuno Cadilhe.


### GLOBAL ENTREPRENEURSHIP MONITOR (GEM) STUDY

**Presentation of the 2015 GEM Report**

In 2016 BFA continued to support the GEM study (the world's largest independent entrepreneurship study) in Angola. GEM Angola is an extremely important and relevant tool for monitoring and assisting the entrepreneurial initiatives of the economic and social agents in Angola, which is why BFA has been supporting this project since 2008.




### DAVID BERNARDINO PEDIATRIC HOSPITAL

Over the last 10 years, BFA has supported numerous initiatives and projects at the David Bernardino Paediatric Hospital (HPDB) in Luanda. In 2016, the Bank provided financial support to help finish the construction of the new Emergency Department, which includes the paediatric surgery service and the imaging service. The aim of this initiative was to increase the capacity of the HPDB's Emergency Department, creating a more spacious and comfortable environment for users, doctors and the hospital's staff.

## FIREFIGHTERS HELPING THOSE IN NEED BFA SPONSORED FUNDRAISING EVENT

As part of Woman's Month, BFA supported the women firefighters in a fundraising event. The event took place on 8 March at the main fire station in Largo 1° de Maio in Luanda. Around 300 children from five different homes were invited for a special day out. The children took part in competitions and were treated to theatre and music.


## COOPERATION AGREEMENT BETWEEN BANCO DE FOMENTO ANGOLA AND FUNDAÇÃO CIDADE DE LISBOA

In 2016, BFA renewed the cooperation agreement with Fundação Cidade de Lisboa for another five years. The cooperation agreement serves to maintain five annual study grants for university students, preferably from Angola.

The grants are intended not only to finance the professional training of African managers but also their cultural, moral, and ethical education, so that when they return to their countries of origin, they are able to contribute to their countries' economic and social development.

## BANCO ALIMENTAR CONTRA A FOME ANGOLA (BACFA)

In 2016, BFA once again partnered with the Angolan food bank Banco Alimentar Contra a Fome Angola in carrying out the fifth BACFA Food Collection Campaign. As in previous campaigns, food was collected from various stores in Luanda, sorted and weighed, and then donated to charitable bodies.

## CVA AWARENESS CAMPAIGN

BFA sponsored the awareness campaign for the prevention of Cerebral Vascular Accidents (CVA), which took place on October 27, 28 and 29 in Luanda. The purpose of this campaign was to improve the professional abilities of healthcare technicians by informing them of the associated risk factors, and also to improve the knowledge of the population in general on this subject.


## DONATIONS
## BENGUELA CENTRAL HOSPITAL

Within the framework of the 1st Regional Delegates Conference organized by BFA's Sports and Cultural Group in Benguela, donations were delivered to the Paediatrics area of Benguela Central Hospital. The donations included diapers, clothes and milk for newborns, feeding bottles, blankets and hygiene products.

## HEALTH RESEARCH CENTRE IN ANGOLA (CISA - CENTRO DE INVESTIGAÇÃO EM SAÚDE DE ANGOLA)

In 2016, BFA supported another two research projects of the Health Research Centre in Angola (CISA), namely, the creation of the microbiology service in the laboratory at the Bengo General Hospital and the implementation of the primary health care support and reinforcement programme in the municipality of Dande. These projects, which will be carried out over the next two years in Bengo province, are intended not only to increase the diagnostic capacity of the Bengo General Hospital laboratory but also to improve the provision of primary health care services in the province's health centres and health posts.
Over the last two years, CISA has carried out health research projects in Bengo province aimed at producing scientific studies that will support policy making in the fight against the so-called "neglected" diseases in Angola, especially schistosomiasis, tripanosomiasis, viral haemorrhagic fever, filariasis and helminthiasis. Although these are not diseases that increase the mortality rate in the short run, they are highly incapacitating and, given their contagiousness, deserve greater attention at the public health level. CISA receives institutional support from the Ministry of the Health and financial support from Cooperação Portuguesa and the Calouste Gulbenkian Foundation.

CISA
CENTRO DE INVESTIGAÇÃO EM SAÚDE DE ANGOLA

# Awards

**The Banker Award** | Bank of the Year in Angola

BFA was awarded the title of Bank of the Year in Angola 2016 by The Banker magazine for the third time at an official ceremony held in London. Founded in 1926, The Banker is a British magazine specializing in the financial markets. The Banker has a database with information on more than 4,000 banks and is present in more than 180 countries. It is currently considered one of the world's leading sources of financial news.

**Sirius Awards** | Best Financial Sector Company

BFA was awarded the Best Company of the Year in the Financial Sector prize for the fourth time in the sixth Sirius Awards at a ceremony held in the Epic Sana Hotel in Luanda. The jury acknowledged BFA for its innovation, the quality of its products and services, its economic and financial performance and its contribution to the growth of financial inclusion in Angola.

**EMEA Finance Magazine** | Most Innovative Bank

BFA was an award winner, for the first time, in the Most Innovative Bank category. 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.

**EMEA Finance Magazine** | Best Bank in Angola

BFA was voted Best Bank in Angola by EMEA Finance magazine, the eighth time it has won this award. EMEA Finance is a magazine, aimed at the financial community in Europe, the Middle East and Africa, which analyzes and ranks the performance of the main banking institutions in various countries.

**Capital Finance International Magazine** | Best Branch Network

For the second 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 190 branches and outlets.

**International Finance Magazine** | Best Corporate Bank

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

**Banker Africa Magazine** | Best Retail Bank

BFA won the Best Retail Bank 2016 award in the Banker Africa, Southern Africa Awards 2016, issued by Banker Africa magazine. Banker Africa analyses and ranks the performance of the main banks in various countries.

**Superbrands** | Brand of Excellence

For the sixth time in a row BFA was honoured with Superbrand status by Superbrands, an independent international organization dedicated to promoting exceptional brands. Superbrands Angola rewards excellent brands for their performance in the domestic market.

**Deutsche Bank** | STP Excellence Award

Deutsche Bank awarded BFA the STP (Straight Through Processing) Prize for the 14th time in a row. In giving this prize Deutsche Bank took into account the improvement in service levels and the high success rate in automatic processing of international payments in 2015.

**Global Banking and Finance Review** | Best Commercial Bank

BFA was voted Best Commercial Bank in Angola for the fourth 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 solidarity.

**World Finance Magazine** | Best Corporate Management

World Finance magazine voted BFA the bank with the Best Corporate Management for the third 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.

**World Finance Magazine** | Best Retail Bank

BFA received the Best Retail Bank 2016 award from World Finance magazine. The criteria taken into consideration in granting the award include variety and clarity of products and services, sales and market share growth.

**Global Financial Market Review** | Best Retail Bank in Angola

The Global Financial Market (GFM) portal named BFA the Best Retail Bank in Angola for the first time. GFM is a leading online financial news portal and bases its awards on an assessment of banks' excellence, innovation and investment strategies.

**Global Financial Market Review** | Best Commercial Bank in Angola

The Global Financial Market (GFM) portal named BFA the Best Commercial Bank in Angola for the second time. GFM is a leading online financial news portal and bases its awards on an assessment of banks' excellence, innovation and investment strategies.

**Global Brands Magazine** | Best Bank Brand in West Africa

Global Brands Magazine awarded BFA the prize for Best Bank Brand in West Africa 2016 for the third time in a row. The prize was awarded in recognition of the Bank's success in building the BFA brand in the Angolan market and its commitment to implementing new customer support services.

**Finance Digest magazine** | Best Commercial Bank in Angola

BFA won, for the first time, the Best Commercial Bank in Angola 2016 award, given by Finance Digest magazine. Finance Digest is a British online quarterly magazine specialized in financial analyses in the fields of banking, business, finance and technology.

# 04

# RISK MANAGEMENT


| | |
|---|---|
| Governance and Organization of Risk Management | 96 |
| Credit Risk | 99 |
| Liquidity Risk | 105 |
| Foreign Exchange Risk | 107 |
| Interest Rate Risk | 109 |
| Operational Risk | 111 |
| Compliance Risk | 115 |

# Governance and Organization of Risk Management

In order to manage risk effectively, 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

### Material Risks

Given the nature of the Bank's activity, the risks considered material and therefore subject to the most careful identification, assessment, monitoring and control, as well as systematic reporting and disclosure, are as follows:

## Risk Management Organization and Model

The main objective of risk management is to ensure that all risks are managed to the satisfaction of customers, employees, shareholders and the community. Accordingly, BFA has created an organization 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 2/13 of 22 March, which regulates the risk function as a component of the Internal Control System.

Overseeing the main risks inherent in the Bank's activity is the responsibility of the Board of Directors and the Executive Committee of the Board of Directors.

In order to structure the risk control and management organization, BFA has defined three lines of defence:

**1st Line of Defence**
Business units

It is the responsibility of the heads of each area 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.

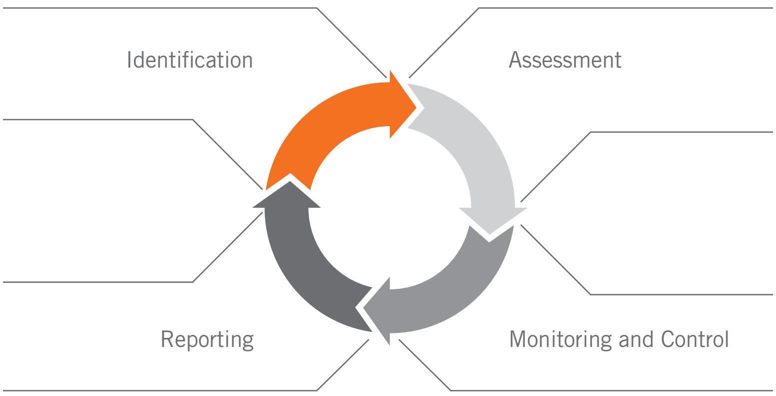
**2nd Line of Defence**
Risk management units and Risks Committee

The risk management units 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 Audit

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

**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

Assessment is based on 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 analyze 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 adequacy 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.

# Credit Risk

## WHAT IS CREDIT RISK AND WHAT CAUSES IT?

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

**Department for Lending to Individuals and Businesses**: responsible for assessing credit transactions in the Individuals and Businesses segments;

**Corporate Credit Risk Department**: responsible for assessing credit transactions in the Corporates segment;

**Structured Finance and Investment Finance Department**: responsible for structuring complex, high-value financings and all investment finance proposals, including those included in the Angola Investe programme;

**Real Estate Transactions Department**: responsible for assessing loan applications and monitoring outstanding loans backed by real estate assets or income from commercial activities in the real estate sector. The most important transactions in the real estate portfolio are the real estate development projects and the hotel projects;

**Credit Monitoring, Recovery and Litigation Department**: responsible for monitoring loan portfolio quality and for overseeing and managing the level of provisioning and impairment losses associated with credit portfolio. This department is also responsible for the recovery of overdue loans by negotiation or legal action.

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 summarized 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 11/14, BFA has defined the following criteria for classifying new loans in the different risk levels:

- Level A (Lowest Risk) – Loans to the Angolan State, including central and provincial governments, by central banks, international organizations or multilateral development banks, or loans backed by captive bank accounts held at BFA or by government securities (Treasury Bonds or bills or central bank bonds) 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. 11/14.

### Proceedings of Decision-making Bodies

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

### Validity of Decisions

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

In 2016, continuing the project started in 2014, the staff of the commercial networks received further training through a specific programme that covered all stages of the lending process, especially credit analysis, loan approval and recovery of overdue loans.

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 has helped BFA make more informed decisions.

### Impairment Loss Calculation Model

BFA implemented the Impairment Loss Calculation Model in June 2013 to meet the challenges arising from timely adoption of international best practices.

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

- IT Systems Area – responsible for extracting information from IT systems and 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 180 days past due are classified as impaired. Loans more than 180 days past due are classified in default.

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, credit cards, auto loans, corporates and public sector, and financial institutions.

Restructured loans require special treatment and are considered to remain at increased risk 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 100,000,000 and all exposures of more than AOA 25,000,000 where there is a past-due balance of more than AOA 1,000,000;
- In the Corporates segment, all customers with exposure of more than AOA 25,000,000;
- Additionally, all loans to customers with 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 90 days past due;
- **Loss Given Default (LGD)** – loss likely to be incurred at the time of 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 monthly, based on evidence of impairment.

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

The provisions recorded at 31 December 2016 comfortably cover the losses estimated by the model.

## WHAT WERE THE MAIN DEVELOPMENTS IN 2016?

### 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 2/15, financial institutions may calculate their loan loss provisions using their own internal methodologies developed for that purpose, once the methodologies have been approved by Banco Nacional de Angola. The rules set out in this BNA regulation are identical and totally consistent with those already adopted by BFA for internal use. On June 30, 2015, BFA submitted the new 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 2016, following the trend observed in previous years, the granting and monitoring of loans to the construction sector was subject to strict control by the Operations and Real Estate Department.

In the context of BFA's Impairment Loss Calculation Model and BNA Notice 10/14, the department continued to implement the action plan started in 2014 for the assessment of real estate collateral in credit transactions. 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.

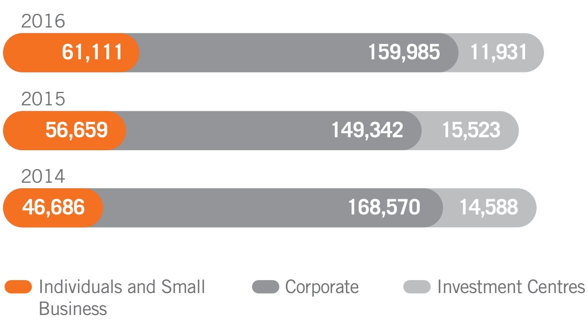
This work will continue in 2017, assisted by the launch of a new database specifically developed for processing data on real estate collateral in credit transactions.

### Loan Portfolio Structure

In 2016 the overall loan portfolio (excluding guarantees and letters of credit) increased by 5.2% in relation to 2015. This change was driven by the growth of the portfolio of loans to the Corporates segment, which reached 7.1% compared to 2015, and the 7.9% increase in the portfolio of loans to Individuals and Businesses. The loan portfolio of the Investment Centres network, in contrast, decreased by 23.1% compared to the previous year.

#### Loan portfolio

AOA million

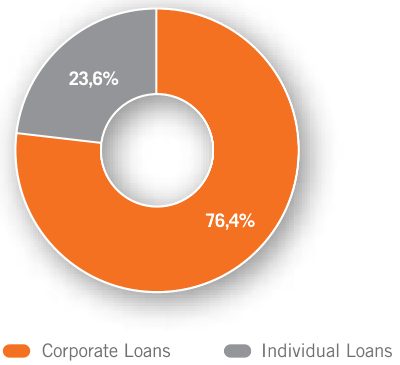



**Note**: Total loans not excluding guarantees and outstanding interest.

## Cross-sectional diversification, with a stable proportion of lower-risk loans

In 2016, 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.

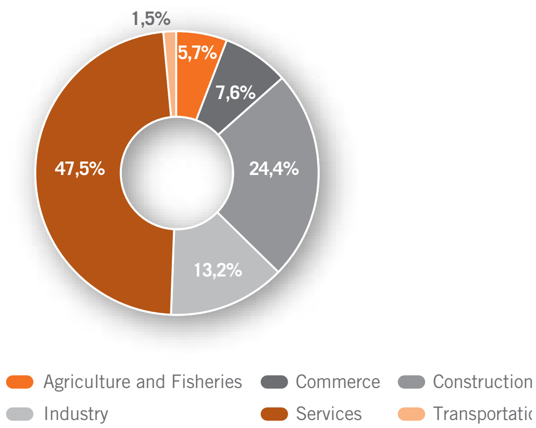
### Loan Portfolio by Customer Type: Corporates and Individuals




**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.

### 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 3/12 of 28 March. Nearly 94.1% of total loans and advances are classified in levels A to C. The exposure of BFA's loan portfolio to the higher risk classes (more than "moderate" risk) decreased by 0.1 percentage points.

**LOANS BY RISK CLASS** — Total Loan Operations

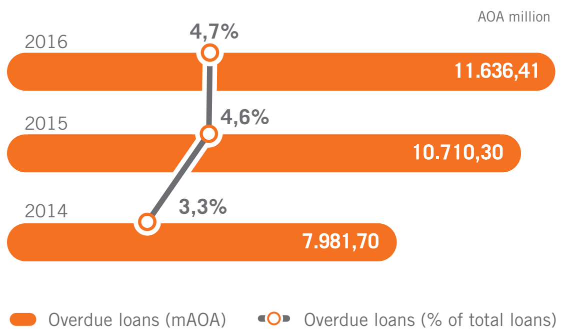
| Class | 2014 | 2015 | 2016 |
|---|---|---|---|
| A - Null | 42,9% | 30,5% | 34,3% |
| B - Very Reduced | 2,5% | 2,8% | 58,7% |
| C - Reduced | 50,2% | 60,2% | 1,1% |
| D - Moderate | 0,8% | 0,7% | 0,2% |
| E - High | 1,0% | 1,6% | 0,9% |
| F - Very High | 2,0% | 2,6% | 1,6% |
| G - Loss | 0,6% | 1,5% | 3,1% |
| **Total** | **100%** | **100%** | **100%** |

Note: Total loans includes both performing and past-due loans and does not exclude guarantees and letters of credit

## Overdue Loans Ratio

Despite the risk analysis and management policies pursued by BFA in order to continuously improve the quality of its credit portfolio, the volume of overdue loans and the overdue loans ratio increased in 2016. The amount of overdue loans increased by 8.7% compared to the previous year, mainly due to an increase in default and the devaluation of the national currency against the most significant lending currency, the USD.

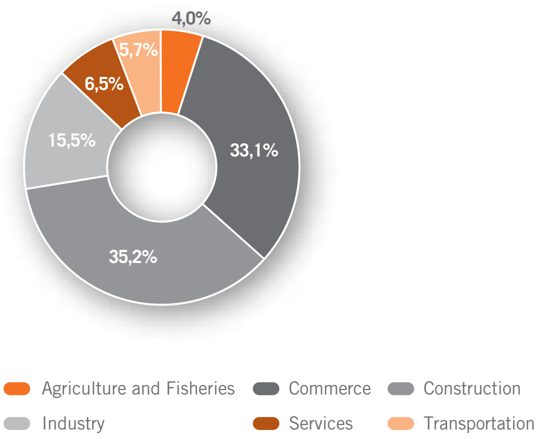
### Credit quality in the Corporate Banking segment




**Note**: Total loans excluding guarantees and letters of credit

The sector that accounts for the largest proportion of overdue loans is Construction (approximately 35.2% of the total), followed by Retail Trade and Manufacturing, whose contribution to BFA's portfolio of past-due loans was down 11.7 and 5 percentage points, respectively, compared to the previous year. The Services sector stands out in the corporate loan portfolio, with only 6.5% of overdue loans.

### Concentration of overdue corporate loans by sector




At December 2016, the provision coverage ratio was a comfortable 125%, reflecting a particularly prudent risk management policy. In 2016, in contrast to the previous year, provisions fell 7% and the coverage ratio of the overall loan portfolio fell 0.8 percentage points. Even so, given the trend in lending, BFA maintained a stable position.

### LOAN LOSS PROVISIONS AND PROVISION COVERAGE RATIO

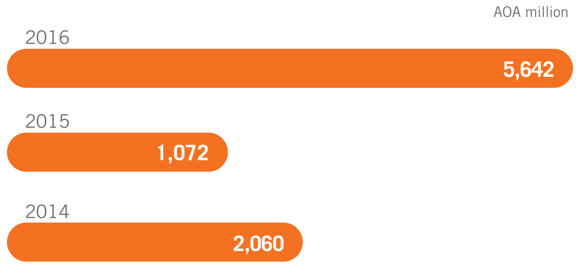
AOA million

| Classe | 2014 | 2015 | 2016 |
|---|---|---|---|
| Provisions | 10.853,2 | 15.688,1 | 14.591,6 |
| Provision coverage, total loans | 4,7% | 7,1% | 6,3% |
| Provision coverage, Overdue loans | 136% | 146% | 125% |

**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-offs




### Recovery of Overdue Loans Through Litigation

As of year-end 2016 a total of 607 legal proceedings had been started to recover overdue loans. Of this total, 138 concerned loans to Corporates and 469 loans to Individuals.

# Liquidity Risk

## WHAT IS LIQUIDITY RISK AND WHAT CAUSES IT?

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: summarizes 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 aretrospective weekly summary of the main national and international markets;
- Monthly risk management dossier: a document produced by the Management Information Area covering the key indicators and risk limits;
- Documentation for the Board of Directors, which includes monthly money market summaries.

The Bank's organizational and decision-making model is as follows:

- The Board of Directors considers proposals from its Executive Committee and 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 Finance Committee meets weekly with its own portfolio of documentation and information, implements decisions and proposes such actions as may be needed.

## WHAT WERE THE MAIN DEVELOPMENTS IN 2016?

On 30 August, BNA published Instruction 19/2016, which gives specific instructions for the reporting of liquidity risk management.

From 28 February 2017, financial institutions must submit liquidity statements every two weeks, showing only the cash flows in local and foreign currency that are material for the institution on a standalone basis. At monthly intervals they must also submit a liquidity statement showing the cash flows in all currencies on an aggregate basis.

Financial institutions must work to ensure that within 36 and 48 months of publication of the Notice 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 of material foreign currencies.

## MANDATORY RESERVES IN ANGOLA

BNA Instruction 02/2016 on Mandatory reserves, aimed at making mandatory reserves a more effective instrument of monetary policy, came into effect on 18 April 2016. Additionally, on 16 May 2016, BNA Instruction 04/2016, aimed at adapting the use of monetary policy instruments to the country's current macroeconomic situation, came into force.

The abovementioned Instructions modify the mandatory reserves ratio as follows:

- The mandatory reserves ratio to be applied to the daily balances of the various items that make up the reserve base in local currency, excluding the Central Government, Local Governments and Municipal Governments accounts, increases from 25% to 30%. Banks may satisfy up to 20% of the requirement in Treasury Bonds held in their own portfolio or through medium and long-term funding agreements entered into with the Finance Ministry, weighted by maturity from the date of issue or disbursement, respectively, from January 2015. The level of compliance with the requirement in Treasury Bonds or through funding agreements between the Finance Ministry and commercial banks is calculated using the following weights:
    - Bonds with a maturity of 5 years – 100% of nominal value;
    - Bonds with a maturity of 4 years – 75% of nominal value;
    - Bonds with a maturity of 3 years – 50% of nominal value;
    - Bonds with a maturity of 2 years – 20% of nominal value;
    - Disbursements of funding agreements with terms of 7 years or more – 100%;
    - Disbursements of funding agreements with terms of between 6 years (inclusive) and 7 years (exclusive) – 75%;
    - Disbursements of funding agreements with terms of between 4 years (inclusive) and 6 years (exclusive) – 30%;
    - Disbursements of funding agreements with terms of between 2 years (inclusive) and 4 years (exclusive) – 10%;

- The mandatory reserves ratio to be applied to the daily balances of the various items that make up the reserve base in local currency, excluding the central government, local government and municipal government accounts, is maintained at 15%.

- The mandatory reserves ratio to be applied to the daily balances of the central government account in local currency is maintained at 75%;

- The mandatory reserves ratio to be applied to the local government and municipal government accounts, also in local currency, is maintained at 50%

- The mandatory reserves ratio to be applied to the daily balances of the central government account in foreign currency is maintained at 100% and the ratio to be applied to the local government and municipal government accounts, also in foreign currency, is likewise maintained at 100%.

- The reserve requirement for the calculation base in domestic and foreign currency is calculated weekly on the arithmetic mean of the balances recorded in the respective accounts, on the business days of the week;

- Mandatory reserves are calculated on the first business day and from the first to the last business day of the week following the week in which the balances are established.

- Up to 5% of the weekly arithmetic average of the daily closing balance of the Local-Currency Cash account, as per the Plan of Accounts for Financial Institutions, may be deducted from the mandatory reserves in local currency each week.

- Up to 80% of the assets representing the amounts of loans and advances in local currency to the agriculture, forestry, fishing, manufacturing, energy, water, food service, transport and IT sectors, all loans and advances granted under the Angola Investe programme and ADB credit lines with a term of 24 months or more may also be deducted from the reserve requirement in local currency.

# Foreign Exchange Risk

### WHAT IS FOREIGN EXCHANGE RISK AND WHAT CAUSES IT?

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: summarizes 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 Area, 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 organizational and decision-making model is as follows:

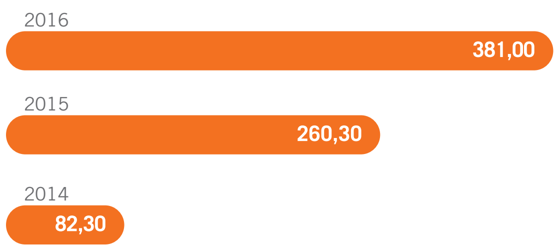
- The Board of Directors, at the proposal of the ECBD, sets the limit for the foreign exchange position based on BFA's view of the market;
- The Executive Committee considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits;
- The Finance Committee meets weekly with its own portfolio of documentation and information, implements decisions and proposes such actions as may be needed.

### WHAT WERE THE MAIN DEVELOPMENTS IN 2016?

With the publication by BNA of Notice 6/16 (which establishes the new capital requirements for market risk, which includes foreign exchange risk) and Notice 9/16 (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)

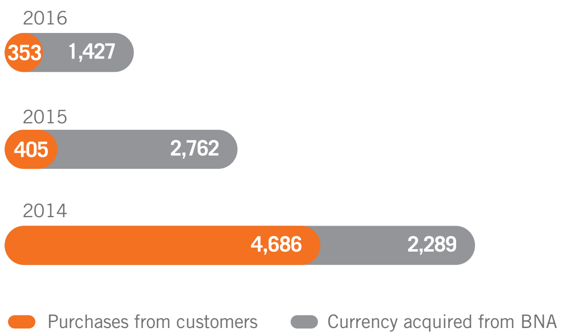



At 31 December 2016, BFA's foreign exchange position was valued at USD 381 million, a significant increase over previous years. This foreign exchange position was the result of a decision taken by the Board of Directors, based on BFA's view of the market.

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.

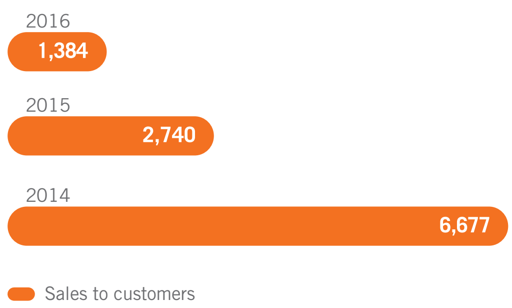
BFA acquires foreign currency on the primary market through BNA's foreign exchange auctions and direct placements and through purchases from customers. In 2016 there was sharp decrease in currency purchases, which fell 44% compared to 2015, reaching a total of USD 1,780 million. This decrease is attributable to the decrease in foreign currency acquired from BNA, which fell 48%, and the decline in currency purchases from customers, which fell by USD 353 million.

### Purchases of Foreign Exchange (USD millions)




Sales of currency by BFA fell sharply in 2016 to USD 1,384 million.

### Sales of Foreign Exchange (USD millions)




2016 was marked by a very significant reduction in the volume of foreign currency released to the economy by BNA, due to the sharp decline in oil revenues and the priority given to preserving Angola's net international reserves.

### Aggregate Sales of Foreign Exchange by BNA and Customers (USD million)


### Foreign Exchange Risk Analysis

On its Bloomberg page (BFAA), BFA quotes prices for the main Angolan assets, whether in the foreign exchange market or in the interest rate market. This page is public and is used to inform our customers of the quoted prices of the different assets. Of particular interest are the quotations for the spot foreign exchange market and the forward foreign exchange market.

# Interest Rate Risk

## WHAT IS INTEREST RATE RISK AND WHAT CAUSES IT?

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 rules for financial management and the limits set for interest rate risk are set down in the Limits and Procedures Manual issued by the DFI.

Interest rate risk on the balance sheet is managed by controlling 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 keeping the aggregate interest rate risk on the balance sheet within the set limit in relation to regulatory capital.

Interest rate risk in the securities portfolio is managed by controlling the aggregate interest rate risk, which is the sum of the impact of a parallel shift in the yield curve on the valuation of the Bank's portfolio of securities with a residual maturity of more than one year.

The DFI is responsible for ensuring that this risk is kept within the set limit in relation to regulatory capital.

BFA's financial management of interest rate risk is supported by a set of documents that are distributed to various management bodies, namely:

- Daily report: summarizes key information from the domestic and international markets and the day's most important movements and transactions (in particular in the money market and the public debt market);
- Documentation for the Finance Committee, with a retrospective weekly summary of the main national and international markets;
- Monthly risk management dossier: a document produced by the Management Information Area 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 organizational and decision-making model is as follows:

- The Board of Directors considers proposals from its Executive Committee and 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 Finance Committee meets weekly with its own portfolio of documentation and information, implements decisions and proposes such actions as may be needed.

### Interest Rate Risk Analysis

Scenarios used to calculate the adverse impact of interest rate shocks.

**ADVERSE IMPACT ON THE BALANCE SHEET**

| | Rates Shock |
|---|---|
| AOA | 3,0% |
| EUR | 1,0% |
| GBP | 1,0% |
| IKZ | 1,0% |
| USD | 1,0% |

**ADVERSE IMPACT ON THE SECURITIES PORTFOLIO**

| | Rates Shock |
|---|---|
| USD Spread | 2,5% |
| AOA Rate | 3,0% |
| IKZ Rate | 2,5% |
| USD Rate | 1,0% |

On 22 June 2016, BNA published Notice 8/16, which establishes the requirements to be met by financial institutions from January 2016 in relation to the assessment of interest rate risk in the banking book.

Financial institutions will have to submit to BNA detailed information about their interest rate risk exposure in the banking book, assuming an instantaneous 2% increase or decrease in interest rates as a result of an equivalent parallel movement of the yield curve, estimating the impact on the present value of cash flows and net interest income.

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 and for periods of one business day, reporting to BNA whenever the scenario analysis indicates the possibility of a reduction in their economic value equal to 20% or more of their regulatory capital.

# Operational Risk

## WHAT IS OPERATIONAL RISK AND WHAT CAUSES IT?

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 recognizes 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 organized, according to their nature, in a hierarchy of rules and are grouped by thematic area. Producing these rules and making them known throughout the organization is the responsibility of the Organization and Training Department, which monitors the organization'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.

Assessing compliance with internal regulations and the Code of Conduct is the responsibility of the Audit and Inspection Department (A&I).

A&I assesses the effectiveness, efficiency and appropriateness 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 and the assets of its customers. Operational risk is inherent in various processes and activities managed by the Bank and has received special attention from the internal control function. The control processes designed to mitigate operational risk are assessed continuously.

### CODE OF CONDUCT

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

Realizing 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.

To make its Code of Conduct accessible to all interested parties, BFA has also published it on the institutional website.

A&I acts independently of the units that it audits and in accordance with internationally recognized 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 disseminated to and known by employees and management. 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 analyzed. This analysis is supplemented by thematic audits carried out by the external auditor engaged for the purpose.

A&I organizes its audit work through an annual schedule of control activities to be carried out in the different business areas. Any deficiencies, weaknesses or errors detected in the control processes at the various operational and decision-making levels give rise to recommendations and corrective measures aimed at mitigating the likelihood of occurrence of the identified risks. These audit actions may be performed onsite or offsite and vary in depth and complexity:ser presenciais e/ou à distância, com diferentes graus de incidência e complexidade:

- **Comprehensive thematic audits**: Assessments carried out on commercial units, central services or processes;

- **Limited audits**: Assessments of certain processes or activities in a particular unit or area to determine the effectiveness and efficiency of the control system currently in place and the extent to which it complies with the relevant internal regulations, as well as the extent to which those internal rules reflect applicable external laws and regulations;

- **Offsite audits**: Control process aimed at assessing compliance with and knowledge of the Bank's rules concerning various activities carried out in the Bank. This assessment is processed through analysis of documents and computer records, without the physical presence of the A&I teams;

- **Incident audits**: Analysis of a set of files with information specified by A&I 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 the Inspection Function, A&I conducts investigations based on resolutions of the Bank's decision-making bodies to analyze evidence of fraud and irregularities, identifying their origins, weaknesses, risks and implications and submitting recommendations aimed at making the existing control system more effective and more robust.

Reports from Inspection are analyzed at meetings of the ECBD, which deliberates on the events reported and A&I's conclusions regarding responsibility, remedial action and possible disciplinary or legal consequences and also on A&I's recommendations regarding the weaknesses detected in individual actions and decisions, processes or rules and the necessary corrective measures to mitigate operational risks.

At the end of each quarter, A&I submits an operational risk map, which shows all the inspections, classified by nature and possible losses.

Additionally, 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 and accuracy in managing the general risks to which BFA is exposed and effective provisioning for those risks. This semi-annual report is subsequently submitted for approval and validation by the Audit and Internal Control Committee.

Apart from the reports already mentioned, A&I also prepares a detailed annual report on its internal control activities, which is analyzed by the Board of Directors, the Audit and Internal Control Committee and the Executive Committee and is an integral part of the Internal Control Report.

## WHAT WERE THE MAIN DEVELOPMENTS IN 2016?

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 2016, 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 2016, the A&I team performed 332 audits, including onsite audits in 178 bodies, with 69 comprehensive audits and 109 limited audits. These audits entailed direct contact with 100% of the Bank's commercial area, insofar as the commercial units that were not subject to either a comprehensive or a limited audit were monitored through offsite audits. Internal control of the commercial network reached coverage of 100%, with 154 offsite audits.

## ALERT OPTIMIZATION

Throughout 2016, A&I continued to carry out audits in response to computerized 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 material fraud or non-compliance with internal regulations or behaviour that does not comply, or is not in line, with the principles defined in the Bank's Code of Conduct.

### Digitization of Documents

Within the scope of the eMudar@BFA project, the front-end platform allows BFA to review and dematerialize its processes, which now, wherever legally possible, are supported by digital documents, allowing a reduction of operational risk. In 2016 more than 635,000 contracts were digitized through of this platform, representing 75% of the total number of contracts entered into with Individuals and 57% of contracts with Corporates, which translates into greater efficiency for the Bank and more effective operational risk control.

### Growth of the Process Validation Area

The Process Validation Area was involved in the changes the Bank made to work processes, including account opening, customer data updating, debit card issuance and BFA Net membership. This involvement was decisive in ensuring the success of the new workflows and methods. The area also had to be scaled up and its working hours extended, so as to operate uninterruptedly from 6:30 to 20:00.

## IMPLEMENTATION OF THE INSURANCE PROJECT

At the start of the second half of 2016, BFA entered into an agreement with the insurance company Universal Seguros, with the aim of starting to sell life, auto and comprehensive home insurance directly. Initially, sales of these products were limited to the personal loan, auto and home insurance products.

The main advantages of this project were as follows:

- For the customer, improved service quality, given that all the products were available in one place (the Bank), so there was no need to go to an insurer. Also, greater convenience in terms of flexibility in paying the insurance premiums, which in the case of life insurance, auto insurance and comprehensive home insurance could now be paid in monthly instalments;
- For the Bank, greater operational control of the insurance policy issuance and maintenance process, as policy issuance and premium collection were now controlled by the Bank.

Within the scope of this project, life insurance was made obligatory for customers who took out a personal or auto loan, as it was already for home loan customers.

This project allowed the Bank to reduce the risk associated with lending transactions, either by obtaining additional security for personal and auto loans or by acquiring greater control over premium payments and the status of the insurance policies.

By the end of 2016, the new processes were already fully assimilated by all the areas involved in the process, with an emphasis on the commercial areas.

### New Cheque Clearing Subsystem (CCS)

In 2016 there were also some major changes to the cheque clearing system (CCS), in which all the Angolan banks that provide their customers with cheques took part.

BFA abandoned the contingency process it used for clearing cheques and switched to a proprietary system that allows greater security in the analysis and processing of cleared cheques. This new system provides a substantial reduction in operational risk.

In addition, BFA started sending images of the BFA cheques deposited in the commercial network to the Central Image Archive at EMIS.

### Security Enhancement and Risk Mitigation

In 2016 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 the Organization and Training Department, a complaints handling area, in response to the new rules under BNA Notice 2/11. At the end of 2014, when the BFA Customer Support line (923 120 120) came into service, this complaints handling area was transferred to the Bank's Marketing Department, giving rise to a new Customer Support area (DMK SAC). This area is divided into two teams:

- DMK SAC Complaints – A team devoted exclusively to complaints handling; and
- DMK SAC BackOffice – A team that functions as a first line of support to the BFA Customer Support line and, whenever necessary, coordinates interactions with other areas of the Bank aimed at clarifying doubts about products and services and analyzing 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 2016 a total of 1,830 complaints were received, which represents a decrease of 449 compared to 2015, thanks to continuous improvement of the services provided.

The average response time was 27 days (compared with 34 days in 2015) and 74% 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 WHAT CAUSES IT?

Compliance risk is 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 results or capital.

Compliance risk is inherent in any banking organization 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.

## 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 policies and actively creating processes and procedures to mitigate the risks of non-compliance, money laundering and terrorist financing. The functions of the Compliance Department are as follows:

- 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;
- Centralizing, 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 analyzing and building awareness within the organization 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

Where a customer has indicia of US status, the Compliance Department receives an automatic alert, containing the details of the process. This alert triggers steps to reclassify 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 34/11 and BNA Notice 22/2012, the Bank has developed mechanisms to ensure compliance with regulations, notably through:

- Publication of a Service Order, setting out internal anti-money laundering and anti-terrorist financing policies which:
  - Clarify concepts and introduce procedures that will allow closer, stricter control of the Bank's economic activities and minimize 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 suspicious transactions;
- 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.

### WHAT WERE THE MAIN DEVELOPMENTS IN 2016?

In order to comply with the know-your-customer and enhanced due diligence duties and avoid any involvement in money laundering or terrorist financing, BFA carried out the following activities during 2016:

### I. Extension of enhanced customer due diligence

The due diligence performed on high-risk entities at the time of customer acceptance and account opening and updating was reinforced, so as to ensure tighter control over the validation of the legitimacy of customer instructions and facilitate identification of atypical transactions that could be indicative of money laundering or other crimes. Internal procedures and regulations aimed at improving the processes for controlling and mitigating the risk of money laundering, terrorist financing and other crimes were created and updated.

Taking the provisions of BNA Notice 2/13 on internal control into account, the organizational structure of the Compliance Department was modified to give the Compliance Director greater autonomy and independence and broader reporting responsibilities.

In the context of the efforts to upgrade, amend and create internal account opening procedures and rules in relation to money laundering, important procedures were created for the identification of politically exposed persons and ultimate beneficial owners.

An important change is the requirement to obtain an opinion from the Compliance and Legal Departments before opening or modifying accounts held by NGOs and not-for-profit entities, non-bank financial institutions and designated non-financial activities and professions.

### II. Screening of SWIFT transactions

In 2016, the tool for screening SWIFT transactions, which had been in the testing phase, came into full operation. This tool tracks all the parties involved in any SWIFT transaction, allowing real-time screening against international sanctions lists.

The tool identifies any parties included in international sanctions lists and automatically generates an alert, which results in the transaction being blocked, so that it can be analysed by Compliance.

Employees were trained in the use of the tool by a SWIFT specialist.

### III. 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. In line with BNA Notice 22/12 and Law 34/11 on training, BFA's 2016 Training Plan was designed to give the Bank's employees a comprehensive knowledge and awareness of their obligations and duties in relation to the prevention and repression of money laundering and terrorist financing.

During the year, nearly 20 training sessions were given to a total of 523 employees.

In 2016, BFA also implemented an eLearning programme, consisting of two modules, which were mandatory for all employees: one more general in content and the other a more specific refresher course, focusing on cases of non-compliance that could result in money laundering.

### IV. Self-assessment questionnaire – Anti-money laundering and terrorist financing

In compliance with Directive01/DRO/DSI/15 on money laundering and terrorist financing (AMLTF), BFA filled out the self-assessment questionnaire on its AMLTF programme and its AMLTF risks and risk mitigation policies and procedures, which was submitted to BNA in June.

As a result of this self-assessment, specific projects were adopted and steps were taken to implement them. Over the course of 2016, BFA's AMLTF programme was improved as follows:

- Assessment of the AMLTF risk of the Bank's customers: a risk assessment model was developed that can be used to classify customers according to their AMLTF risk. This model takes as input a very large number of variables, including most notably segment, profession, country of residence, nationality, nature, products and services, and outputs a score. This model will come into operation in 2017.
- Recording and monitoring of ultimate beneficial owners;
- Account opening, modification and maintenance procedures for politically exposed persons and entities.

# 05

# FINANCIAL REVIEW


| | |
|---|---|
| Financial Review | 120 |
| Proposed Allocation of Earnings | 131 |

# Financial Review[1]

### Asset Growth and Increased Profitability

Assets
AOA 1,312,880 million
+ 6,8%
Compared to 2015

Customer Funds
AOA 1,079,702 million
+ 6,1%
Compared to 2015

Net Operating Revenue
AOA 99,572 million
+ 42,7%
Compared to 2015

Total Loans
AOA 288,201 million
- 1,6%
Compared to 2015

Net Profit
AOA 61,912 million
+ 63,5%
Compared to 2015

Regulatory Solvency Ratio
31,7%
+ 7,4 pp
Compared to 2015

Once again, BFA recorded a positive financial performance, with overall asset growth of 6.8%, to reach AOA 1,312,879.6 million (USD 7,913.5 million).

On the liabilities side, customer funds grew significantly in 2016, with customer deposits increasing by 6.1% year-on-year, from AOA 1,017,159.6 million to AOA 1,079,702 million at the end of 2016. The devaluation of the local currency against the USD resulted in a decline in USD terms, from USD 7,517 million in 2015 to USD 6,508 million in 2016.

The volume of customer funds in local currency continued to grow as a share of total funds, gaining 2.2 percentage points and continuing to exceed customer funds in foreign currency.

Net operating revenue rose significantly (up 42.7% compared to 2015), driven by increases in net interest and non-interest income, most notably income from investments and trading income.

The value of BFA's total loan portfolio declined 1.6% compared to 2015. This decline was driven in particular by the decrease in guarantees and letters of credit, which fell nearly 32.9%, or AOA 18,944.9 million (USD 192.7 million).

Because of the increase in deposits and loans, the loan-to-deposit ratio increased very slightly in 2016, ending the year at 21.8%, some 0.1 percentage points higher than the previous year.

Net profit increased in 2016, reaching AOA 61,912.1 million (USD 377.2 million), up 63.5% compared to 2015.

The regulatory solvency ratio, calculated in accordance with BNA Notice 5/07 and Instruction 3/11, reached 31.7%, comfortably above the required minimum of 10%.

[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 nonetheless that due to the significant devaluation of the local currency, at times an increase in the absolute value of an item can mean the AOA figure goes up at the same time as the USD figure declines. In such cases, it is seen that the devaluation of the local currency against the USD outweighed the rise in the heading denominated in local currency. The opposite can also hold.

## A Sound, Highly Liquid Balance Sheet

BFA's net total assets increased by 6.8% in 2016, reflecting growth of AOA 83,300.4 million between December 2015 and December 2016. As in 2015, this growth was driven mainly by the higher volume of investment securities, the largest asset category in BFA (45.3%), for an increase of AOA 108,938.6 million. The second largest component of the assets is Cash and banks, which increased by 3.4% compared to 2015, or AOA 10,316 million. Loans and advances to customers increased compared to 2015, to AOA 235,310.9 million, and continue to represent a significant share of BFA's balance sheet, accounting for nearly 18% of total assets.

## BFA'S BALANCE SHEET FROM 2014 TO 2016

Amounts in Millions

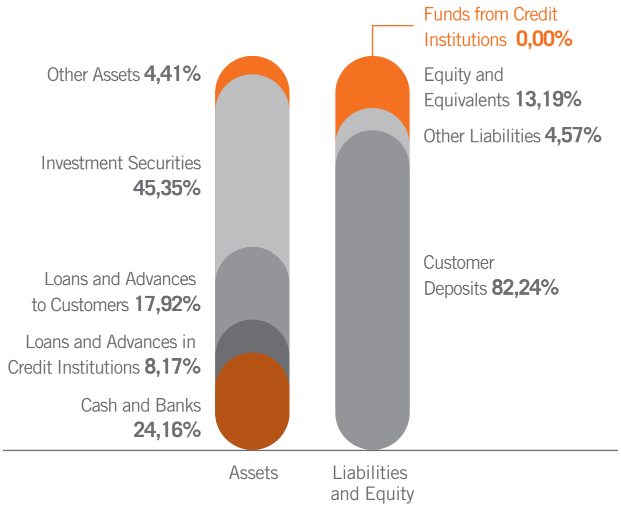
| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| **Net Assets** | | | | | | | | |
| Cash and Banks | 189 279,4 | 1 840,1 | 306 869,8 | 2 267,8 | 317 185,8 | 1 911,9 | 3,4% | -15,7% |
| Total investments | 839 835,1 | 8 164,6 | 842 189,6 | 6 223,9 | 937 849,0 | 5 653,0 | 11,4% | -9,2% |
| Loans and advances to credit institutions | 250 552,4 | 2 435,8 | 135 005,8 | 997,7 | 107 211,7 | 646,2 | -20,6% | -35,2% |
| Loans and advances to customers | 229 478,5 | 2 230,9 | 220 796,0 | 1 631,7 | 235 310,9 | 1 418,4 | 6,6% | -13,1% |
| Investment securities | 359 804,1 | 3 497,9 | 486 387,8 | 3 594,5 | 595 326,4 | 3 588,4 | 22,4% | -0,2% |
| Net fixed assets | 18 440,7 | 179,3 | 20 056,4 | 148,2 | 21 073,3 | 127,0 | 5,1% | -14,3% |
| Other assets | 25 501,2 | 247,9 | 60 463,4 | 446,8 | 36 771,5 | 221,6 | -39,2% | -50,4% |
| **Total Assets** | **1 073 056,4** | **10 431,9** | **1 229 579,2** | **9 086,8** | **1 312 879,6** | **7 913,5** | **6,8%** | **-12,9%** |
| **Liabilities** | | | | | | | | |
| Funds from credit institutions | 3 673,7 | 35,7 | 8,6 | 0,1 | 10,9 | 0,1 | 27,0% | 3,6% |
| Customer deposits | 929 382,2 | 9 035,1 | 1 017 159,6 | 7 517,0 | 1 079 702,0 | 6 508,0 | 6,1% | -13,4% |
| Other liabilities | 31 393,1 | 305,2 | 81 822,1 | 604,7 | 55 270,0 | 333,1 | -32,5% | -44,9% |
| Provisions for risks and commitments | 4 120,1 | 40,1 | 4 133,4 | 30,5 | 4 675,6 | 28,2 | 13,1% | -7,7% |
| Equity and Equivalents | 104 487,3 | 1 015,8 | 126 455,5 | 934,5 | 173 221,1 | 1 044,1 | 37,0% | 11,7% |
| **Shareholders' equity and equivalents** | **1 073 056,4** | **10 431,9** | **1 229 579,2** | **9 086,8** | **1 312 879,6** | **7 913,5** | **6,8%** | **-12,9%** |

The growth on the liabilities side of the balance sheet is explained mainly by the rise in customer deposits, which account for 82.2% of liabilities and increased AOA 62,542.3 million compared to 2015, a gain of 6.1%. In USD terms, deposits decreased USD 1,008.9 million, a decline of 13.4% from 2015, due to the devaluation of the kwanza. This growth in the local currency demonstrates BFA's capacity to raise funds, thanks to its increasing efforts to cross-sell to customers and offer products and services that meet customers' expectations and needs, strengthening the customer relationship and continuously improving the quality of service.

Shareholders' equity and equivalents were up 37% compared to 2015, reaching a total of AOA 173,221.1 million at the end of 2016. Measured in USD, this item grew 11.7% to USD 1,044.1 million in 2016.

An analysis of the structure of BFA's balance sheet in December 2016 shows a high level of liquidity, sufficient to finance the assets almost in their entirety, through a combination of customer deposits and shareholders' equity.

## Structure of BFA's balance sheet in December 2016




### Increase in relative weight of local currency Treasury Bonds

The total volume of securities held by the Bank increased by nearly AOA 108,938.6 million in 2016, which represents growth of 22.4% compared to 2015.

One of the factors contributing to this result was the increase in the volume of Treasury Bills and Treasury Bonds in the trading book, which was up AOA 261,664.2 million, representing growth of 350% compared to 2015. In USD, the growth was slightly lower, around 267%, resulting in an increase of USD 1,475.4 million. Treasury Bonds linked to the USD contributed to the growth of BFA's held-to-maturity portfolio, with an increase of AOA 22,211 million. Treasury Bonds in local currency fell 43% compared to the previous year, with a decrease of AOA 77,942.1 million. Treasury Bonds in foreign currency also fell 24% with respect to 2015, recording a decrease of AOA 21,908.4 million (USD 257 million).

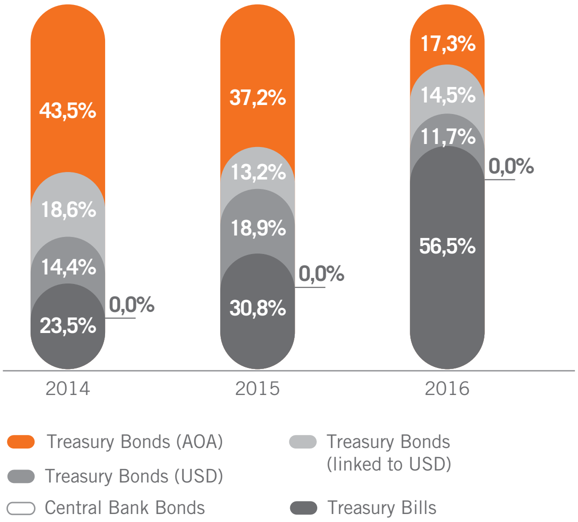
## SECURITIES PORTFOLIO

Amounts in Millions

| | 2014 | | 2015 | | 2016 | | Δ 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| **Trading Portfolio** | **26 664,6** | **259,2** | **74 888,2** | **553,4** | **336 586,4** | **2 028,8** | **349%** | **267%** |
| Treasury Bills and Treasury Bonds | 26 570,9 | 258,3 | 74 742,3 | 552,4 | 336 406,5 | 2 027,7 | 350% | 267% |
| Others | 93,7 | 0,9 | 145,8 | 1,1 | 179,9 | 1,1 | 23% | 1% |
| **Portfolio of Securities Held to Maturity** | **333 139,5** | **3 238,7** | **411 499,7** | **3 041,0** | **258 740,1** | **1 559,6** | **-37%** | **-49%** |
| Treasury Bills | 57 940,3 | 563,3 | 75 120,1 | 555,1 | 0,0 | 0,0 | -100% | -100% |
| Treasury Bonds (USD) | 51 850,4 | 504,1 | 91 686,7 | 677,6 | 69 778,2 | 420,6 | -24% | -38% |
| Treasury Bonds (indexed to USD) | 66 823,1 | 649,6 | 63 993,6 | 472,9 | 86 204,6 | 519,6 | 35% | 10% |
| Tresury Bonds (AOA) | 156 525,7 | 1 521,7 | 180 699,3 | 1 335,4 | 102 757,2 | 619,4 | -43% | -54% |
| **Total** | **359 804,1** | **3 497,9** | **486 387,8** | **3 594,5** | **595 326,4** | **3 588,4** | **22%** | **0%** |

In 2016, as seen in previous years, BFA chose to favour investment in local currency securities, which at the end of the year accounted for 73.8% of the securities portfolio.

## Securities portfolio structure in December 2016




## Local Currency Loans as a Proportion of Loans and Advances to Customers

The total volume of loans and advances to customers fell by AOA 4,778.8 million (USD 428 million) in 2016, representing a decrease of approximately 1.6% compared to 2015. This decrease was driven mainly by the decline in guarantees and letters of credit, which fell 32.9% compared to the previous year, a decrease of AOA 18,944.9 million (USD 192.7 million). This decline is due to the weakening of economic activity, mainly in the public works sector.

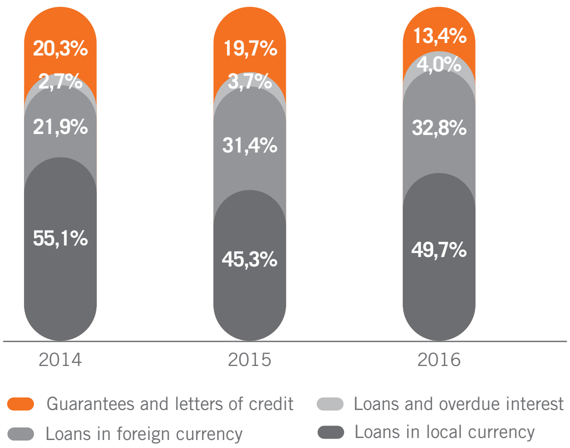
## LOANS AND ADVANCES TO CUSTOMERS

Amounts in Millions

| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| **1. Total Loans** | **300 306,5** | **2 919,5** | **292 980,2** | **2 165,2** | **288 201,4** | **1 737,2** | **-1,6%** | **-19,8%** |
| 1.1 Loans and Advances to Customers | 231 245,3 | 2 248,1 | 224 671,7 | 1 660,4 | 237 911,6 | 1 434,0 | 5,9% | -13,6% |
| Loans in Local Currency | 165 539,5 | 1 609,3 | 132 721,9 | 980,8 | 143 255,4 | 863,5 | 7,9% | -12,0% |
| Loans in Foreign Currency | 65 705,7 | 638,8 | 91 949,7 | 679,5 | 94 656,2 | 570,6 | 2,9% | -16,0% |
| 1.2 Default Loans and Interest | 7 981,7 | 77,6 | 10 710,3 | 79,2 | 11 636,4 | 70,1 | 8,6% | -11,4% |
| 1.3 Signature Loans | 61 079,5 | 593,8 | 57 598,2 | 425,7 | 38 653,4 | 233,0 | -32,9% | -45,3% |
| **2. Total loan loss provisions** | **10 853,2** | **105,5** | **15 688,1** | **115,9** | **14 591,6** | **88,0** | **-7,0%** | **-24,1%** |
| 2.1 Specific Provisions | 9 748,4 | 94,8 | 14 586,0 | 107,8 | 14 237,1 | 85,8 | -2,4% | -20,4% |
| For default Loans and Interest | 3 421,1 | 33,3 | 5 813,3 | 43,0 | 8 542,1 | 51,5 | 46,9% | 19,9% |
| 2.2 For General Loan Risk | 1 104,8 | 10,7 | 1 102,1 | 8,1 | 354,5 | 2,1 | -67,8% | -73,8% |
| **3. Loans Net of Provisions** | **229 478,5** | **2 230,9** | **220 796,0** | **1 631,7** | **235 310,9** | **1 418,4** | **6,6%** | **-13,1%** |
| Of which: Default Loans and Interest | 4 560,6 | 44,3 | 4 897,0 | 36,2 | 3 094,3 | 18,6 | -36,8% | -48,5% |
| **4. Loan Quality** | | | | | | | | |
| Default Loans (% Total Loans) | 3,3% | 3,3% | 4,6% | 4,6% | 4,7% | 4,7% | +0,1 p.p. | +0,1 p.p. |
| Total Provision Coverage | 136,0% | 136,0% | 146,5% | 146,5% | 125,4% | 125,4% | -21,1 p.p | -21,1 p.p |

In contrast to 2015, lending in local currency increased by approximately 7.9% or AOA 10,533.5 million.

## Loan Portfolio Structure




In 2016, as in 2015, though still insignificant as a proportion of the Bank's total loans, past-due loans increased in absolute terms by AOA 926.2 million (or 0.38 percentage points as a proportion of total loans), mainly as a result of worsening default rates and the devaluation of the local currency against the USD.

This increase in past-due loans, combined with the slight decrease in the total volume of the loan portfolio, pushed the ratio of loans more than 30 days past due to total loans (excluding guarantees and letters of credit) up by 0.1 percentage points, ending the year at 4.7%.

The ratio of coverage of past-due loans and interest by total provisions (both general and specific) fell 21 percentage points compared to 2015, reaching 125.4% at the end of 2016.

### Loans and advances to credit institutions

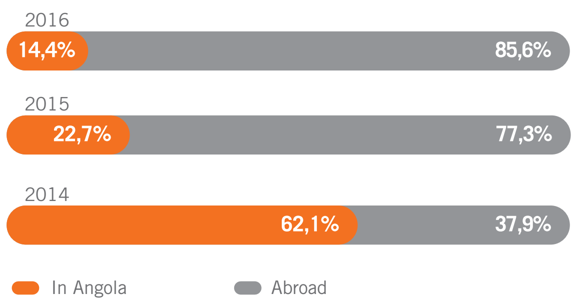
In 2016, as in 2015, Loans and advances to national credit institutions fell sharply, by around 49.5%, to a total of AOA 15,457.8 million (USD 93.2 million), representing only 14.4% of the Bank's total loans and advances to credit institutions. Similarly, loans and advances to foreign credit institutions decreased by AOA 12,640.8 million, down 12.1%. In USD, this item decreased by USD 218.4 million.

## LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Amounts in Millions

| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| **Loans and Advances to Credit Institutions** | **250 552,4** | **2 435,8** | **135 005,8** | **997,7** | **107 211,7** | **646,2** | **-20,6%** | **-35,2%** |
| In Angola | 155 489,4 | 1 511,6 | 30 611,1 | 226,2 | 15 457,8 | 93,2 | -49,5% | -58,8% |
| Abroad | 95 063,1 | 924,2 | 104 394,7 | 771,5 | 91 753,9 | 553,1 | -12,1% | -28,3% |
| **Total** | **250 552,4** | **2 435,8** | **135 005,8** | **997,7** | **107 211,7** | **646,2** | **-20,6%** | **-35,2%** |

## Composition of loans and advances to credit institutions




### Customer Funds

Customer funds grew 6.1% with respect to 2015 to reach AOA 1,079,702 million in 2016. In USD terms, however, customer funds declined 13.4% to a total of USD 6,508 million as a result of the increase in the value of the US currency against the kwanza.

## DEVELOPMENT OF CUSTOMERS RESOURCES

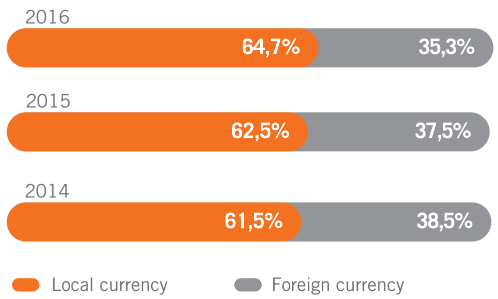
Amounts in Millions

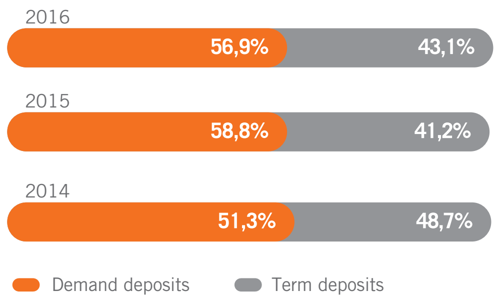
| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| **Demand Deposits** | **476 482,2** | **4 632,2** | **598 026,0** | **4 419,5** | **614 869,1** | **3 706,2** | **2,8%** | **-16,1%** |
| Local Currency | 330 151,8 | 3 209,6 | 456 000,1 | 3 369,9 | 505 031,6 | 3 044,1 | 10,8% | -9,7% |
| Foreign Currency | 146 330,5 | 1 422,6 | 142 025,9 | 1 049,6 | 109 837,4 | 662,1 | -22,7% | -36,9% |
| **Term Deposits** | **452 900,0** | **4 402,9** | **419 133,7** | **3 097,5** | **464 832,9** | **2 801,8** | **10,9%** | **-9,5%** |
| Local Currency | 241 017,5 | 2 343,1 | 179 422,9 | 1 326,0 | 193 589,7 | 1 166,9 | 7,9% | -12,0% |
| Foreign Currency | 211 882,5 | 2 059,9 | 239 710,7 | 1 771,5 | 271 243,2 | 1 635,0 | 13,2% | -7,7% |
| **Total** | **929 382,2** | **9 035,1** | **1 017 159,6** | **7 517,0** | **1 079 702,0** | **6 508,0** | **6,1%** | **-13,4%** |

Looking at the structure of demand deposits by currency, in 2016 there was a 10.8% increase in local currency deposits and a 22.7% decrease in foreign currency deposits. This reversal of the trend in the distribution of term deposits by currency is the result of the gradual de-dollarization of the Angolan economy.

In 2016, term deposits increased by nearly AOA 45,699.2 million, with local currency deposits up 7.9% and foreign currency deposits up 13.2% when measured in kwanzas.

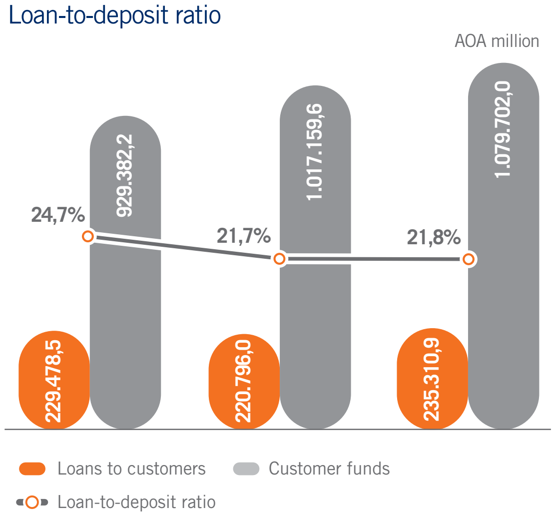
### Customer deposits by product and currency




As a percentage of customer deposits as a whole, local currency deposits showed a sizeable increase, to 64.7%, 2.2 percentage points more than in 2015, thus continuing to outweigh customer deposits in foreign currency.

## Loan-to-deposit ratio




In 2016 the loan-to-deposit ratio increased slightly, to 21.8%. This 0.1 percentage point increase is attributable to the fact that the increase in loans net of provisions (+6.6%) was slightly greater than the growth in customer deposits (6.1%).

### Income Statement and Increased Profitability

BFA's net profit for 2016 was AOA 61,912.1 million (USD 377.2 million), marking an increase of 63.5% compared to the net profit for 2015 measured in kwanzas and an increase of 20.9% in US dollar terms.

## OPERATING STATEMENT

Amounts in Millions

| | | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|---|
| | | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| 1. | Net interest income [NII]=[I-C] | 30 728,8 | 311,6 | 41 022,1 | 340,6 | 66 945,3 | 407,2 | 63,2% | 19,5% |
| 2. | Net non-interest income [NNII] | 23 190,4 | 235,4 | 28 747,5 | 234,2 | 32 626,3 | 200,4 | 13,5% | -14,4% |
| **3.** | **Operating Revenue [OR]=[NII+NNII]** | **53 919,3** | **547,0** | **69 769,6** | **574,8** | **99 571,6** | **607,6** | **42,7%** | **5,7%** |
| 4. | Administrative expenses [AE] | 16 939,6 | 171,9 | 21 422,8 | 176,7 | 31 313,0 | 190,7 | 46,2% | 7,9% |
| **5.** | **Operating cash flow [OR-AE]** | **36 979,6** | **375,1** | **48 346,9** | **398,1** | **68 258,6** | **417,0** | **41,2%** | **4,7%** |
| 6. | Extraordinary profit/(loss) [XP/L]=[G-L] | 67,4 | 0,7 | 413,6 | 2,9 | 120,9 | 0,7 | -70,8% | -74,7% |
| 7. | Operating profit/(loss) [OP/L]=[ORB-AE+XP/L] | 37 047,1 | 375,8 | 48 760,5 | 401,0 | 68 379,5 | 417,7 | 40,2% | 4,2% |
| 8. | Provisions and depreciation and amortization expense [PDA] | 5 423,2 | 54,6 | 7 236,4 | 58,9 | 6 023,8 | 37,2 | -16,8% | -36,8% |
| 9. | Profit before tax [PBT]=[OP/L-PDA] | 31 623,8 | 321,1 | 41 524,1 | 342,0 | 62 355,7 | 380,5 | 50,2% | 11,2% |
| 10. | Net profit/(loss) for the year [NP/L]=[PBT-IT] | -172,3 | -0,8 | -3 657,8 | -29,9 | -443,6 | -3,2 | -87,9% | -89,2% |
| 11. | Resultado do Exercício [RE]=[RA-IL] | 31 796,1 | 322,0 | 37 866,3 | 312,1 | 61 912,1 | 377,2 | 63,5% | 20,9% |
| **12.** | **Cash flow for the year [CF]=[RE+PA]** | **37 219,3** | **376,6** | **45 102,7** | **371,0** | **67 935,9** | **414,4** | **50,6%** | **11,7%** |

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

The operating statement shows that both net interest income and net non-interest income grew in 2016, producing a 42.7% increase in operating revenue, which reached AOA 99,571.6 million (USD 607.6 million).

Administrative expenses are paid mainly in foreign currency and so, because of the devaluation of the local currency, grew significantly when measured in AOA, rising 46.2% over the previous year. However, the increase was only 7.9% when measured in the currency in which the expenses were paid.

In contrast to 2015, in 2016 the amount recorded for provisions and depreciation and amortization expense decreased by 16.8%. Despite the increase in expenses, profit for 2016 was up 63.5% in local currency compared to the previous year, largely due to the excellent performance of net interest income.

Tax expense decreased 87.9% in 2016, reducing BFA's net profit by AOA 443.6 million (USD 3.2 million).

## BREAKDOWN OF EARNINGS

In % of average total assets

| ROA an ROE | 2014 | 2015 | 2016 |
|---|---|---|---|
| Net interest income | 3,3% | 3,7% | 4,7% |
| Income from financial trading | 1,6% | 1,4% | 1,2% |
| Fee, commission and other income | 0,9% | 0,9% | 0,9% |
| **Net operating revenue** | **5,7%** | **6,0%** | **6,8%** |
| Administrative expenses | 1,8% | 1,8% | 2,2% |
| **Operating prfofit/loss** | **3,9%** | **4,2%** | **4,6%** |
| Provisions and depreciation/amortization expense | 0,6% | 0,7% | 0,3% |
| Extraordinary profit/loss | 0,0% | 0,0% | 0,0% |
| **Profit before tax** | **3,4%** | **3,5%** | **4,4%** |
| Corporate income tax | 0,0% | 0,2% | 0,0% |
| **Net profit/(loss) (ROA)** | **3,4%** | **3,2%** | **4,4%** |
| Multiplier (ATA/Avg.Eq.) | 10,3 | 9,9 | 8,5 |
| **Net profit/(loss) attributable to shareholders (ROE)** | **34,8%** | **32,0%** | **38,1%** |

In 2016 the Bank's return on equity (ROE) increased to 38.1%, 6.1 percentage points higher than the previous year.

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

Amounts in Millions

| | 2014 | | 2015 | | 2016 | | Δ 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| Income from Financial Instruments [Assets] | 44 413,3 | 450,3 | 56 366,6 | 469,3 | 84 020,8 | 511,2 | 27 654,2 | 41,9 |
| Costs of financial instruments [Liabilities] | 13 684,4 | 138,6 | 15 344,5 | 128,7 | 17 075,5 | 104,0 | 1 731,0 | -24,6 |
| **Net Interest Income** | **30 728,8** | **311,6** | **41 022,1** | **340,6** | **66 945,3** | **407,2** | **25 923,2** | **66,6** |

BFA's net interest income grew AOA 25,923.2 million (USD 66.6 million) in 2016, an increase of 63.2% compared to the previous year.

The growth is attributable mainly to the rise in income, mainly from Treasury Bills, Treasury Bonds and loans, together accounting for 92.2% of finance income, which was up 49.1% compared to the previous year.

Interest expense on customer deposits increased to AOA 16,560.8 million (USD 100.9 million). Despite the increase in interest expense, interest income was sufficient to allow BFA to report net interest income of AOA 66,945.3 million (USD 407.2 million) in 2016.

A breakdown of the change in BFA's net interest income by business volume (volume effect) and spread (price effect) shows a considerable positive volume effect, mostly from the growth of the Bank's securities portfolio, particularly loans and Treasury Bills. As in previous years, income from loans amply exceeded the cost of customer funds.

## BREAKDOWN OF CHANGE IN NET INTEREST INCOME

Amounts in millions

| | Volume Effect | Rate Effect | Δ |
|---|---|---|---|
| Activos Remunerados | 4 638,0 | 23 016,2 | 27 654,2 |
| Passivos Remunerados | 418,4 | 1 938,0 | 2 356,4 |
| **Δ Margem Financeira** | **4 219,7** | **21 078,2** | **25 297,8** |

### Growth of Net Non-Interest Income

In 2016 BFA's net non-interest income grew at a rate of nearly 13.5%, 10.5 percentage points below the rate observed in 2015, reaching a total of AOA 32,626.3 million (USD 200.4 million). This change is due to an increase in trading income and net fee and commission income, which grew 10.6% and 50.26%, respectively, compared to 2015. At the same time, other net income fell 10.1% to AOA 6,238.4. Overall, as a percentage of total net operating revenue, net non-interest income decreased compared to 2015, from 41.2% to 32.8%.

## NET NON-INTEREST INCOME

Amounts In millions

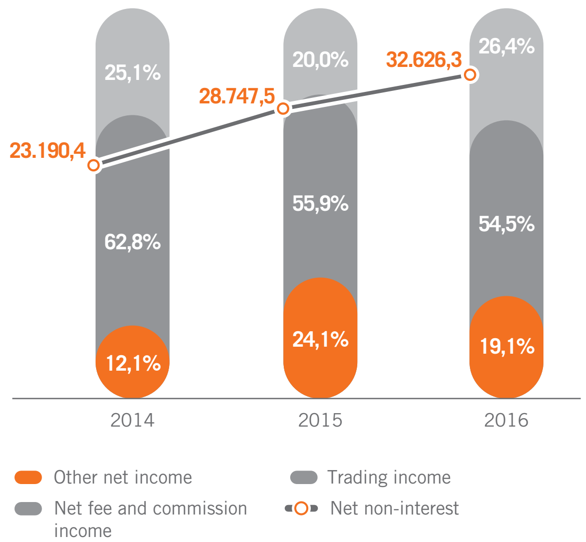
| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| Trading income | 14 570,6 | 147,9 | 16 070,0 | 131,1 | 17 774,9 | 110,0 | 10,6% | -16,0% |
| Net fee and commission income | 5 823,3 | 59,1 | 5 735,5 | 46,7 | 8 613,0 | 52,4 | 50,2% | 12,2% |
| Other net income | 2 796,6 | 28,4 | 6 941,9 | 56,5 | 6 238,4 | 38,1 | -10,1% | -32,7% |
| **Net Non-Interest Income** | **23 190,4** | **235,4** | **28 747,5** | **234,2** | **32 626,3** | **200,4** | **13,5%** | **-14,4%** |

The largest component of net non-interest income thus continues to be trading income, which, despite having shed 1.4 percentage points in relative weight with respect to the previous year, accounted for nearly 54.5% of total net non-interest income, having risen from AOA 16,070 million to AOA 17,774.9 million in 2016, an increase of 10.6%. In USD terms, trading income declined by 16.0%, dropping from USD 131.1 million to USD 110 million, due to the devaluation of the local currency against the US dollar.

Net fee and commission income rose 50.2% in 2016 compared to 2015, to a total of AOA 8,613 million (USD 52.4 million). This increase, combined with the increase in trading income, resulted in a 13.5% increase in net interest income.

Other net income, totalling AOA 6,238.4 million (USD 38.1 million), fell 5 points as a percentage of total net non-interest income, to 19.1%.

## 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.

### Cost-to-income ratio

A considerable part of operating expenses are denominated in foreign currency. Thus, owing to the devaluation of the local currency, a significant rise was recorded in 2016 as measured in AOA, with operating expenses going from AOA 25,043.8 million to AOA 35,829.6 million for the year, an increase of 43.1%. In USD, however, this rise was not as pronounced, as the figure went from USD 206.6 million to USD 218.2 million in 2016, only 5.6% higher.

Most of this increase was due to the increases in staff costs, which accounted for 47% of operating expenses in 2016, compared to 44.4% in 2015.

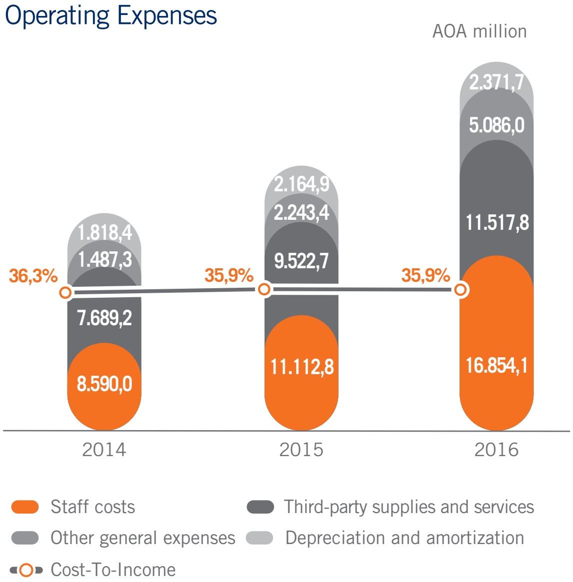
## OPERATING EXPENSES

Amounts in millions

| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| Staff costs (I) | 8 590,0 | 87,2 | 11 112,8 | 91,6 | 16 854,1 | 102,7 | 51,7% | 12,1% |
| Third-party supplies and services (II) | 7 689,2 | 78,1 | 9 522,7 | 78,7 | 11 517,8 | 70,2 | 21,0% | -10,8% |
| Other general expenses (III) | 1 487,3 | 15,1 | 2 243,4 | 18,4 | 5 086,0 | 30,8 | 126,7% | 67,6% |
| Operating Expenses (IV = I+II+III) | 17 766,6 | 180,3 | 22 878,9 | 188,7 | 33 457,9 | 203,7 | 46,2% | 8,0% |
| Amortizations (V) | 1 818,4 | 18,5 | 2 164,9 | 17,9 | 2 371,7 | 14,5 | 9,6% | -19,3% |
| **Operating expenses (VI = IV+V)** | **19 585,0** | **198,7** | **25 043,8** | **206,6** | **35 829,6** | **218,2** | **43,1%** | **5,6%** |
| Cost recovery (VII) | 826,9 | 8,4 | 1 456,1 | 12,0 | 2 144,9 | 13,1 | 47,3% | 9,1% |
| **Administrative expenses (VI-V-VII)** | **16 939,6** | **171,9** | **21 422,8** | **176,7** | **31 313,0** | **190,7** | **46,2%** | **7,9%** |
| Extraordinary profit/loss | 67,4 | 0,7 | 413,6 | 2,9 | 120,9 | 0,7 | -70,8% | -74,7% |
| **Cost-to-income ratio** | **36,3%** | **36,3%** | **35,9%** | **35,9%** | **35,9%** | **35,9%** | **0,0** | **0,0** |

However, the growth in net operating revenue was sufficient to offset the increases in operating expenses, so that BFA's cost-to-income ratio remained unchanged at 35.9%, the same as the previous year.

## Operating Expenses




### Framework of Financial Stability and Soundness

At 31 December 2016 total shareholders' equity reached AOA 173,221.1 million, some AOA 46,765.6 million, or 37%, higher than one year earlier. In USD, this item was up 109.6 million compared to 2015, totalling USD 1,044.1 million in 2016.

**Note**: Operating expenses in AOA millions on the left axis, the other items as percentages on the right axis.

### SHAREHOLDERS' EQUITY AND EQUIVALENTS

Amounts in millions

| | 2014 | | 2015 | | 2016 | | Δ% 15-16 | |
|---|---|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD | AOA | USD |
| Share Capital | 3 522,0 | 34,2 | 3 522,0 | 26,0 | 3 522,0 | 21,2 | 0,0% | -18,4% |
| Funds | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | - | - |
| Reserves | 69 169,2 | 659,6 | 85 067,2 | 596,4 | 107 787,0 | 645,7 | 26,7% | 8,3% |
| Retained Earnings | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | - | - |
| Net Profit for the Year | 31 796,1 | 322,0 | 37 866,3 | 312,1 | 61 912,1 | 377,2 | 63,5% | 20,9% |
| **Total** | **104 487,3** | **1 015,8** | **126 455,5** | **934,5** | **173 221,1** | **1,044,1** | **37,0%** | **11,7%** |

Following the trend of previous years, in 2016 total capital rose 38.8% to AOA 173,487.6 million (USD 1,045.7 million). This growth was driven mostly by the increase in core capital, which rose 39% compared to the previous year.

The regulatory solvency ratio, calculated in accordance with BNA Notice 5/07 and Instruction 3/11, reached 31.7%, comfortably above the required minimum of 10%.

### CAPITAL ADEQUACY RATIO

Amounts in millions

| | 2014 | | 2015 | | 2016 | |
|---|---|---|---|---|---|---|
| | AOA | USD | AOA | USD | AOA | USD |
| Weighed assets | 370 070,2 | 3 597,7 | 425 762,5 | 3 597,7 | 426 983,9 | 2 573,7 |
| Core Capital | 102 503,0 | 996,5 | 124 373,1 | 996,5 | 172 860,7 | 1 041,9 |
| Supplementary capital | 627,5 | 6,1 | 626,9 | 6,1 | 626,9 | 3,8 |
| Total Capital | 103 130,4 | 1 002,6 | 125 000,0 | 1 002,6 | 173 487,6 | 1 045,7 |
| **Regulatory capital adequacy ratio** | **24,0%** | **24,0%** | **24,3%** | **24,3%** | **31,7%** | **31,7%** |

# Profit Appropriation Proposal

The Executive Committee of the Board of Directors presents the Board of Directors with the following profit appropriation proposal for 2016, in the amount of AOA 61,712,892,442.41:

- To unrestricted reserves: 60% of net profit, that is, AOA 37,027,735,465.45; and
- To dividends: 40% of net profit, that is, AOA 24,685,156,976.96.

The Board of Directors

# 06

# FINANCIAL STATEMENTS


| | |
|---|---|
| Financial Statements | 134 |
| Notes to the Financial Statements | 138 |
| Audit Report | 210 |
| Report and Opinion of the Supervisory Board | 212 |

# Financial Statements

## BALANCE SHEEETS AS AT DECEMBER 31, 2016 & 2015 (Pro forma) AND AS AT JANUARY 1, 2015 (Pro forma)

Amounts expressed in thousands of kwanzas

| | Notes | 2016 | | | 31-12-2015 (Pro forma) | 01-01-2015 (Pro forma) |
|---|---|---|---|---|---|---|
| | | Gross assets | Depreciation & impairment | Net assets | | |
| **ASSETS** | | | | | | |
| Cash & balances at central banks | 5 | 279 154 585 | - | 279 154 585 | 255 828 259 | 182 074 860 |
| Balances with other credit institutions | 6 | 38 031 194 | - | 38 031 194 | 51 041 519 | 7 204 529 |
| Investments with central banks and other credit institutions | 7 | 107 211 728 | - | 107 211 728 | 135 005 832 | 250 552 444 |
| Financial assets at fair value through profit or loss | 8 | 337 941 949 | - | 337 941 949 | 77 987 418 | 26 807 378 |
| Investments held to maturity | 9 | 258 740 073 | - | 258 740 073 | 411 499 655 | 333 139 476 |
| Loans & advances to Customers | 10 | 249 547 970 | (14 237 099) | 235 310 871 | 220 795 955 | 229 478 527 |
| Non-current assets held for sale | 11 | 73 307 | - | 73 307 | 59 791 | 266 929 |
| Investments in affiliates, associates and joint ventures | 12 | 499 558 | - | 499 558 | 467 365 | 381 593 |
| Other tangible assets | 13 | 35 475 643 | (16 211 174) | 19 264 469 | 19 050 144 | 17 707 592 |
| Intangible assets | 13 | 2 905 587 | (1 596 323) | 1 309 264 | 538 918 | 351 531 |
| Current tax assets | 14 | 17 645 | - | 17 645 | 1 918 | 7 618 |
| Deferred tax assets | 14 | 1 178 276 | - | 1 178 276 | 749 027 | 568 266 |
| Other assets | 15 | 34 146 648 | - | 34 146 648 | 56 553 392 | 24 515 643 |
| **Total Assets** | | **1 344 924 163** | **(32 044 596)** | **1 312 879 567** | **1 229 579 193** | **1 073 056 386** |

| | Notes | 31/12/16 | 31-12-2015 (Pro forma) | 01-01-2015 (Pro forma) |
|---|---|---|---|---|
| **LIABILITIES & EQUITY** | | | | |
| Amounts owed to central banks and other credit institutions | 16 | 3 445 569 | 4 814 604 | 3 193 968 |
| Customer funds & other borrowings | 17 | 1 079 750 294 | 1 017 159 626 | 933 049 477 |
| Financial liabilities at fair value through profit or loss | 8 | 1 510 796 | 3 798 920 | 284 231 |
| Provisions | 18 | 4 675 642 | 4 133 428 | 4 120 068 |
| Current tax liabilities | 14 | 4 352 579 | 4 545 506 | 838 147 |
| Other liabilities | 19 | 46 122 822 | 68 671 633 | 27 083 228 |
| **Total Liabilities** | | **1 139 857 702** | **1 103 123 717** | **968 569 119** |
| Share capital | 20 | 3 972 713 | 3 972 713 | 3 972 713 |
| Revaluation reserves | 20 | 1 253 828 | 1 253 828 | 1 253 828 |
| Other reserves and retained earnings | 20 | 106 082 432 | 83 362 678 | 67 464 629 |
| Net profit for the period | 20 | 61 712 892 | 37 866 257 | 31 796 097 |
| **Total Equity** | | **173 021 865** | **126 455 476** | **104 487 267** |
| **Total Liabilities & Equity** | | **1 312 879 567** | **1 229 579 193** | **1 073 056 386** |

## STATEMENTS OF INCOME AND OF OTHER COMPREHENSIVE INCOME
## FOR THE PERIODS ENDED DECEMBER 31, 2016 & 2015 (Pro forma)

Amounts expressed in thousands of kwanzas

| | Notes | 31/12/16 | 31-12-2015 (Pro forma) |
|---|---|---|---|
| Interest & similar income | 21 | 84 244 857 | 57 187 655 |
| Interest & similar costs | 21 | 17 028 353 | 15 344 455 |
| **Net Interest Income** | | **67 216 504** | **41 843 200** |
| Services & commissions income | 22 | 10 784 367 | 7 076 479 |
| Costs of services and commissions | 22 | 2 173 659 | 1 340 940 |
| Profit/(loss) on financial assets & liabilities at fair value through profit or loss | 8 | 4 356 487 | 3 844 376 |
| Currency results | 23 | 17 774 092 | 16 070 041 |
| Profit/(loss) on the sale of other assets | 24 | 7 610 | 13 135 |
| Other operating income | 25 | (1 277 844) | 2 174 562 |
| **Income of the banking business** | | **96 687 557** | **69 680 853** |
| Staff costs | 26 | 16 929 401 | 11 933 871 |
| Third-party supplies & services | 27 | 11 651 174 | 9 522 651 |
| Depreciation & amortisation for the period | 13 | 2 371 695 | 2 164 885 |
| Provisions net of cancellations | 18 | 889 544 | (51 972) |
| Impairment of loans & advances to Customers net of reversals & recoveries | 18 | 2 773 572 | 4 587 350 |
| **PROFIT/(LOSS) BEFORE TAX FINANCIAL ON CONTINUING OPERATIONS** | | **62 072 171** | **41 524 068** |
| Taxes on profits | | | |
| Current | 14 | (788 528) | (3 838 572) |
| Deferred | 14 | 429 249 | 180 761 |
| **NET PROFIT/(LOSS) FOR THE PERIOD** | | **61 712 892** | **37 866 257** |
| **PROFIT/(LOSS) RECOGNISED DIRECTLY IN EQUITY** | | - | - |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | | **61 712 892** | **37 866 257** |
| Average number of common shares issued | | 1 305 561 | 1 305 561 |
| Basic earnings per share (in Kwanzas) | | 47 269 | 29 004 |

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (Pro forma)

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 2014 | | 3 521 996 | 450 717 | 1 253 828 | 5 161 890 | 62 302 739 | 31 796 097 | 104 487 267 |
| 2014 profit appropriation | | | | | | | | |
| Transfers to reserves and funds | 21 | - | - | - | - | 15 898 049 | (15 898 049) | - |
| Dividend distribution | 21 | - | - | - | - | - | (15 898 048) | (15 898 048) |
| Net profit for the year | 21 | - | - | - | - | - | 37 866 257 | 37 866 257 |
| **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** |

## STATEMENTS OF CASH FLOWS
## FOR THE PERIODS ENDED DECEMBER 31, 2016 & 2015 (Pro forma)

Amounts expressed in thousands of kwanzas

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Interest, commissions and other similar income received | 94 652 901 | 68 302 118 |
| Interest, commissions and other similar income paid | (21 028 643) | (19 361 049) |
| Cash paid to employees and suppliers | (27 389 003) | (18 706 732) |
| Payments and contributions to pension funds and other benefits | (540 417) | (9 881) |
| Recovery of loans written off from assets | 390 469 | 253 037 |
| Other income | 7 816 457 | 7 960 660 |
| **Cash flows before changes in operating assets and liabilities** | **53 901 764** | **38 438 153** |
| Increases/Decreases in operating assets: | | |
| Investments with central banks and other credit institutions | 53 717 428 | 151 921 271 |
| Financial assets at fair value through profit or loss | (225 666 636) | (32 218 888) |
| Investments held to maturity | 165 022 989 | (45 453 225) |
| Loans & advances to Customers | 7 391 125 | 34 441 776 |
| Non-current assets held for sale | - | 207 139 |
| Other Assets | 23 110 766 | (30 801 896) |
| **Net flow from operating assets** | **23 575 672** | **78 096 177** |
| Increases/Decreases in operating liabilities: | | |
| Amounts owed to central banks and other credit institutions | 2 312 | 2 092 |
| Customer funds & other borrowings | (21 723 972) | (37 129 924) |
| Other liabilities | (39 309 434) | 28 015 076 |
| **Net flow from operating liabilities** | **(61 031 094)** | **(9 112 756)** |
| Net cash from operating activities before income taxes | 16 446 342 | 107 421 574 |
| Income taxes paid | (8 099 741) | (2 097 746) |
| **Net cash flow from operating activities** | **8 346 601** | **105 323 828** |
| **CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| Acquisitions of other tangible assets, net of disposals | (2 159 050) | (3 258 526) |
| Acquisitions of intangible assets, net of disposals | (1 197 316) | (436 298) |
| Acquisitions of interests in affiliates, associates and joint ventures, net of disposals | 36 243 | 23 721 |
| **Net cash flow from investing activities** | **(3 320 123)** | **(3 671 103)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Dividend distribution | (13 732 703) | (11 508 088) |
| **Net cash flow from financing activities** | **(13 732 703)** | **(11 508 089)** |
| **Change of cash & cash equivalents** | (8 706 225) | 90 144 637 |
| Cash & cash equivalents at the beginning of the period | 306 869 778 | 189 279 389 |
| Currency fluctuation effects on cash & cash equivalents | 19 022 226 | 27 445 752 |
| **Cash & cash equivalents at the end of the period** | **317 185 779** | **306 869 778** |

# 07

# NOTES TO THE FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016 & 2015

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

## 1. INTRODUCTION

Banco de Foment Angola, SA (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, SA, into a bank under local law.

As indicated in Note 20, on December 31, 2016, BFA's majority shareholder was Banco BPI, SA (BPI Group). The main balances and transactions with companies of the BPI Group 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 investments with credit institutions, 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, 2016, it has a national network of 166 branches, 7 service points, 9 investment centres and 16 corporate centres.

## 2. PRINCIPLES OF DISCLOSURE AND SUMMARY OF THE MAIN ACCOUNTING POLICIES

### 2.1. PRINCIPLES OF DISCLOSURE

The Bank's financial statements were prepared on the assumption of continuity of operations, and in accordance with international accounting standards/international financial reporting standards ("IAS/IFRS"), pursuant to notice nº 6/2016, of June 22 of the National Bank of Angola, issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

The Bank adopted the 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, which 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 Bank altered the 2015 financial statements, prepared and approved in accordance with the accounting principles enshrined in the Accounting Plan of Financial Institutions ("CONTIF"), in accordance with Instruction nº 9/2007, of September 19, issued by the National Bank of Angola, so that they are comparable with the financial statements for the period ended December 31, 2016. The transition to the IAS/IFRS did not give rise to adjustments in equity on January 1, 2015, and in equity and net income of the Bank on December 31, 2015 (Note 4).

The Bank's financial statements as at December 31, 20136 & 2015, are expressed in Kwanzas, 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 Angolan on those dates. The kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) as at December 31, 2016 & 2015 were as follows:

| | 2016 | 2015 |
|---|---|---|
| 1 USD | 165,903 | 135,315 |
| 1 EUR | 185,379 | 147,832 |

The financial statements for the period ended December 31, 2016, were approved by the Bank's Board of Directors on April 26, 2017.

## 2.2. ACCOUNTING POLICIES

### a) Accrual accounting

Income and costs are recognised in the light of the life of the operations in accordance with the accounting principle, and are recorded as and when generated and not at the time of their receipt or payment.

### b) 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.

**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 values in at the contracted rates is recorded under "Foreign exchange results" under assets or liabilities, with a contra-entry under income or costs, respectively.

### c) Financial instruments – Loans and other receivables

Are financial assets with fixed or determinable payments that are not listed on an active market. This category includes loans and advances to Customers, investments 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 & 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 & interest**

Capital, interest and other amounts dues but not collected, less the 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, the 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, 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. As of this date it has not been possible to implement computer systems that allow the calculation of commissions associated with loan operations using the effective-rate method.

Liabilities for guarantees and sureties are recorded in off-balance sheet accounts at the amount at risk, while the flows of interest, commissions and other income are recorded in the income statement over the life of the transactions.

### d) Losses of the loan portfolio for impairment

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

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

- Companies:
  - Less significant company exposures;
  - Significant company exposures;
  - Public sector; and
  - Unsecured loans.

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 care considered within the scope of the individual analysis:

- In the individuals segment: (i) all Customers whose exposure exceeds mAOA 165,903; (ii) all Customers who are in an irregular situation (over 30 days past due) with more than mAOA 1,659 of loans in arrears and having a total exposure exceeding mAOA 41,476 ; and

- In the corporates segment, all Customers with exposure of more than mAOA 41,476. Also analysed are all Customers (regardless of segment) with restructured or reclassified operations or are in the recovery area.

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 or 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 conduct 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 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 loans & advances 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" (Note 25).

**e) Financial Instruments - Securities Portfolio**

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 values 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.

Securities classified as held to maturity are stated at their acquisition cost, plus income earned over their maturity periods (including the accrual of interest and premium/discount, with a corresponding entry in the income statement). The Bank recognises any profit or loss determined on the maturity date as the difference between the amount received on that date and the respective carrying amount.

As at December 31, 2016 & 2015, the Bank's entire portfolio of held-to-maturity securities consisted of debt issued by the Angolan State.

Treasury Bills 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 of 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 results", while the result of the currency update is reflected under "Net Interest Income – Interest & Similar Income – Of securities".

Treasury bonds issued in local currency and indexed to the Consumer Price Index are subject to update of the par value of the security in accordance with the change of the said index. Therefore, the result of the said currency update of the par value of the security and of the accrued interest is reflected in the income statement for the period in which it occurs, under "Net Interest Income - Interest & similar income - On securities"

**Financial assets at fair value through profit or loss**

Securities acquired for the purpose of being actively and frequently traded are considered to be financial assets at fair value through profit or loss.

Securities carried at fair value through profit or loss are initially are initially recognised at acquisition cost, including the costs directly attributable to the acquisition of the asset. Subsequently, 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.

As at December 31, 2016 & 2015, this portfolio mainly comprised debt securities issued by the Angolan government and by the National Bank of Angola.

**Available-for-sale financial assets**

Securities that are likely to be traded and do not fall under any of the other categories are classified as available-for-sale.

They are initially stated at acquisition cost and subsequently carried at fair value. Any changes in fair value are recognised in equity under, and the corresponding gains or losses are taken to the income statement upon final sale of the asset.

During the periods ended December 31 2016 & 2015, the Bank had no securities classified in this category.

**Market value**

The methodology used by the Bank to determine 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 realizable 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. In this way, Treasury Bills and Treasury Bonds issued by the Angolan Government are carried in the balance sheet of the BFA as their acquisition cost since the Bank believes that this is the best approximation to their market value, since they are not quoted on an active market with regular transactions.

**Sale of securities with repurchase agreements**

The securities ceded with repurchase agreement continue to be carried in the Bank's securities portfolio, under liabilities. When these securities are sold with interest in advance, the difference between the repurchase price and the selling price is recorded under the same heading, with the specification "Costs payable".

**Purchase of securities with resale agreements**

Securities purchased under resale agreements are not carried in the securities portfolio. The funds delivered paid are recorded, on the settlement date, under the asset heading "Investments in Central Banks and other credit institutions – Third-party securities purchased under resale agreements", and the amount of interest is accrued under the same heading.

### f) 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 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, in keeping with their purpose.

### g) Investments in affiliates, associates and joint ventures

An associate is an entity over which the investor has significant influence.

Associate companies are entities in which the Bank has significant influence but not control over its financial and operating policies. It is assumed that the Bank has significant influence when it holds more than 20% of the voting rights. If the Bank directly or indirectly holds less than 20% of the voting rights, it is assumed that it does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership interest by another investor does not necessarily preclude an entity from having significant influence.

Investments in affiliates and associates are accounted for in the Bank's financial statements at cost less impairment losses.

### h) 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 charged to the "Gain/(loss) on monetary revaluation" account 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, as the Angolan economy ceased to be considered hyperinflationary.

### i) Intangible and tangible fixed assets

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

Tangible fixed 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 fixed 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 of the fixed assets.

The Bank has not revalued its fixed assets since 2008, as the Angolan economy ceased to be considered hyperinflationary.

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.

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 |

### j) 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, it intended for subsequent disposal.

The value of assets received as payment in kind is carried at the amount indicated in their valuation, with an offsetting entry against the amount of the loan recovered and of the respective specific provisions set aside.

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.

### k) 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 07/04 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 contributions 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.

### l) Corporation tax

Total income taxes include recorded in profit or loss includes 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 carry forwards. 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 it 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 of Industrial Tax purposes, and the CGT does not constitute a cost deductible 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 have a maturity of equal to or greater than three years) 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 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, their income 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 the normal course of business of the Bank, 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.

**m) Provisions and contingencies**

A provision is set aside where there is present (legal or not-formalised) 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".

## 2.3. ADOPTION OF NEW STANDARDS (IAS/IFRS) OR REVIEW OF STANDARDS ALREADY ISSUED

The following standards, interpretations, amendments and revisions with mandatory application in future financial periods have not been adopted by the Bank in the preparation of its financial statements as at December 31, 2016:

| Standard | Interpretation |
|---|---|
| IFRS 9 - Financial instruments (2009) and subsequent amendments | This standard is part of the draft revision of IAS 39 and sets new requirements for the classification and measurement of financial assets and liabilities, impairment-calculation methodology and the application of hedge-accounting rules. |
| IFRS 15 - Revenue from contracts with Customers | This standard introduces a structure for the recognition of revenue based on principles and on a model to be applied to all contracts concluded with Customers, replacing standards IAS 18 - Revenue, IAS 11 - Construction Contracts; IFRIC 13 - Customer loyalty programs; IFRIC 15 - Agreements for the Construction of Real Estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Direct barter transactions involving advertising services. |
| IFRS 14 - Regulated assets | This standard establish the reporting requirements, by entities adopting for the first time the IFRS applicable to regulated assets. |
| IFRS 16 - Leases | This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single lease-contracts accounting model that results in the recognition by the lessee of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of little value. Lessors will continue to classify leases as either between operational or financial, while IFRS 16 will not involve substantial changes to such entities when compared to what is defined in IAS 17. |
| Amendments to IFRS 10 - Consolidated financial statements and IAS 28 - Investments in associates and joint ventures | These amendments eliminate an existing conflict between those standards, related to the sale or contribution of assets between the investor and the associate or between the investor and the joint venture. |
| Amendments to IAS 12 – Income Taxes | These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealised losses. |
| Amendments to IAS 7 - Statement of cash flows | These amendments introduce additional disclosures related to the cash flows of financing activities. |
| Amendments to IFRS 15 - Revenue from contracts with Customers | These amendments introduce a number of clarifications to the standard in order to eliminate the possibility of different interpretations of several topics. |
| Amendments to IFRS 2 - Share-based payments | These amendments introduce a number of clarifications in the standard relating to: (i) the record of share-based payments that are settled in cash; (ii) the record of changes in share-based payment transactions (from settled in cash to settled with equity instruments); (iii) the classification of transactions with compensated settlement characteristics. |

| Standard | Interpretation |
| --- | --- |
| Amendments to IFRS 4 - Insurance contracts | These amendments provide guidance on the application of IFRS 4 together with the IFRS 9. |
| Amendments to IFRS 40 - Investment properties | These amendments clarify that the change of classification to or from investment property should only be made where there is evidence of a change of use of the asset. |
| Improvements to international financial reporting standards (2014-2016 cycle) | These improvements involve clarification of several aspects related to: IFRS 1 - First time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard as for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the measurement at fair value through profit or loss of investments in associates or joint ventures held by venture-capital companies or investment funds. |
| IFRIC 22 - Foreign currency transactions and advances | This interpretation establishes the date of initial recognition of the advance or of the deferred income as the date of transaction for determining the exchange rate for the recognition of the revenue. |

The Bank has not yet begun a process of evaluating the potential effects of these standards. However, given the nature of its business, it can be expected that IFRS 9 and IFRS 15 standards will have a relevant impact on the Bank's financial statements.

## 3. PRINCIPAL ACCOUNTING ESTIMATES AND UNCERTAINTIES ASSOCIATED WITH APPLICATION OF THE ACCOUNTING POLICIES

Preparation of the financial statements requires the preparation estimates and the adoption of assumptions by the Bank's Board of Directors. These estimates result from the analysis of the best information available on the date of their registration. Consequently, the future amounts actually realised may differ from the recorded amount of the estimates, particularly in the following areas:

**Industrial Tax**

On December 31, 2016 & 2015, 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.

**Impairment losses for loans**

The determination of impairment losses for loans is carried out in keeping with the criteria described in Note 2.2. d). 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.

Should the Bank 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 losses associated with these assets.

## 4. TRANSITION IMPACTS OF THE INTRODUCTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The entry into force of the IAS/IFRS under the terms of National Bank of Angola Notice nº 6/2016, of June 22, on January 1, 2016, required the introduction of adjustments and reclassifications to the 2015 financial statements prepared and approved in accordance with the accounting principles enshrined in the CONTIF, to make them comparable with the financial statements for the period ended December 31, 2016.

The International Financial Reporting Standards were first adopted on December 31, 2016, considering for this purpose the terms of IFRS 1 for the determination of the transition adjustments, as at January 1, 2015.

In preparing the financial statements, as at January 1, 2015, the Bank adopted the IFRS retrospectively, opting for some

Reclassifications between CONTIF and IAS/IFRS in the financial statements as at January 1 and December 31, 2015, are as follows:

| CONTIF Balance Sheet | IFRS Balance Sheet |
|---|---|
| Cash and banks | Cash and funds available at central banks |
| | Cash available at other credit institutions |
| Short-term investments | Short-term investments in central banks and other credit institutions |
| Transferable securities – Held for trading | Financial assets at fair value through profit or loss |
| Derivative financial instruments | |
| Transferable securities – Held to maturity | Held-to-maturity investments |
| Loans and advances | Loans and advances to Customers |
| | Non-current assets held for sale |
| Financial investments | Investments in subsidiaries, associates and joint ventures |
| Tangible fixed assets | Other tangible assets |
| Intangible assets | Intangible assets |
| | Current tax assets |
| | Deferred tax assets |
| Other assets | Other assets |
| Foreign exchange transactions | |
| **Total assets** | **Total assets** |
| Short-term borrowings | Funds of central banks and other credit institutions |
| Liabilities in the payments system | |
| Deposits | Customer funds and other borrowings |
| Derivative financial instruments | Financial liabilities at fair value through profit or loss |
| Provisions for contingent liabilities | Provisions |
| Other liabilities | Current tax liabilities |
| Foreign exchange transactions | Other liabilities |
| **Total liabilities** | **Total liabilities** |
| Share capital | Share capital |
| Share capital revaluation reserve | |
| Unrealized gains/(losses) | Revaluation reserves |
| Reserves and funds | Other reserves and profit or loss carried forward |
| Net profit/(loss) for the period | Net profit/(loss) for the period |
| **Total equity** | **Total equity** |
| **Total liabilities and equity** | **Total liabilities and equity** |

of the exceptions allowed by "IFRS 1 - First time adoption of international financial reporting standards":

i) Derecognition of financial assets and liabilities; BFA applied the derecognition requirements of standard "IAS 39 - Financial Instruments: Recognition and measurement, with the exception of certain provisions relating to hedge accounting" only for operations carried out as from the transition date. Thus, assets and liabilities derecognised up until January 1, 2015, in accordance with the accounting principles enshrined in the CONTIF were not restated in the balance sheet;

ii) Valuation of the tangible fixed assets The Bank considered as cost of the tangible fixed assets as at January 1, 2015, the carrying amount determined in accordance with the accounting policies previously applied.

Amounts in thousands of Angolan kwanzas – mAOA

| December 31, 2015 | | | | January 1, 2015 | | | |
|---|---|---|---|---|---|---|---|
| CONTIF | Reclassifications | Transition adjustments | IAS/IFRS | CONTIF | Reclassifications | Transition adjustments | IAS/IFRS |
| 306 869 778 | 51 041 519 | - | 255 828 259 | 189 279 389 | 7 204 529 | - | 182 074 860 |
| - | (51 041 519) | - | 51 041 519 | - | (7 204 529) | - | 7 204 529 |
| 135 005 832 | - | - | 135 005 832 | 250 552 444 | - | - | 250 552 444 |
| 74 888 156<br>3 099 262 | - | - | 77 987 418 | 26 664 645<br>142 733 | - | - | 26 807 378 |
| 411 499 655 | - | - | 411 499 655 | 333 139 476 | - | - | 333 139 476 |
| 220 795 955 | - | - | 220 795 955 | 229 478 527 | - | - | 229 478 527 |
| - | (59 791) | - | 59 791 | - | (266 929) | - | 266 929 |
| 467 365 | - | - | 467 365 | 381 593 | - | - | 381 593 |
| 19 050 144 | - | - | 19 050 144 | 17 707 592 | - | - | 17 707 592 |
| 538 918 | - | - | 538 918 | 351 531 | - | - | 351 531 |
| - | (1 918) | - | 1 918 | - | (7 618) | - | 7 618 |
| - | (749 027) | - | 749 027 | - | (568 266) | - | 568 266 |
| 4 079 643<br>53 284 485 | 810 736 | - | 56 553 392 | 3 009 491<br>22 348 965 | 842 813 | - | 24 515 643 |
| **1 229 579 193** | **-** | **-** | **1 229 579 193** | **1 073 056 386** | **-** | **-** | **1 073 056 386** |
| 8 572<br>4 806 032 | - | - | 4 814 604 | 6 480<br>3 187 488 | - | - | 3 193 968 |
| 1 017 159 626 | - | - | 1 017 159 626 | 933 049 477 | - | - | 933 049 477 |
| 3 798 920 | - | - | 3 798 920 | 284 231 | - | - | 284 231 |
| 4 133 428 | - | - | 4 133 428 | 4 120 068 | - | - | 4 120 068 |
| 17 301 530 | 12 756 024 | - | 4 545 506 | 5 769 286 | 4 931 139 | - | 838 147 |
| 55 915 609 | (12 756 024) | - | 68 671 633 | 22 152 089 | (4 931 139) | - | 27 083 228 |
| **1 103 123 717** | **-** | **-** | **1 103 123 717** | **968 569 119** | **-** | **-** | **968 569 119** |
| 3 521 996 | (450 717) | - | 3 972 713 | 3 521 996 | (450 717) | - | 3 972 713 |
| 450 717 | 450 717 | - | - | 450 717 | 450 717 | - | - |
| 1 253 828 | - | - | 1 253 828 | 1 253 828 | - | - | 1 253 828 |
| 83 362 678 | - | - | 83 362 678 | 67 464 629 | - | - | 67 464 629 |
| 37 866 257 | - | - | 37 866 257 | 31 796 097 | - | - | 31 796 097 |
| **126 455 476** | **-** | **-** | **126 455 476** | **104 487 267** | **-** | **-** | **104 487 267** |
| **1 229 579 193** | **-** | **-** | **1 229 579 193** | **1 073 056 386** | **-** | **-** | **1 073 056 386** |

Amounts in thousands of Angolan kwanzas – mAOA

| | | December 31, 2015 | | | |
|---|---|---|---|---|---|
| **CONTIF Income Statement** | **IFRS Income Statement** | **CONTIF** | **Reclassifications** | **Transition adjustments** | **IAS/IFRS** |
| Income from financial instruments - Assets | Interest income and similar income | 56 366 597 | - | 821 058 | 57 187 655 |
| Cost of financial instruments - Liabilities | Interest expense and similar expense | (15 344 455) | - | - | (15 344 455) |
| **Net interest income/(expense)** | **Net interest income/(expense)** | **41 022 142** | **-** | **821 058** | **41 843 200** |
| Income from provision of financial services | Income from services and fee and commission income | 5 735 539 | - | - | 7 076 479 |
| | Charges for services and fee and commission expense | | | | (1 340 940) |
| Trading income and fair value adjustments | Gain/(loss) from financial assets and liabilities at fair value through profit or loss | 3 844 376 | - | - | 3 844 376 |
| Foreign exchange gains/(losses) | Foreign exchange gain/(loss) | 16 070 041 | - | - | 16 070 041 |
| | Gain/(loss) on disposal of other assets | - | (13 135) | - | 13 135 |
| Other operating income/(expenses) | Other operating income/(expenses) | 2 561 377 | 386 815 | - | 2 174 562 |
| **Gross income** | **Gross income** | **28 211 333** | **373 680** | **-** | **27 837 653** |
| Staff costs | Staff costs | (11 112 813) | - | (821 058) | (11 933 871) |
| Third-party supplies | Third-party supplies and services | (9 522 651) | - | - | (9 522 651) |
| Non-income-related taxes | | (2 181 624) | (2 181 624) | - | - |
| Penalties imposed by the regulatory authorities | | (61 785) | (61 785) | - | - |
| Depreciation and amortization | Depreciation and amortization for the period | (2 164 885) | - | - | (2 164 885) |
| Cost recovery | | 1 456 090 | 1 456 090 | - | - |
| Provisions for other assets and contingent liabilities | Provisions net of cancellations | 51 972 | - | - | 51 972 |
| Provisions for doubtful loans and guarantees provided | Impairment losses on Customer loans net of reversals and recoveries | (4 587 350) | - | - | (4 587 350) |
| Non-operating profit/(loss) | Other reserves and retained earnings/(losses carried forward) | 413 639 | 413 639 | - | - |
| **PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS** | **PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS** | **(27 709 407)** | **(373 680)** | **(821 058)** | **(28 156 785)** |
| Charges on current profit | Tax on profit – Current | (3 657 811) | - | - | (3 838 572) |
| | Tax on profit – Deferred | | | | 180 761 |
| | **NET PROFIT/(LOSS) FOR THE PERIOD** | **37 866 257** | **-** | **-** | **37 866 257** |

It is the understanding of the Bank's Board of Directors that full adoption of the international accounting standards / international financial reporting standards did not produce material effects in the Bank's equity. Therefore, no transition adjustments impacting on the Bank's equity were recorded on the transition date.

## 5. CASH & BALANCES AT CENTRAL BANKS

The breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Cash in Hand** | | |
| Local notes and coins | 17 875 060 | 21 309 607 |
| Foreign currency notes and coins: | | |
| In United States dollars | 5 194 959 | 16 570 261 |
| In other currencies | 356 185 | 1 171 290 |
| | **23 426 204** | **39 051 158** |
| **Cash in the Central Bank:** | | |
| Sight deposits at Banco Nacional de Angola: | | |
| In local currency | 217 282 075 | 191 214 834 |
| In United States dollars | 38 446 306 | 25 562 267 |
| | **279 154 585** | **255 828 259** |

The sight 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 currently determined under the provisions of Instruction nº 02/2016 of April 11 and of Instruction º 04/2016 of May 13, and are constituted in domestic and foreign currency respectively, 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.

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%); (ii) Treasury bonds in foreign currency belonging to the portfolio of the Bank itself issued as from January 2015 (80%). 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 in 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%).

As at December 31, 2016, the mandatory reserve requirement is calculated by applying a rate of 25% 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.

## 6. BALANCES WITH OTHER CREDIT INSTITUTIONS

The breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Balances with credit institutions abroad** | | |
| Demand deposits | 38 031 194 | 50 678 631 |
| Cheques pending collection – in the country | 0 | 362 888 |
| | **38 031 194** | **51 041 519** |

## 7. INVESTMENTS WITH CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The breakdown of this heading is as follows:

| | Foreign currency | | Local currency | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| LOANS AND ADVANCES TO CREDIT INSTITUTIONS: | | | | |
| **Loans and advances to credit institutions abroad:** | | | | |
| Banco BPI, S.A. | | | | |
| In United States dollars | 150 000 000 | 455 000 000 | 24 885 450 | 61 568 325 |
| In Euros | 298 000 000 | - | 55 242 942 | - |
| Deutsche Bank AG | | | | |
| In United States dollars | 20 001 259 | 16 361 707 | 3 318 269 | 2 213 984 |
| La Caixa | | | | |
| In United States dollars | 50 000 000 | 300 000 000 | 8 295 150 | 40 594 500 |
| | | | **91 741 811** | **104 376 809** |
| **Loans and advances to credit institutions in Angola:** | | | | |
| Other credit institutions in Angola: | | | | |
| In Kwanzas | 10 635 400 000 | 10 635 400 000 | 10 635 400 | 10 635 400 |
| In United States dollars | 20 816 736 | 73 976 736 | 3 453 559 | 10 010 161 |
| | | | **14 088 959** | **20 645 561** |
| Income receivable | | | 1 380 958 | 945 447 |
| | | | **107 211 728** | **125 967 817** |
| REVERSE REPURCHASE AGREEMENTS: | | | | |
| Banco Nacional de Angola | | | | |
| In Kwanzas | | | - | 9 000 000 |
| Income receivable | | | - | 38 015 |
| | | | - | **9 038 015** |
| | | | **107 211 728** | **135 005 832** |

As at December 31, 2016 & 2015, investments at central banks and other credit institutions had residual maturities of less than three months.

As at December 31, 2016 & 2015, investments at credit institutions earned interest at the following average annual rates:

| | 2016 | 2015 |
|---|---|---|
| In United States dollars | 1,12% | 0,66% |
| In Euros | 0% | n.a. |
| In Kwanzas | 15,81% | 10,71% |

As at December 31, 2015, third-party securities purchase transactions with resale agreement had residual maturity terms lower than three months and earn interest at an annual average rate of 6.73% (in kwanzas).

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The breakdown of financial assets at fair value through profit or loss is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Debt securities:** | | |
| Treasury bills | 293 454 262 | 54 416 004 |
| Treasury bonds | 42 952 230 | 20 326 331 |
| | **336 406 492** | **74 742 335** |
| **Derivative operations - Currency Forwards** | 1 355 591 | 3 099 262 |
| **Equity securities:** | | |
| Shares - Visa Inc. - Class C (Series I) | 179 866 | 145 821 |
| | **337 941 949** | **77 987 418** |

As at December 31, 2016 & 2015, the Bank held Treasury Bills and Treasury Bonds issued by the Angolan government (risk level A) for trading on the secondary market with other banks or with its Customers. Treasury Bills and Treasury Bonds issued by the Angolan Government are carried at their acquisition cost, plus accrued interest and amortisation of the premiums and discounts on the acquisition, since it is believed that this is the best approximation to their market value, since they are not quoted on an active market with regular transactions.

As at December 31, 2016 & 2015, the carrying amount of securities carried at fair value through profit or loss includes accrued interest in the sum of mAOA 16,960,342 and mAOA 1,738,501, respectively.

As at December 31, 2016 & 2015, the portfolio of equity securities carried at fair value through profit or loss relates to 13,896 Class C (Series I) shares in Visa Inc. These securities are valued in accordance with their price listed on an active market.

As at December 31, 2016 & 2015, the breakdown of "Derivative transactions – Currency Forwards" is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Derivative transactions:** | | |
| Income receivable from derivative financial instruments | 220 568 | 441 731 |
| Gain on revaluation of derivative financial instruments | 1.135.023 | 2.657.531 |
| | **1.355.591** | **3.099.262-** |
| Costs payable for derivative financial instruments | (1.510.796) | (3.798.920) |
| | **(155.205)** | **(699.658)** |

During the periods ended December 31, 2016 & 2015, 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 of these securities are recorded under "Results of financial assets and liabilities measured at fair value through profit or loss" of the income statement.

As at December 31, 2016, derivative financial instruments consist of twenty-eight currency forward contracts with non-financial companies maturing between January and March 2017. As at December 31, 2015, derivative financial instruments consisted of twenty-five currency forward contracts with non-financial companies maturing between January and March 2016.

The breakdown of this heading is as follows:

| 2016 | Risk level | Country | Currency | Face value | Cost of acquisition | Premium/ Discount earned | Interest earned | Carrying amount | Impairment | Average interest rate |
|---|---|---|---|---|---|---|---|---|---|---|
| **DEBT SECURITIES** | | | | | | | | | | |
| Treasury Bills | A | Angola | AKZ | - | - | - | - | - | - | 0.00% |
| **Treasury Bonds in local 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** | **-** | |

| 2015 | Risk level | Country | Currency | Face value | Cost of acquisition | Premium/ Discount earned | Interest earned | Carrying amount | Impairment | Average interest rate |
|---|---|---|---|---|---|---|---|---|---|---|
| **DEBT SECURITIES** | | | | | | | | | | |
| Treasury Bills | A | Angola | AKZ | 76,146,960 | 69,781,986 | 5,338,124 | - | 75,120,110 | - | 6.26% |
| **Treasury Bonds in local currency:** | | | | | | | | | | |
| Indexed to the US dollar exchange rate | A | Angola | AKZ | 63,637,442 | 62,227,563 | 827,586 | 959,705 | 64,014,854 | - | 7.73% |
| Not indexed | A | Angola | AKZ | 180,920,800 | 177,300,792 | 984,744 | 2,413,734 | 180,699,270 | - | 7.43% |
| Treasury Bonds in foreign currency | A | Angola | USD | 91,303,796 | 90,406,577 | 532,929 | 725,915 | 91,665,421 | - | 4.50% |
| | | | | **412,008,998** | **399,716,918** | **7,683,383** | **4,099,354** | **411,499,655** | **-** | |

## 10. LOANS & ADVANCES TO CUSTOMERS

The breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Lending to domestic borrowers:** | | |
| Overdrafts on sight deposits: | | |
| In local currency | 836 876 | 1 572 184 |
| In foreign currency | 516 574 | 937 663 |
| | **1 353 449** | **2 509 847** |
| Other loans: | | |
| In local currency | 77 928 194 | 78 956 583 |
| In foreign currency | 23 524 231 | 23 123 696 |
| | **101 452 425** | **102 080 279** |
| Loans: | | |
| In local currency | 60 756 205 | 50 599 957 |
| In foreign currency | 69 647 410 | 66 312 751 |
| | **130 403 616** | **116 912 708** |
| **Lending to foreign borrowers** | 39 478 | 20 933 |
| Total performing loans | **233 248 968** | **221 523 767** |
| Overdue loans and interest: | | |
| Principal and interest | 11 636 413 | 10 710 250 |
| Total loans and advances | **244 885 381** | **232 234 017** |
| Income receivable from loans and advances | 4 662 589 | 3 147 908 |
| | **249 547 970** | **235 381 925** |
| Provision for doubtful loans | (14 237 099) | (14 585 970) |
| | **235 310 871** | **220 795 955** |

As at December 31, 2013, loans and advances to Customers earned interest at an average annual rate of 13.52% for loans in domestic currency and 6.6% for loans in foreign currency (10.89% in domestic currency and 6.44% in foreign currency as at December 31, 2015).

The breakdown of the loan portfolio is as follows:

| Segment | Exposure 2016 | | | | | Impairment 2016 | | |
|---|---|---|---|---|---|---|---|---|
| | 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** |

| Segment | Exposure 2015 | | | | | Impairment 2015 | | |
|---|---|---|---|---|---|---|---|---|
| | Total exposure | Performing loans | Of which restructured | Overdue loans | Of which restructured | Total impairment (Note 18) | Performing loans | Overdue loans |
| Credit cards | 1 353 558 | 1 318 082 | - | 35 473 | - | 67 328 | 42 655 | 24 673 |
| General consumer finance | 30 688 031 | 30 273 647 | 179 930 | 414 384 | 1 375 | 1 449 862 | 1 151 024 | 298 838 |
| Auto loans | 1 869 161 | 1 865 054 | - | 4 107 | - | 69 703 | 67 664 | 2 039 |
| Home loans | 23 506 916 | 23 282 420 | - | 224 496 | - | 1 792 023 | 1 618 560 | 173 463 |
| Overdrafts | 677 441 | 319 709 | - | 357 732 | - | 346 205 | 9 817 | 336 388 |
| Corporates - less significant exposures | 3 721 105 | 3 499 480 | 91 238 | 221 625 | 12 568 | 253 121 | 107 811 | 145 310 |
| Corporates - significant exposures | 113 778 713 | 104 832 587 | 4 435 236 | 8 946 129 | 1 366 440 | 10 308 775 | 5 735 519 | 4 573 256 |
| Public sector | 59 787 000 | 59 280 696 | - | 506 304 | - | 298 953 | 45 800 | 253 153 |
| **Exposure of assets and liabilities** | **235 381 925** | **224 671 675** | **4 706 404** | **10 710 250** | **1 380 383** | **14 585 970** | **8 778 850** | **5 807 120** |
| Documentary credits and guarantees given (Note 28) | 57 598 250 | 57 598 250 | 4 715 | - | - | 1 102 145 | 1 102 145 | - |
| **Total exposure** | **292 980 175** | **282 269 925** | **4 711 119** | **10 710 250** | **1 380 383** | **15 688 115** | **9 880 995** | **5 807 120** |

| Segment | Exposure 2016 | | | | | | Impairment 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total exposure | Performing loans | | | | Crédito em incumprimento | Imparidade total (Nota 18) | Crédito em cumprimento | | Crédito em incumprimento |
| | | Dias de atraso < 30 dias | | | Dias de atraso entre 30 a 90 | Dias de atraso > 90 | | Dias de atraso < 30 | Dias de atraso entre 30 a 90 | Dias de atraso > 90 |
| | | Sem indícios | Com indícios | Sub-total | | | | | | |
| 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 liab ilities** | **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** |

| Segment | Exposure 2015 | | | | | | Impairment 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total exposure | Performing loans | | | | Overdue loans | Total impairment (Note 18) | Performing loans | | Overdue loans |
| | | <30 days past due | | | 30-90 days past due | >90 days past due | | <30 days past due | 30-90 days past due | >90 days past due |
| | | Without evidence | With evidence | Subtotal | | | | | | |
| Credit cards | 1 353 558 | 1 323 451 | (7 970) | 1 315 481 | 8 724 | 29 353 | 67 328 | 42 569 | 422 | 24 338 |
| General consumer finance | 30 688 031 | 29 348 653 | 63 580 | 29 412 233 | 286 652 | 989 146 | 1 449 862 | 882 949 | 14 976 | 551 936 |
| Auto loans | 1 869 161 | 1 850 636 | 3 058 | 1 853 694 | 7 335 | 8 132 | 69 703 | 64 710 | 220 | 4 773 |
| Home loans | 23 506 916 | 21 317 587 | 162 370 | 21 479 957 | 299 214 | 1 727 746 | 1 792 023 | 656 721 | 17 219 | 1 118 083 |
| Overdrafts | 677 441 | 101 715 | 43 551 | 145 266 | 182 113 | 350 061 | 346 205 | 4 583 | 5 720 | 335 901 |
| Corporates - less significant exposures | 3 721 105 | 2 840 463 | 493 255 | 3 333 718 | 142 539 | 244 846 | 253 121 | 91 145 | 5 609 | 156 367 |
| Corporates - significant exposures | 113 778 713 | 60 144 715 | 37 378 714 | 97 523 429 | 1 481 696 | 14 773 591 | 10 308 775 | 5 023 282 | 177 132 | 5 108 362 |
| Public sector | 59 787 000 | - | 57 752 799 | 57 752 799 | 1 233 | 2 032 967 | 298 953 | - | - | 298 953 |
| **Exposure of assets and liab ilities** | **235 381 925** | **116 927 220** | **95 889 357** | **212 816 577** | **2 409 506** | **20 155 842** | **14 585 970** | **6 765 959** | **221 298** | **7 598 713** |
| Documentary credits and guarantees given (Note 28) | 57 598 250 | 57 598 250 | - | 57 598 250 | - | - | 1 102 145 | 1 102 145 | - | - |
| **Total exposure** | **292 980 175** | **174 525 470** | **95 889 357** | **270 414 827** | **2 409 506** | **20 155 842** | **15 688 115** | **7 868 104** | **221 298** | **7 598 713** |

There follows the detail of the loan portfolio by segment and by year the operations were granted:

| | 2016 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit cards | | | General consumer finance | | | Auto loans | | | Home loans | | | Overdrafts | | |
| Segment | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized |
| 2012 and earlier | 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** |

| | 2016 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporates - less significant exposures | | | Corporates - significant exposures | | | Public sector | | | Documentary credits and guarantees given | | |
| Segment | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized |
| 2012 and earlier | 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** |

| Segment | 2015 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit cards | | | General consumer finance | | | Auto loans | | | Home loans | | | Overdrafts | | |
| | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized |
| 2011 and earlier | 5 349 | 259 332 | 29 890 | 3 572 | 1 116 492 | 287 084 | 239 | 57 185 | 2 887 | 1 494 | 17 560 043 | 1 609 875 | 16 317 | 455 100 | 290 363 |
| 2012 | 2 087 | 58 850 | 2 873 | 1 912 | 1 197 104 | 40 421 | 387 | 391 403 | 15 562 | 136 | 2 396 487 | 81 736 | 1 937 | 35 510 | 26 238 |
| 2013 | 2 996 | 83 644 | 4 877 | 7 100 | 3 755 738 | 306 286 | 275 | 427 708 | 16 532 | 56 | 1 270 272 | 37 846 | 1 529 | 27 520 | 17 158 |
| 2014 | 11 479 | 563 960 | 17 941 | 8 937 | 8 170 060 | 329 477 | 276 | 560 745 | 21 748 | 52 | 1 108 004 | 29 722 | 921 | 14 080 | 6 977 |
| 2015 | 6 806 | 387 772 | 11 747 | 10 785 | 16 448 637 | 486 594 | 173 | 432 120 | 12 974 | 85 | 1 172 110 | 32 844 | 825 | 145 231 | 5 469 |
| **Total** | **28 717** | **1 353 558** | **67 328** | **32 306** | **30 688 031** | **1 449 862** | **1 350** | **1 869 161** | **69 703** | **1 823** | **23 506 916** | **1 792 023** | **21 529** | **677 441** | **346 205** |

| Segment | 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporates - less significant exposures | | | Corporates - significant exposures | | | Public sector | | | Documentary credits and guarantees given | | |
| | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized | No. of transactions | Amount | Impairment recognized |
| 2011 and earlier | 14 567 | 232 333 | 39 952 | 137 | 30 778 859 | 3 667 255 | 11 | 2 034 221 | 298 953 | 49 | 802 423 | 42 654 |
| 2012 | 1 957 | 328 445 | 53 726 | 70 | 15 433 300 | 2 183 156 | 1 | 1 | - | 5 | 721 924 | 6 495 |
| 2013 | 1 835 | 478 447 | 35 527 | 69 | 11 480 212 | 764 677 | 1 | 20 278 314 | - | 16 | 2 988 304 | 89 145 |
| 2014 | 317 | 1 216 814 | 86 520 | 152 | 25 559 281 | 1 810 376 | 3 | 37 474 464 | - | 91 | 34 457 135 | 431 337 |
| 2015 | 355 | 1 465 066 | 37 396 | 205 | 30 527 061 | 1 883 311 | - | - | - | 312 | 18 628 464 | 532 514 |
| **Total** | **19 031** | **3 721 105** | **253 121** | **633** | **113 778 713** | **10 308 775** | **16** | **59 787 000** | **298 953** | **473** | **57 598 250** | **1 102 145** |

The detail of the amount of gross exposure of loans and the impairment amount recorded for the exposures, analysed individually and collectively by segment and sector of activity, is as follows:

| By segment: 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: 2016 | Corporates - less significant exposures | | Corporates - significant exposures | | Public sector | | Documentary credits and guarantees given | |
|---|---|---|---|---|---|---|---|---|
| | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Collective impairment | 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** |

| By sector: 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 sector: 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 sector: 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** |

| By segment: 2015 | 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 | 1 340 654 | 66 048 | 27 861 728 | 1 052 607 | 1 869 161 | 69 703 | 21 939 362 | 1 178 901 | 501 211 | 340 918 |
| Individual impairment | 12 904 | 1 280 | 2 826 303 | 397 255 | - | - | 1 567 554 | 613 122 | 176 230 | 5 287 |
| **Total** | **1 353 558** | **67 328** | **30 688 031** | **1 449 862** | **1 869 161** | **69 703** | **23 506 916** | **1 792 023** | **677 441** | **346 205** |

| By segment: 2015 | Corporates - less significant exposures | | Corporates - significant exposures | | Public sector | | Documentary credits and guarantees given | |
|---|---|---|---|---|---|---|---|---|
| | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Collective impairment | 3 050 556 | 131 133 | 1 724 864 | 28 601 | - | - | 3 056 974 | 15 860 |
| Individual impairment | 670 549 | 121 988 | 112 053 849 | 10 280 174 | 59 787 000 | 298 953 | 54 541 276 | 1 086 285 |
| **Total** | **3 721 105** | **253 121** | **113 778 713** | **10 308 775** | **59 787 000** | **298 953** | **57 598 250** | **1 102 145** |

| By sector: 2015 | 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 | 458 164 | 13 704 | 41 556 | 1 936 | 16 576 | 436 | 157 004 | 32 910 | 164 376 | 4 236 |
| Individual impairment | 8 663 205 | 352 786 | 373 025 | 11 146 | 58 975 725 | 15 692 | 12 253 883 | 435 837 | 3 807 492 | 293 378 |
| **Total** | **9 121 369** | **366 490** | **414 581** | **13 082** | **58 992 301** | **16 128** | **12 410 887** | **468 747** | **3 971 868** | **297 614** |

| By sector: 2015 | 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 | 1 869 | 1 869 | 998 574 | 54 550 | 3 097 705 | 9 482 | 106 464 | 3 388 | 55 467 | 1 673 |
| Individual impairment | 2 799 562 | 8 753 | 18 170 819 | 2 870 572 | 57 829 402 | 3 863 643 | 606 704 | 59 552 | 2 951 252 | 499 433 |
| **Total** | **2 801 431** | **10 622** | **19 169 393** | **2 925 122** | **60 927 107** | **3 873 125** | **713 168** | **62 940** | **3 006 719** | **501 106** |

| By sector: 2015 | 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 | 90 104 | 2 841 | 166 251 | 5 342 | 55 768 315 | 2 745 082 | 5 258 | 891 | 52 033 | 1 728 | 164 795 | 3 700 |
| Individual impairment | 17 249 087 | 944 659 | 13 615 622 | 473 540 | 9 066 406 | 1 099 542 | 2 759 293 | 403 631 | 1 171 414 | 15 442 | 21 342 773 | 1 456 741 |
| **Total** | **17 339 191** | **947 500** | **13 781 873** | **478 882** | **64 834 721** | **3 844 624** | **2 764 551** | **404 522** | **1 223 447** | **17 170** | **21 507 568** | **1 460 441** |

Loans and advances granted by BFA were all granted to companies and individuals resident in Angola.

The detail of the restructured loan portfolio by restructuring measure applied is as follows:

| 2016 | 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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** |

| 2015 | 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Performing loans | | | Overdue loans | | | Total | | |
| | No. of transactions | Exposure | Impairment | No. of transactions | Exposure | Impairment | No. of transactions | Exposure | Impairment |
| New lending | 22 | 4 225 231 | 1 679 525 | 13 | 1 376 316 | 1 097 380 | 35 | 5 601 547 | 2 776 905 |
| Loan extensions | 1 | 485 888 | 7 395 | 1 | 4 067 | 68 | 2 | 489 955 | 7 463 |
| **Total** | **23** | **4 711 119** | **1 686 920** | **14** | **1 380 383** | **1 097 448** | **37** | **6 091 502** | **2 784 368** |

Inward and outward movements in the restructured-loan portfolio were as follows:

| | 2016 | 2015 |
|---|---|---|
| Opening balance of the restructured loan portfolio (gross of impairment) | 6 091 502 | 5 382 813 |
| Loans restructured during the period | 305 874 | 885 335 |
| Settlement of restructured loans (partial or total) | (1 714 483) | (176 646) |
| **Closing balance of the restructured loans portfolio (gross of impairment)** | **4 682 893** | **6 091 502** |

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:

| 2016 | 2016 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Companies | | | | Construction and real estate development | | | | Housing | | | |
| | Real estate property | | Other collateral | | Real estate property | | Other collateral | | Real estate property | | Other collateral | |
| | Number of properties | Amount | Number | Amount | Number of properties | Amount | Number | Amount | Number of properties | Amount | Number | Amount |
| < 50 mAOA | 71 | 1 727 472 | 140 | 1 754 465 | 7 | 194 754 | 14 | 219 231 | 1 101 | 25 239 366 | 303 | 127 774 |
| >= 50 mAOA and < 100 mAOA | 33 | 2 480 401 | 30 | 1 400 919 | 2 | 131 292 | 1 | - | 117 | 7 400 647 | 56 | 243 128 |
| >= 100 mAOA and < 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 and < 1000 mAOA | 16 | 11 887 738 | 16 | 3 954 920 | 2 | 1 515 358 | 4 | 3 520 430 | 1 | 729 973 | - | - |
| >= 1000 mAOA and < 2000 mAOA | 12 | 17 439 188 | 10 | 11 035 817 | 3 | 4 376 272 | 4 | 5 124 272 | - | - | - | - |
| >= 2000 mAOA and < 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** |

| 2015 | 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Companies | | | | Construction and real estate development | | | | Housing | | | |
| | Real estate property | | Other collateral | | Real estate property | | Other collateral | | Real estate property | | Other collateral | |
| | Number of properties | Amount | Number | Amount | Number of properties | Amount | Number | Amount | Number of properties | Amount | Number | Amount |
| < 50 mAOA | 80 | 1 533 964 | 143 | 1 795 319 | 6 | 152 646 | 16 | 286 031 | 1 247 | 24 795 139 | 12 | 214 503 |
| >= 50 mAOA and < 100 mAOA | 34 | 2 573 416 | 12 | 785 368 | 2 | 109 626 | 2 | 126 930 | 54 | 3 565 630 | 5 | 255 151 |
| >= 100 mAOA and < 500 mAOA | 96 | 18 993 651 | 21 | 3 555 801 | 7 | 1 170 856 | 5 | 1 020 886 | 15 | 2 610 335 | 3 | 412 711 |
| >= 500 mAOA and < 1000 mAOA | 10 | 6 694 552 | 2 | 1 549 850 | 5 | 1 736 398 | 6 | 4 521 394 | - | - | - | - |
| >= 1000 mAOA and < 2000 mAOA | 9 | 9 104 079 | 7 | 8 417 086 | 3 | 5 010 823 | 2 | 2 858 521 | - | - | - | - |
| >= 2000 mAOA and < 5000 mAOA | 9 | 26 481 281 | - | - | 1 | 4 736 025 | - | - | - | - | - | - |
| >= 5.000 mAOA | 2 | 53 129 946 | 1 | 8 260 200 | 1 | 11 238 587 | - | - | - | - | - | - |
| **Total** | **240** | **118 510 889** | **186** | **24 363 624** | **25** | **24 154 961** | **31** | **8 813 762** | **1 316** | **30 971 104** | **20** | **882 365** |

The structure of the funding-collateral ratio of the construction and real-estate development and residential segments is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Number of properties | Number de Other 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% and < 75% | 2 | 12 | 366 349 | 1 048 511 | 53 944 |
| > = 75% and < 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% and < 75% | - | - | - | - | 85 134 |
| > = 75% and < 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% and < 75% | 8 | 2 | 123 037 | - | 2 692 |
| > = 75% and < 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** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Number of properties | Number de Other collateral | Performing loans | Overdue loans | Impairment |
| Companies | | | | | |
| Without collateral | - | - | 39 449 280 | 3 037 199 | 3 526 505 |
| < 50% | 100 | 50 | 3 837 546 | 4 480 981 | 3 111 144 |
| > = 50% and < 75% | 1 | 22 | 1 652 479 | 5 | 49 031 |
| > = 75% and < 100% | 5 | 26 | 4 541 230 | - | 123 016 |
| > = 100% | 134 | 90 | 17 583 763 | 711 | 525 139 |
| Construction and real estate development | | | | | |
| Without collateral | - | - | 20 470 453 | 833 280 | 1 845 645 |
| < 50% | 7 | 4 | 2 299 226 | 1 295 537 | 525 600 |
| > = 50% and < 75% | - | 3 | 63 909 | - | 1 909 |
| > = 75% and < 100% | 1 | 6 | 4 131 103 | - | 13 535 |
| > = 100% | 17 | 15 | 6 485 208 | - | 982 389 |
| Housing | | | | | |
| Without collateral | - | - | 1 414 918 | 33 368 | 161 035 |
| < 50% | 181 | 1 | 2 520 477 | 163 859 | 952 955 |
| > = 50% and < 75% | 9 | - | 89 784 | 55 | 2 692 |
| > = 75% and < 100% | 24 | - | 409 431 | 43 | 12 277 |
| > = 100% | 1 102 | 20 | 15 985 493 | 5 | 486 458 |
| | **1 581** | **237** | **120 934 300** | **9 845 043** | **12 319 330** |

The distribution of the loan portfolio measured by internal-risk degrees is as follows:

| Segment | 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** |

| Segment | 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Risk class A | Risk class B | Risk class C | Risk class D | Risk class E | Risk class F | Risk class G | Total |
| Credit cards | - | - | 1 316 700 | 3 949 | 7 236 | 1 740 | 23 934 | 1 353 559 |
| General consumer finance | 3 401 377 | 85 412 | 26 041 821 | 394 743 | 136 697 | 51 277 | 576 705 | 30 688 032 |
| Auto loans | 4 076 | - | 1 834 410 | 9 380 | 5 553 | 6 070 | 9 672 | 1 869 161 |
| Home loans | 296 131 | - | 21 482 149 | 189 390 | 370 095 | 221 450 | 947 701 | 23 506 916 |
| Overdrafts | - | - | 323 435 | 3 542 | 12 173 | 9 153 | 329 139 | 677 442 |
| Corporates - less significant exposures | 772 149 | 68 977 | 2 585 502 | 34 856 | 97 003 | 26 753 | 135 865 | 3 721 105 |
| Corporates - significant exposures | 12 558 280 | 1 742 451 | 84 801 836 | 1 473 188 | 4 141 148 | 6 751 237 | 2 310 570 | 113 778 710 |
| Public sector | 57 754 032 | - | 1 526 662 | - | - | 506 306 | - | 59 787 000 |
| **Exposure of assets and liabilities** | **74 786 045** | **1 896 840** | **139 912 515** | **2 109 048** | **4 769 905** | **7 573 986** | **4 333 586** | **235 381 925** |
| Documentary credits and guarantees given | 6 048 252 | 29 996 122 | 21 532 183 | 2 735 | - | - | 18 958 | 57 598 250 |
| **Total** | **80 834 297** | **31 892 962** | **161 444 698** | **2 111 783** | **4 769 905** | **7 573 986** | **4 352 544** | **292 980 175** |

For internal rating purposes the Bank uses the risk levels determined by the BNA regulations. As at December 31, 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). As at December 31, 2015, BFA's risk levels are in accordance with the classification of National Bank of Angola Notice 3/2012 on the grant and classification of loans.

The risk factors associated with the impairment by segment model are as follows:

| Segmento | Impairment 2016 – Probability of default (%) | | | | Impairment 2015 - Probability of default (%) | | | |
|---|---|---|---|---|---|---|---|---|
| | < 30 days Without evidence | < 30 days With evidence | Between 30 and 90 days | Loss given default (%) | < 30 days Without evidence | < 30 days With evidence | Between 30 and 90 days | Loss given default (%) |
| Credit cards | 5% | 32% | 55% | 83% | 3% | 72% | 53% | 100% |
| General consumer finance | 4% | 48% | 53% | 30% | 3% | 40% | 45% | 27% |
| Auto loans | 1% | 47% | 55% | 16% | 2% | 47% | 56% | 21% |
| Home loans | 3% | 80% | n.d. | 14% | 3% | 75% | 79% | 13% |
| Overdrafts | 28% | 46% | 54% | 65% | 32% | 57% | 69% | 80% |
| Corporates - less significant exposures | 6% | 28% | n.d. | 46% | 4% | 4% | n.d. | 42% |
| Corporates - significant exposures | 17% | 52% | 70% | 54% | 11% | 43% | 42% | 72% |

As at December 31, 2016 & 2015, the ten largest debtors accounted for 47.43% and 37.63% respectively of the total loan portfolio (excluding guarantees and documentary credits).

Movement under impairment losses for loans and for the "Unsecured Loans" segment in 2016 and 2015 is provided in Note 18.

During 2016, the Bank wrote off loans classified as Level G risk in the amount of mAOA 5,642,092 (Note 18), having used doubtful-debt provisions of the same amount. During 2015, the Bank wrote off loans in the amount of mAOA 1,072,725 (Note 18), having used doubtful-debt provisions set aside of the same amount.

During 2016 & 2015, recoveries of loans and interest previously cancelled written off from assets totalled mAOA 390,469 and mAOA 253,037, respectively, in 2013 and 2012 (Note 25).

## 11. NON-CURRENT ASSETS HELD FOR SALE

The breakdown of this heading as at December 31, 2016 & 2015, is as follows:

| | 2016 | 2015 |
|---|---|---|
| Assets not for own use | | |
| Buildings | 73.307 | 59.791 |
| | **73.307** | **59.791** |

## 12. INVESTMENTS IN AFFILIATES, ASSOCIATES AND JOINT VENTURES

The detail of investments in affiliates, associates and joint ventures, as at December 31, 2016 & 2015, is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | País | Ano de aquisição | Número de acções | % de participação | Custo aquisição |
| **HOLDINGS IN ASSOCIATES AND EQUIVALENT COMPANIES:** | | | | | |
| SOFHA – Sociedade de Fomento Habitacional | Angola | 2008 | n.a | 50% | 375 |
| **Shareholdings 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 financial fixed assets** | | | | | **499 558** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | País | Ano de aquisição | Número de acções | % de participação | Custo aquisição |
| **HOLDINGS IN ASSOCIATES AND EQUIVALENT COMPANIES:** | | | | | |
| SOFHA – Sociedade de Fomento Habitacional | Angola | 2008 | n.a | 50% | 375 |
| **Shareholdings in other companies:** | | | | | |
| EMIS – Empresa Interbancária de Serviços: | Angola | 2001 | 59 150 | 6.50% | |
| Equity holding | | | | | 59 150 |
| Quasi-capital loans | | | | | 313 985 |
| Shareholder loans | | | | | 15 155 |
| Interest on shareholder loans and quasi-capital loans | | | | | 37 768 |
| | | | | | **426 058** |
| Bolsa de Valores e Derivativos de Angola | Angola | 2006 | 3 000 | 2% | 40 595 |
| IMC – Instituto do Mercado de Capitais | Angola | 2004 | 400 | 2% | 337 |
| **Total financial fixed assets** | | | | | **467 365** |

As at December 31, 2016 % 2015, BFA held an equity interest of 6.50% in EMIS – Empresa Interbancária de Serviços, SARL, (EMIS), and also provided loan capital to this entity during 2004 and 2003, which earn no interest and have no defined repayment term. EMIS was incorporated in Angola doe the purpose of management of electronic-payment means and supplementary services.

The Bank's holding in EMIS (including quasi-capital loans and loan capital) is valued at acquisition cost less impairment losses, set aside used in previous periods.

During 2007, the Bank provided quasi-capital loans of USD 250,500, pursuant to the resolution approved at the general meeting of EMIS on November 16, 2007, which since January 1, 2008, earn 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 9 December 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 Banco Nacional de Angola's benchmark rate.

At the general meeting held on July 16, 2013, the shareholders of EMIS resolved to increase the non-interest-bearing quasi-capital loans by USD 1,400,000, to which BFA's contribution would be USD 73,684.

The above companies distributed no dividends in 2016 and 2015.

Movements under these headings during 2016 and 2015 are as follows:

| | 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balances at 31-12-2015 | | | | | | | Balances at 31-12-2016 | | |
| | Gross assets | Accum. depr. & amort. | Net total assets | Additions | Transfers | Write-offs, disposals and others | Depr. & amort. for the year | Gross assets | Accum. depr. & amort. | Net total assets |
| **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 |
| Organization 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** |

| | 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balances at 31-12-2014 | | | | | | | Balances at 31-12-2015 | | |
| | Gross assets | Accum. depr. & amort. | Net total assets | Additions | Transfers | Write-offs, disposals and others | Depr. & amort. for the year | Gross assets | Accum. depr. & amort. | Net total assets |
| **Other tangible assets** | | | | | | | | | | |
| Property used in operations | 19 365 872 | (5 690 135) | 13 675 737 | 2 331 508 | 641 520 | (969 666) | (721 183) | 21 369 234 | (6 411 318) | 14 957 916 |
| Furniture, tools, fixtures and equipment | 9 749 517 | (6 660 340) | 3 089 177 | 1 507 329 | - | (11 979) | (1 194 791) | 11 244 867 | (7 855 131) | 3 389 736 |
| Fixed assets in progress | 942 678 | - | 942 678 | 417 057 | (641 520) | (15 723) | - | 702 492 | - | 702 492 |
| | 30 058 067 | (12 350 475) | 17 707 592 | 4 255 894 | - | (997 368) | (1 915 974) | 33 316 593 | (14 266 449) | 19 050 144 |
| **Intangible assets** | | | | | | | | | | |
| Computer software | 1 076 450 | (724 919) | 351 531 | 436 298 | - | - | (248 911) | 1 512 748 | (973 830) | 538 918 |
| Organization 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) | - |
| | 1 271 973 | (920 442) | 351 531 | 436 298 | - | - | (248 911) | 1 708 271 | (1 169 353) | 538 918 |
| | **31 330 040** | **(13 270 917)** | **18 059 123** | **4 692 192** | **-** | **(997 368)** | **(2 164 885)** | **35 024 864** | **(15 435 802)** | **19 589 062** |

As at December 31, 2016 & 2015, 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, 2016 & 2015, the balances of current tax assets and liabilities are as follows:

| | 2016 | 2015 |
|---|---|---|
| Current tax assets | 17 645 | 1 918 |
| Current tax liabilities: | | |
| Industrial tax | 2 218 081 | 3 644 282 |
| On capital gains | 1 751 124 | 653 568 |
| On dependent-labour income | 281 831 | 203 090 |
| Taxation relating to remuneration | 56 306 | 44 566 |
| Special levy on banking transactions | 45 237 | - |
| | **4 352 579** | **4 545 506** |

In 2016 and 2015 the corporate income tax expense recognised in the income statement and the tax burden, measured as the ratio of the provision for taxation to the profit for the year before that provision, are summarised in the following table:

| | 2016 | 2015 |
|---|---|---|
| Current tax liabilities | | |
| Industrial tax | 2 218 081 | 3 644 282 |
| Deferred tax assets | | |
| Recording and reversal of temporary differences | (429 249) | (180 761) |
| Adjustment of estimates for previous years | | |
| Industrial tax | (1 429 553) | 194 289 |
| Total tax recorded in the income statement | **359 279** | **3 657 810** |
| Profit before tax | **62 072 171** | **41 524 068** |
| Tax burden | 0,58% | 8,81% |

During 2016, "Adjustment of the previous periods' estimate – Industrial Tax" is in respect of: (i) income of mAOA 1,946,600 in respect of the 2015 Industrial Tax estimate for the fact that the Bank had considered as taxable foreign exchange gains on Treasury Bonds until December 31, 2012; and (ii) a cost of mAOA 517,047 in respect of the additional Industrial Tax assessment for 2013 and respective fines.

The reconciliation between the nominal tax rate and the tax burden for the periods ended December 31, 2016 & 2015, is as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Tax rate | Amount | Tax rate | Amount |
| Net income before tax | | 62 072 171 | | 41 524 068 |
| Tax calculated according to nominal tax rate | 30,00% | 18 621 651 | 30,00% | 12 457 220 |
| Tax relief benefits on income from public debt securities | -29,18% | (18 114 221) | -23,06% | (9 575 508) |
| Other permanent differences | 0,04% | 26 614 | 0,06% | 24 961 |
| Tax on Invested Capital (IAC) | | | | |
| On untaxed income | 2,02% | 1 254 788 | 1,34% | 556 849 |
| Adjustment to previous year's estimate | -2,30% | (1 429 553) | 0,47% | 194 288 |
| **Corporate income tax** | **0,58%** | **359 279** | **8,81%** | **3 657 810** |

### INDUSTRIAL TAX

As explained in Note 2.2 j), the Bank is subject to Industrial Tax applicable at the rate of 30% in 2016 and 2015.

### DEFERRED TAXES

As at December 31, 2016 & 2015, the Bank has recognized deferred tax assets in the amounts of mAOA 409,966 and mAOA 749,027, respectively, resulting from temporary differences in the taxation of provisions for contingent liabilities. The Board of Directors believes that the conditions for the recognition of these deferred tax assets are met, particularly as regards the future evolution 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, 2016 & 2015, is as follows:

| | 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 and retirement benefits | 749 027 | 429 249 | - | 1 178 276 |

| | Balances at 31-12-2014 | Charges | Uses/reversals | Balances at 31-12-2015 |
|---|---|---|---|---|
| Provisions temporarily not allowed as a deductible expense: | | | | |
| Provisions for banking risks and retirement benefits | 568 266 | 180 761 | - | 749 027 |

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

The breakdown of this heading as at December 31, 2016 & 2015, is as follows:

| | 2016 | 2015 |
|---|---|---|
| Currency transactions | | |
| Forward currency transactions | 26 982 819 | 52 166 773 |
| Foreign currency purchase and sale | 2 031 134 | 1 117 712 |
| | **29 013 953** | **53 284 485** |
| Other amounts relating to taxes | | |
| Other taxes receivable | 606 145 | 477 306 |
| | **606 145** | **477 306** |
| Other amounts of a civil nature | | |
| Receivable for provision of services | - | - |
| Sundry debtors: | | |
| Public Administrative Sector | 2 939 975 | 896 195 |
| Private sector – companies | 2 | - |
| Private sector – employees | 25 308 | 19 832 |
| Private sector – individuals | 8 382 | 24 169 |
| Acquisitions in progress | (9 785) | 342 724 |
| Other debtors | 628 678 | 623 001 |
| | **3 592 560** | **1 905 921** |
| Other amounts of an administrative or commercial nature | | |
| Advances on salaries | - | - |
| Prepaid expenses: | | |
| Rents and leasing | 268 639 | 238 726 |
| Insurance | 128 367 | 27 255 |
| Other | 214 899 | 195 044 |
| | **611 905** | **461 025** |
| Office materials | 218 275 | 137 527 |
| Other prepayments | | |
| Cash shortages | 3 609 | 2 177 |
| Forward currency transactions | 94 917 | 280 517 |
| Other | 5 284 | 4 434 |
| | **103 810** | **287 128** |
| Assets not for own use | | |
| | **34 146 648** | **56 553 392** |

The breakdown of Currency transactions is as follows:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Assets / Income | Liabilities / Expenses | Net | Assets / Income | Liabilities / Expenses | Net |
| Foreign exchange transactions: | | | | | | |
| Purchase and sale of foreign currency | 2 031 134 | ( 1 903 857 ) | 127 277 | 1 117 712 | (1 091 423) | 26 289 |
| Forward currency transactions | 26 982 819 | ( 28 121 897 ) | ( 1 139 078 ) | 52 166 773 | ( 54 824 186 ) | ( 2 657 413 ) |
| | **29 013 953** | **( 30 025 754 )** | **( 1 011 801 )** | **53 284 485** | **( 55 915 609 )** | **( 2 631 124 )** |

As at December 31, 2016 & 2015, "Other amounts of a fiscal nature – Other taxes receivable in the amounts of mAOA 606,145 and mAOA 477.306 , respectively, relate to the tax obligation of prepayment of the 2016 and 2015 industrial tax, also respectively, or 2% do the Bank's Operating income during the first half of 2015 and of 2014. These amounts were settled by the Bank at the beginning of the second half of 2016 and of 2015 respectively.

As at December 31, 2016 & 2015, the "Other Amounts of a Civil Nature - Sundry debtors: Public administrative sector" includes mAOA 2,939,975 and mAOA 896,195, respectively, relating to commissions receivable from 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, 2016 & 2015, is as follows:

| | 2016 | 2015 |
|---|---|---|
| Interbank money market transactions: | | |
| Funds of credit institutions in Angola – Loans (AOA) | 10 884 | 8 572 |
| Interest | - | - |
| | **10 884** | **8 572** |
| Funds of other entities: | | |
| Certified cheques | 1 728 640 | 1 800 581 |
| Funds tied to letters of credit | 1 685 719 | 2 988 570 |
| Cheques for clearing and other bills | - | - |
| Other | 20 325 | 16 881 |
| | **3 434 684** | **4 806 032** |
| | **3 445 568** | **4 814 604** |

As at December 31, 2016 & 2015, transactions recorded under "Transactions on the interbank money market – Amounts owed to Credit institutions in Angola - Borrowings (AOA)" have a residual maturity term of less than three months.

"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

The breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Sight deposits of residents: | | |
| In local currency | 366 326 302 | 350 210 430 |
| In foreign currency | 107 061 276 | 139 830 913 |
| | **473 387 578** | **490 041 343** |
| Sight deposits of non-residents | | |
| In local currency | 13 974 193 | 10 524 721 |
| In foreign currency | 2 825 345 | 2 194 131 |
| | **16 799 538** | **12 718 852** |
| Interest on sight deposits | 1 372 | 4 166 |
| Captive funds for requisition of foreign exchange | 124 728 910 | 95 261 592 |
| **Total sight deposits** | **614 917 398** | **598 025 953** |
| Term deposits of residents: | | |
| In local currency | 191 026 324 | 177 226 210 |
| In foreign currency | 263 880 636 | 233 631 620 |
| | **454 906 960** | **410 857 830** |
| Term deposits of non-residents | 6 245 943 | 5 240 691 |
| Interest on term deposits | 3 679 993 | 3 035 152 |
| **Total term deposits** | **464 832 896** | **419 133 673** |
| **Total deposits** | **1 079 750 294** | **1 017 159 626** |

As at December 31 2016 & 2015, the balance of "Customers' blocked funds" relates to the blocked balance in Customers' sight deposit accounts because of requests for the provision of foreign currency that requires authorisation by the National Bank of Angola.

As at December 31, 2016 & 2015, the structure of Customer term deposits by remaining term to maturity is as follows:

| | 2016 | 2015 |
|---|---|---|
| Up to three months | 216 611 989 | 167 641 092 |
| From 3 to 6 months | 137 058 386 | 147 901 165 |
| From 6 months to one year | 111 162 521 | 103 591 416 |
| | **464 832 896** | **419 133 673** |

As at December 31, 2016, term deposits in domestic and foreign currency earned interest at the average annual rates of 5.41% and 2.51%, respectively (4.67% and 2.66% respectively as at December 31, 2015).

As at December 31, 2016 & 2015, sight deposits earned no interest, except for specific foreign-currency denominated sight deposits defined according to the guidelines provided by the Bank's Board of Directors.

As at December 31, 2016 & 2015 the structure of demand and term deposits by type of Customer was as follows:

| | 2016 | 2015 |
|---|---|---|
| Demand deposits | | |
| Public sector - government | 2 899 663 | 2 725 622 |
| Public sector - corporate | 5 965 688 | 4 638 891 |
| Companies | 426 167 627 | 417 712 969 |
| Individuals | 179 884 420 | 172 948 471 |
| | **614 917 398** | **598 025 953** |
| Term deposits | | |
| Public sector – government | 480 692 | 415 277 |
| Public sector – corporate | 3 239 253 | 3 410 060 |
| Companies | 235 252 627 | 198 006 358 |
| Individuals | 225 860 324 | 217 301 978 |
| | **464 832 896** | **419 133 673** |

During 2016 and 2015 the movement under provisions was as follows:

| | 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Increases | | Decreases | | | | |
| | Balances at 31-12-2015 | Charges for the year | 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 |
| 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 benefit 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 |

| | 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Increases | | Decreases | | | | |
| | Balances at 31-12-2014 | Charges for the year | Staff costs (Note 26) | Write-backs and reversals | Charge-offs | Exchange differences and others | Transfers | Balances at 31-12-2015 |
| Loan impairment (Note 10) | 9 748 392 | 7 572 582 | - | (2 985 232) | (1 072 725) | 1 198 456 | 124 497 | 14 585 970 |
| General banking risks | | | | | | | | |
| In relation to company law or the Bylaws | 1 793 808 | - | - | - | (49 306) | 556 467 | - | 2 300 969 |
| Of an administrative or commercial nature | 1 020 553 | 484 187 | - | (536 159) | (684 534) | 209 654 | - | 493 701 |
| Guarantees provided (Note 10) | 1 104 784 | - | - | - | - | 121 858 | (124 497) | 1 102 145 |
| Sponsored retirement and survival benefit funds | | | | | | | | |
| Retirement benefits | 200 923 | - | 32 724 | - | - | 2 966 | - | 236 613 |
| | 4 120 068 | 484 187 | 32 724 | (536 159) | (733 840) | 890 945 | (124 497) | 4 133 428 |
| | 13 868 460 | 8 056 769 | 32 724 | (3 521 391) | (1 806 565) | 2 089 401 | - | 18 719 398 |

As at December 2016 & 2015, “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 of the previous year, calculated in United States dollars, over a five-year period. This provision was set aside between 2005 and 2009, inclusive.

As at December 31, 2016 & 2015, “Provisions of an administrative and marketing nature” consists primarily of provisions set aside to cover fraud, litigation in progress and other liabilities, and represents the Bank’s best estimate of the costs it is likely to bear in the future in respect of those liabilities. Additionally, a provision is recorded under this heading as at December 31, 2016, amounting to mAOA 244,672 for possible contingencies related to the cancellation of certified cheques not paid to the payee (aged more than 5 years).

As at December 31, 2016 & 2015, 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 (Note 2.2. k)). The total amount of these liabilities is determined by actuaries using the Projected Unit Credit method for liabilities for past services.

As mentioned in Note 2.2. k), 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 BFA Pension Fund (defined-contribution plan). In accordance to 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-year of 2014. In 2016 and 2015, the Bank’s contribution to the BFA Pension Fund amounted to mAOA 923,557 and mAOA 520,009, 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 this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Currency transactions | | |
| Forward currency transactions | 1 903 857 | 1 091 423 |
| Foreign currency purchase and sale | 28 121 897 | 54 824 185 |
| | **30 025 754** | **55 915 608** |
| Liabilities of a corporate or statutory nature | | |
| Dividend costs | 6 796 498 | 4 390 265 |
| | **6 796 498** | **4 390 265** |
| Tax payable – withheld from third parties | | |
| On income | 672 923 | 157 310 |
| Other | 114 901 | 97 544 |
| | **787 824** | **254 854** |
| Liabilities of a civil nature | 1 742 129 | 1 547 479 |
| Other liabilities of an administrative or commercial nature | | |
| Staff –salaries and other remuneration | | |
| Holiday pay and holiday subsidy | 1 609 977 | 1 272 642 |
| Performance bonus | 248 855 | 208 501 |
| Other staff costs | 501 969 | 201 542 |
| | **2 360 801** | **1 682 685** |
| Other administrative or commercial costs payable | | |
| Borrowing transactions pending settlement | 526 639 | 127 843 |
| Monthly instalments | 1 491 557 | 1 802 794 |
| Movements at POS terminals pending settlement | 2 028 474 | 1 753 328 |
| Payment orders received – pending settlement | 7 889 | 6 134 |
| Western Union Service movements | (7 629) | (7 689) |
| Visa acquiring | (1 236) | (2 335) |
| Other | 364 122 | 1 200 667 |
| | **4 409 816** | **4 880 742** |
| | **46 122 822** | **68 671 633** |

As at December 31, 2016, “Dividend charge” includes the dividends distributed by the Bank to its shareholder Banco BPI, SA, in respect of 2015 (Note 20). On January 4, 2017, BFA settled this amount.

As at December 31, 2015, “Dividend charge” includes the dividends distributed by the Bank to its shareholder Banco BPI, SA, in respect of 2014 not yet paid. In August 2015, BFA received National Bank of Angola authorisation for the transfer of 50% of these dividends, which was done in 2015. On December 23, 2016, BFA settled the remaining 50%.

As at December 31, 2016 & 2015, “Other administrative and marketing costs payable – Other”, includes mAOA 147,096 and mAOA 896,832, respectively, concerning amounts blocked in Customers’ accounts that await compensation for bank-transfer request. These amounts were offset on January 3, 2017, January 4, 2016, respectively.

## 20. EQUITY

### SHARE CAPITAL

The Bank was incorporated with a share capital of mAOA 1,305,561 (equivalent to €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 is share capital since 2005, as the Angola is no longer considered a hyperinflationary economy.

As a result, as at December 31, 2016 & 2015, the Bank's share capital amounted to mAOA 3,521,996. As at December 31, 2016 & 2015, the share-capital update monetary reserve (Note 2.2. h)) amounted to mAOA 450,717.

The shareholder structure of the Bank as at December 31, 2016 & 2015 is as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Number of shares | % | Number of shares | % |
| Banco BPI, S.A. | 653 822 | 50,08% | 653 822 | 50,08% |
| Unitel, S.A. | 651 475 | 49,90% | 651 475 | 49,90% |
| Other BPI Group entities | 264 | 0,02% | 264 | 0,02% |
| | **1 305 561** | **100%** | **1 305 561** | **100%** |

### 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, 2016 & 2015, 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 2.2. i)).

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:

| | 2016 | 2015 |
|---|---|---|
| Reserves & funds | | |
| Legal reserve | 5 161 890 | 5 161 890 |
| Other reserves | 100 920 542 | 78 200 788 |
| | **106 082 432** | **83 362 678** |

By unanimous resolution of the general meeting of April 29, 2016, it was decided to distribute 40% of the net profit for the previous year (mAOA 37,866,257) to the shareholders as dividends, the remainder being allocated to "Other reserves".

By unanimous resolution of the general meeting of April 29, 2015, it was decided to distribute 50% of the net profit for the previous year (mAOA 31,796,097) to the shareholders as dividends, the remainder being allocated to "Other reserves".

Under current law, the Bank shall set aside a legal reserve fund until such time as it equals its share capital. For the 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 2016 and 2015 out of the previous year's profits were as follows:

| | 2016 | 2015 |
|---|---|---|
| Earnings per share | 47,27 | 29,00 |
| Dividend per share paid in the year | 11,60 | 12,18 |

## 21. NET INTEREST INCOME

During the periods ended December 31, 2016 & 2015, the breakdown of these headings is as follows:

| | 2016 | 2015 |
|---|---|---|
| **INTEREST & SIMILAR INCOME** | | |
| From short-term investments: | | |
| Term deposits at credit institutions abroad | 449 143 | 265 037 |
| Term deposits at credit institutions in Angola | 2 067 281 | 2 706 864 |
| Other | 10 306 | 9 223 |
| Income from purchases of securities with repurchase agreement | 760 694 | 862 004 |
| | **3 287 424** | **3 843 128** |
| From securities: | | |
| From held-for-trading securities: | | |
| Treasury Bills | 27 807 418 | 2 070 921 |
| Central Bank Bonds | | - |
| Treasury Bonds in local currency | 2 217 133 | 1 517 886 |
| From held-to-maturity securities: | | |
| Treasury Bills | 1 026 810 | 5 407 162 |
| Treasury Bonds in local currency indexed to foreign currency and in foreign currency | 10 278 013 | 7 884 405 |
| Treasury Bonds in local currency | 12 506 068 | 13 931 452 |
| | **53 835 442** | **30 811 826** |
| From derivative financial instruments In speculation and arbitrage: | | |
| From loans granted | 3 295 984 | 1 288 699 |
| Companies and Public Administration: | | |
| Loans | 11 338 029 | 10 438 131 |
| Current account facility | 4 411 773 | 3 359 112 |
| Overdrafts | 181 600 | 371 167 |
| Other loans | 16 957 | 17 454 |
| Individuals: | | |
| Home loans | 1 256 031 | 1 024 966 |
| Consumer loans | 3 468 588 | 3 133 172 |
| Other purposes | 1 726 065 | 1 694 841 |
| Overdue interest | 1 426 964 | 1 205 159 |
| **Total interest & similar income** | **84 244 857** | **57 187 655** |

| | 2016 | 2015 |
|---|---|---|
| **INTEREST & SIMILAR COSTS** | | |
| Of deposits: | | |
| Sight deposits | 408 741 | 491 077 |
| Term deposits | 16 104 913 | 13 702 955 |
| | **16 513 654** | **14 194 032** |
| Of short-term borrowings: | | |
| Interbank money market transactions | 15 090 | 25 442 |
| Repurchase transactions | - | - |
| | **15 090** | **25 442** |
| Of derivative financial instruments: | | |
| Forwards | 499 609 | 1 124 981 |
| | 499 609 | 1 124 981 |
| | **17 028 353** | **15 344 455** |
| | **67 216 504** | **41 843 200** |

## 22. SERVICES AND COMMISSION INCOME

During the periods ended December 31, 2016 & 2015, the breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Income from provision of services | | |
| Fees on payment orders issued | 2 096 903 | 1 134 133 |
| Fees on guarantees and sureties provided | 451 298 | 541 382 |
| Fees on import documentary credits opened | 205 658 | 625 357 |
| Other commissions | 8 030 508 | 4 775 607 |
| | **10 784 367** | **7 076 479** |
| | - | - |
| Fees and custody costs | | |
| Commissions | (2 173 659) | (1 340 939) |
| | **(2 173 659)** | **(1 340 939)** |
| | - | 1 |
| | **8 610 708** | **5 735 540** |

The amount carried under "Other commissions" is primarily in respect of commission income associated with credit card-transactions and Multicaixa transactions.

## 23. RFOREIGN EXCHANGE GAINS/(LOSSES)

During the periods ended December 31, 2016 & 2015, the breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Exchange gains on assets and liabilities denominated in foreign currency | 9 374 416 | 6 843 461 |
| Foreign currency purchase and sale transactions | 8 399 676 | 9 226 580 |
| | **17 774 092** | **16 070 041** |

## 24. GAINS/(LOSSES) ON THE SALE OF OTHER ASSETS

During the periods ended December 31, 2016 & 2015, the breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Gains/(losses) on the sale of other assets | | |
| Gains on disposal of tangible assets | 8 568 | 14 032 |
| Losses on disposal of tangible assets | (958) | (899) |
| | **7 610** | **13 133** |

## 25. OTHER OPERATING INCOME

During the periods ended December 31, 2016 & 2015, the breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Other operating income | | |
| Non-income-related taxes and levies | (5 120 673) | (2 181 624) |
| Penalties imposed by regulatory authorities | (3 163) | (61 785) |
| Recovery of administrative and commercial costs | 2 141 477 | 2 308 340 |
| Other operating income/(expense) | 1 704 515 | 2 109 631 |
| | **(1 277 844)** | **2 174 562** |

In 2016 and 2015 "Other operating results – Non-income-related taxes and levies" primarily relates to capital gains tax (Note 2.2. l).

In 2016 and 2015 "Oher operating results – Recovery of administrative and commercial costs primarily relates 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 2016 & 2015, "Oher operating results – Other, includes income from loan recoveries and interest previously cancelled or written off from assets in the amounts of mAOA 390,469 and mAOA 253,037, respectively (Note 10).

## 26. STAFF COSTS

During the periods ended December 31, 2016 & 2015, the breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Members of Management and Supervisory Bodies | | |
| Monthly remuneration | 147 916 | 119 766 |
| Additional remuneration | 126 335 | 79 005 |
| Mandatory social charges | 4 390 | 3 087 |
| Optional social charges | 1 454 | 1 748 |
| | **280 095** | **203 606** |
| Employees | | |
| Monthly remuneration | 7 968 468 | 5 639 032 |
| Additional remuneration | 6 542 334 | 4 791 709 |
| Mandatory social charges | 484 330 | 350 897 |
| Optional social charges | 622 163 | 370 729 |
| | **15 617 295** | **11 152 367** |
| Pension plan costs (Note 14) | | |
| Supplementary pension plan | 923 557 | 520 009 |
| Retirement benefits | 60 827 | 32 724 |
| Other | 47 627 | 25 165 |
| | **16 929 401** | **11 933 871** |

## 27. THIRD-PARTY SUPPLIES & SERVICES

During the periods ended December 31, 2016 & 2015, the breakdown of this heading is as follows:

| | 2016 | 2015 |
|---|---|---|
| Audits, consultancy and other specialised technical services | 3 567 521 | 3 182 681 |
| Security, maintenance and repairs | 1 515 067 | 1 074 149 |
| Publications, advertising and direct mail | 1 291 159 | 1 067 942 |
| Rents | 1 222 885 | 920 461 |
| Transport, travel and accommodation | 1 140 827 | 860 877 |
| Water and electricity | 917 376 | 576 116 |
| Communications | 687 559 | 941 996 |
| Office materials | 597 647 | 397 411 |
| Other third-party supplies | 482 426 | 222 475 |
| Insurance | 228 707 | 278 543 |
| | **11 651 174** | **9 522 651** |

## 28. OFF-BALANCE SHEET ITEMS

The breakdown of these headings is as follows:

| | 2016 | 2015 |
|---|---|---|
| Liabilities to third parties: | | |
| Guarantees provided | 28 210 552 | 30 829 443 |
| Commitments to third parties | | |
| Documentary credits opened | 10 442 844 | 26 768 807 |
| | **38 653 396** | **57 598 250** |
| Liabilities for services provided: | | |
| Services provided by the institution | | |
| Securities custody | 356 828 471 | 181 787 018 |
| Clearing of foreign cheques drawn on foreign banks | 395 748 | 359 365 |
| Documentary remittances | 18 559 818 | 13 528 415 |
| | **375 784 037** | **195 674 798** |

As at December 31, 2016 & 2015, "Documentary credits opened" includes open documentary credits secured by deposits blocked at the Bank in the amount of mAOA 1,685,719 and mAOA 2,871,571, respectively.

As at December 31, 2016 & 2015, the Bank had set aside impairment provisions of mAOA 354,536 and mAOA 1,102,145 to cover the credit risk assumed in granting guarantees and issuing documentary credits, respectively (Notes 10 and 18).

As at December 31, 2016 & 2015, "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 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, 2016, the Bank's main balances and transactions with related parties are as follows:

| | BFA shareholders | | | | | |
|---|---|---|---|---|---|---|
| | BPI Group | Unitel Group | Members of the Board of Directors of BFA | Companies in which Board members hold significant influence | 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.a. | n.a. | n.a. | - | 405 662 |
| Interest expense and similar expense | - | n.a. | n.a. | n.a. | (211 277) | ( 211 277) |
| Fee and commission expense and other costs | (308 365) | n.a. | n.a. | n.a. | (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 | - | - | - | - | - | - |

As at December 31, 2015, the Bank's main balances and transactions with related parties are as follows:

| | BFA shareholders | | | | | |
|---|---|---|---|---|---|---|
| | BPI Group | Unitel Group | Members of the Board of Directors of BFA | Companies in which Board members hold significant influence | BFA Pension Fund | Total |
| Cash and banks | | | | | | |
| Cash available on demand from credit institutions | 24 847 265 | - | - | - | - | 24 847 265 |
| Short-term investments: | | | | | | |
| Other loans and advances to credit institutions | 102 179 923 | - | - | - | - | 102 179 923 |
| Loans granted | - | - | 145 550 | 1 657 609 | - | 1 803 159 |
| Customer deposits: | | | | | | |
| Sight deposits | - | (4 877 463) | (44 232) | (1 265 628) | (1 581) | (6 188 904) |
| Term deposits | - | (48 629 192) | (406 790) | (69 654) | (249 641) | (49 355 277) |
| Other funds | (4 390 275) | - | - | - | | (4 390 275) |
| Interest income and similar income | 238 662 | n.a. | n.a. | n.a. | - | 238 662 |
| Interest expense and similar expense | - | n.a. | n.a. | n.a. | (204 618) | (204 618 |
| Fee and commission expense and other costs | (335 716) | n.a. | n.a. | n.a. | (520 009) | (855 725) |
| Securities used as deposit | - | (21 606 450) | (91 176) | - | (5 493 325) | (27 190 951) |
| Documentary letters of credit | - | - | - | - | - | - |
| Bank guarantees | - | - | - | - | - | - |

n.a.: information not available

The information reported as at December 31, 2016 & 2015, does not include the costs and income with the Unitel Group, with the members of the BFA Board of Directors and with Companies where the latter have significant influence.

## 30. BALANCE BY CURRENCY

The balances as at December 31, 2016 & 2015, by currency are shown below:

| | 31-12-2016 | | | 31-12-2015 | | |
|---|---|---|---|---|---|---|
| | Local currency | Foreign currency | Total | Local currency | Foreign currency | Total |
| Cash and funds available at central banks | 235,157,135 | 43,997,450 | 279,154,585 | 212,524,441 | 43,303,818 | 255,828,259 |
| Cash available at other credit institutions | - | 38,031,194 | 38,031,194 | 362,888 | 50,678,631 | 51,041,519 |
| Short-term investments at central banks and other credit institutions | 10,635,400 | 96,576,328 | 107,211,728 | 20,600,260 | 114,405,572 | 135,005,832 |
| Financial assets at fair value through profit or loss | 294,776,253 | 43,165,696 | 337,941,949 | 57,505,149 | 20,482,269 | 77,987,418 |
| Held-to-maturity investments | 102,757,219 | 155,982,854 | 258,740,073 | 255,819,380 | 155,680,275 | 411,499,655 |
| Loans and advances to Customers | 134,557,807 | 100,753,064 | 235,310,871 | 123,423,365 | 97,372,590 | 220,795,955 |
| Non-current assets held for sale | - | 73,307 | 73,307 | - | 59,791 | 59,791 |
| Investments in subsidiaries, associates and joint ventures | 97,631 | 401,927 | 499,558 | 104,778 | 362,587 | 467,365 |
| Other tangible assets | 19,264,469 | - | 19,264,469 | 19,050,144 | - | 19,050,144 |
| Intangible assets | 1,309,264 | - | 1,309,264 | 538,918 | - | 538,918 |
| Current tax assets | 17,645 | - | 17,645 | 1,918 | - | 1,918 |
| Deferred tax assets | 1,178,276 | - | 1,178,276 | 749,027 | - | 749,027 |
| Other assets | 27,251,685 | 6,894,963 | 34,146,648 | 54,751,526 | 1,801,866 | 56,553,392 |
| **Total assets** | **827,002,784** | **485,876,783** | **1,312,879,567** | **745,431,794** | **484,147,399** | **1,229,579,193** |
| Funds of central banks and other credit institutions | 1,759,850 | 1,685,719 | 3,445,569 | 1,826,034 | 2,988,570 | 4,814,604 |
| Customer funds and other borrowings | 698,510,509 | 381,239,785 | 1,079,750,294 | 635,403,828 | 381,755,798 | 1,017,159,626 |
| Financial liabilities at fair value through profit or loss | 22,846 | 1,487,950 | 1,510,796 | 2,745 | 3,796,175 | 3,798,920 |
| Provisions | 1,642,511 | 3,033,131 | 4,675,642 | 733,773 | 3,399,655 | 4,133,428 |
| Current tax liabilities | 4,352,579 | - | 4,352,579 | 4,545,506 | - | 4,545,506 |
| Other liabilities | 12,692,238 | 33,430,584 | 46,122,822 | 10,741,004 | 57,930,629 | 68,671,633 |
| **Total liabilities** | **718,980,533** | **420,877,169** | **1,139,857,702** | **653,252,890** | **449,870,827** | **1,103,123,717** |
| **Net assets** | **108,022,251** | **64,999,614** | **173,021,865** | **92,178,904** | **34,276,572** | **126,455,476** |
| **Shareholders' equity** | **173,021,865** | **-** | **173,021,865** | **126,455,476** | **-** | **126,455,476** |

In the above table, the securities in kwanzas indexed to US dollars, held by the Bank, are presented in the "Foreign currency" column, with the following composition: (i) "Financial assets at fair value through profit or loss" in the amounts of mAOA 42,952,229 and mAOA 20,326,331 as at December 31, 2016 & 2015, respectively; and (ii) "Investments held to maturity", in the amounts of mAOA 43,252,851 and mAOA 64,014,854 at December 31, 2016 & 2015, respectively.

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 articles 4(2) 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;
- 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 have at least one exposure overdue 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 organizations, 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 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.

**Nível B**: restantes créditos.

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 Without evidence de 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 a circumstance of delay in payments.

Within the scope of the regular review of loan operations, including overdue loans, the 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, 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 the following criteria are observed:

- 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 next 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 overdue loans

Overdue 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 overdue by more than 60 days, management of the relationship is transferred to that specialised team, whose mission is to co-operate n loan recovery measures, and it take 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 December 31, 2016 & 2015, it was made up entirely of securities issued by the Angolan State and the National Bank of Angola.

As at December 31, 2016 & 2015, the breakdown of the maximum credit-risk exposure is as follows:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Gross book value | Impairment | Net book value | Gross book value | Impairment | Net book value |
| On-balance-sheet funds | | | | | | |
| Cash and funds available at central banks | 279 154 585 | - | 279 154 585 | 255 828 259 | - | 255 828 259 |
| Funds available at other credit institutions | 38 031 194 | - | 38 031 194 | 51 041 519 | - | 51 041 519 |
| Short-term investments at central banks and other credit institutions | 107 211 728 | - | 107 211 728 | 135 005 832 | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 337 941 949 | - | 337 941 949 | 77 987 418 | - | 77 987 418 |
| Held-to-maturity investments | 258 740 073 | - | 258 740 073 | 411 499 655 | - | 411 499 655 |
| Loans and advances to Customers | 249 547 970 | 14 237 099 | 235 310 871 | 235 381 925 | 14 585 970 | 220 795 955 |
| | 1 270 627 499 | 14 237 099 | 1 256 390 400 | 1 166 744 608 | 14 585 970 | 1 152 158 638 |
| Off-balance-sheet funds | | | | | | |
| Guarantees given and documentary credits opened | 38 653 396 | 354 536 | 38 298 860 | 57 598 250 | 1 102 145 | 56 496 105 |
| **Total** | **1 309 280 895** | **14 591 635** | **1 294 689 260** | **1 224 342 858** | **15 688 115** | **1 208 654 743** |

The financial assets credit quality is as follows as at December 31, 2016 &2015:

| | Source of rating | Rating grade | 2016 Gross exposure | 2016 Impairment | 2016 Net exposure |
|---|---|---|---|---|---|
| Cash and funds available at central banks | External rating | B+ to B- | 255 728 381 | - | 255 728 381 |
| | Unrated | N/D | 23 426 204 | - | 23 426 204 |
| | | | 279 154 585 | - | 279 154 585 |
| Funds available at other credit institutions | External rating | A+ to A- | 768 380 | - | 768 380 |
| | | BBB+ to BBB- | 3 334 381 | - | 3 334 381 |
| | | BB+ to BB- | 33 097 755 | - | 33 097 755 |
| | Unrated | N/D | 830 678 | - | 830 678 |
| | | | 38 031 194 | - | 38 031 194 |
| Short-term investments at central banks and other credit institutions | External rating | A+ to A- | 3 318 269 | - | 3 318 269 |
| | | BBB+ to BBB- | 8 295 150 | - | 8 295 150 |
| | | BB+ to 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+ to 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+ to B- | 258 740 073 | - | 258 740 073 |
| Loans and advances to Customers - On-balance-sheet | Internal rating | Class A | 96 403 758 | - | 96 403 758 |
| | | Class B | 133 440 384 | (1 305 954) | 132 134 430 |
| | | Class C | 3 145 818 | (149 571) | 2 996 247 |
| | | Class D | 681 926 | (121 888) | 560 038 |
| | | Class E | 2 430 541 | (683 115) | 1 747 426 |
| | | Class F | 4 617 063 | (3 148 091) | 1 468 972 |
| | | Class 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 | Class A | 2 082 722 | - | 2 082 722 |
| | | Class B | 36 551 642 | (349 504) | 36 202 138 |
| | | Class C | 4 100 | (204) | 3 896 |
| | | Class E | 14 434 | (4 330) | 10 104 |
| | | Class G | 498 | (498) | - |
| | | | 38 653 396 | (354 536) | 38 298 860 |
| | | **Total** | **1 309 280 895** | **(14 591 635)** | **1 294 689 260** |

| | Source of rating | Rating grade | 2015 Gross exposure | 2015 Impairment | 2015 Net exposure |
|---|---|---|---|---|---|
| Cash and funds available at central banks | External rating | B+ to B- | 216 777 101 | - | 216 777 101 |
| | Unrated | N/D | 39 051 158 | - | 39 051 158 |
| | | | 255 828 259 | - | 255 828 259 |
| Funds available at other credit institutions | External rating | A+ to A- | 25 304 921 | - | 25 304 921 |
| | | BBB+ to BBB- | 51 853 | - | 51 853 |
| | | BB+ to BB- | 24 795 257 | - | 24 795 257 |
| | Unrated | N/D | 889 488 | - | 889 488 |
| | | | 51 041 519 | - | 51 041 519 |
| Short-term investments at central banks and other credit institutions | External rating | A+ to A- | 2 213 984 | - | 2 213 984 |
| | | BBB+ to BBB- | 40 594 500 | - | 40 594 500 |
| | | BB+ to BB- | 48 713 400 | - | 48 713 400 |
| | Unrated | N/D | 43 483 948 | - | 43 483 948 |
| | | | 135 005 832 | - | 135 005 832 |
| Financial assets at fair value through profit or loss | External rating | B+ to B- | 74 742 335 | - | 74 742 335 |
| | Unrated | N/D | 3 245 083 | - | 3 245 083 |
| | | | 77 987 418 | - | 77 987 418 |
| Held-to-maturity investments | External rating | B+ to B- | 411 499 655 | - | 411 499 655 |
| Loans and advances to Customers - On-balance-sheet | Internal rating | A | 74 786 045 | (111) | 74 785 934 |
| | | B | 1 896 840 | (33 905) | 1 862 935 |
| | | C | 139 912 515 | (4 143 809) | 135 768 706 |
| | | D | 2 109 048 | (210 264) | 1 898 784 |
| | | E | 4 769 905 | (1 297 623) | 3 472 282 |
| | | F | 7 573 986 | (4 570 828) | 3 003 158 |
| | | G | 4 333 586 | (4 329 430) | 4 156 |
| | | | 235 381 925 | (4 585 970) | 220 795 955 |
| Loans and advances to Customers – Off-balance-sheet | Internal rating | A | 6 048 252 | - | 6 048 252 |
| | | B | 15 488 620 | (92 839) | 15 395 781 |
| | | C | 36 039 690 | (990 075) | 35 049 615 |
| | | D | 2 730 | (273) | 2 457 |
| | | G | 18 958 | (18 958) | - |
| | | | 57 598 250 | (1 102 145) | 56 496 105 |
| | | **Total** | **1 224 342 858** | **( 15 688 115)** | **1 208 654 743** |

As at December 31, 2016 & 2015, the detail of the geographic concentration of the risk exposure is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Angola | Other countries in Africa | Europe | Other | Total |
| Assets | | | | | |
| Cash and funds available at central banks | 279 154 585 | - | - | - | 279 154 585 |
| Funds available at other credit institutions | - | 334 155 | 36 933 400 | 763 639 | 38 031 194 |
| Short-term investments at central banks and other credit institutions | 15 469 917 | - | 91 741 811 | - | 107 211 728 |
| Financial assets at fair value through profit or loss | 337 941 949 | - | - | - | 337 941 949 |
| Held-to-maturity investments | 258 740 073 | - | - | - | 258 740 073 |
| Loans and advances to Customers | 235 310 871 | - | - | - | 235 310 871 |
| **Total** | **1 126 617 395** | **334 155** | **128 675 211** | **763 639** | **1 256 390 400** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Angola | Other countries in Africa | Europe | Other | Total |
| Assets | | | | | |
| Cash and funds available at central banks | 255 828 259 | - | - | - | 255 828 259 |
| Funds available at other credit institutions | - | 647 714 | 48 754 937 | 1 638 868 | 51 041 519 |
| Short-term investments at central banks and other credit institutions | 30 629 023 | - | 104 376 809 | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 77 987 418 | - | - | - | 77 987 418 |
| Held-to-maturity investments | 411 499 655 | - | - | - | 411 499 655 |
| Loans and advances to Customers | 220 795 955 | - | - | - | 220 795 955 |
| **Total** | **996 740 310** | **647 714** | **153 131 746** | **1 638 868** | **1 152 158 638** |

The sectorial concentration of loans and advances to Customers as at December 31, 2016 & 2015 is as follows:

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and advances to Customers | | | | | Imparidade | |
| | Performing | Overdue | Guarantees given | Total exposure | Relative weight | Value | Impairment/ Total exposure |
| **Companies** | | | | | | | |
| Real estate and rental activities and services 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 | 0% | 2 067 | 1% |
| Central government | 60 604 266 | - | - | 60 604 266 | 21% | - | 0% |
| 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 | 0% | 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 | 0% | 2 210 | 0% |
| 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** | |

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and advances to Customers | | | | | Imparidade | |
| | Performing | Overdue | Guarantees given | Total exposure | Relative weight | Value | Impairment/ Total exposure |
| **Companies** | | | | | | | |
| Real estate and rental activities and services provided by companies | 8 574 463 | 196 341 | 350 566 | 9 121 370 | 3% | 366 488 | 4% |
| Other collective, social and personal services | 368 339 | 1 717 | 44 518 | 414 574 | 0% | 13 082 | 3% |
| Central government | 57 752 471 | - | - | 57 752 471 | 20% | - | 0% |
| Agriculture, livestock, hunting and forestry | 11 638 670 | 360 594 | 411 623 | 12 410 887 | 4% | 468 748 | 4% |
| Hotels and restaurants | 3 733 963 | 237 905 | - | 3 971 868 | 1% | 297 614 | 7% |
| Financial activities | 294 333 | 1 869 | 2 505 229 | 2 801 431 | 1% | 10 621 | 0% |
| Wholesale and retail trade | 11 801 380 | 3 477 813 | 3 890 201 | 19 169 394 | 7% | 2 925 122 | 15% |
| Construction | 33 449 898 | 2 128 818 | 25 348 391 | 60 927 107 | 21% | 3 823 126 | 6% |
| Education | 709 440 | 3 322 | 406 | 713 168 | 0% | 62 940 | 9% |
| Extractive industries | 2 020 103 | 691 063 | 295 554 | 3 006 720 | 1% | 501 106 | 17% |
| Processing industries | 8 788 968 | 425 532 | 8 124 691 | 17 339 191 | 6% | 997 499 | 6% |
| Other service companies | 8 918 016 | 732 990 | 5 370 699 | 15 021 705 | 5% | 495 011 | 3% |
| Production and distribution of electricity, gas and water | 1 779 696 | 8 959 | 975 896 | 2 764 551 | 1% | 404 522 | 15% |
| Health and social action | 1 222 890 | 558 | - | 1 223 448 | 0% | 17 170 | 1% |
| Transport, storage and communications | 9 959 069 | 1 382 662 | 10 165 838 | 21 507 569 | 7% | 1 460 442 | 7% |
| | 161 011 699 | 9 650 143 | 57 483 612 | 228 145 454 | | 11 843 491 | |
| **Individuals** | | | | | | | |
| Consumer | 30 273 647 | 414 384 | - | 30 688 031 | 10% | 1 449 861 | 5% |
| Housing | 23 282 420 | 224 496 | - | 23 506 916 | 8% | 1 792 023 | 8% |
| Other purposes | 10 103 909 | 421 227 | 114 638 | 10 639 774 | 4% | 602 740 | 6% |
| | 63 659 976 | 1 060 107 | 114 638 | 64 834 721 | | 3 844 624 | |
| **Total** | **224 671 675** | **10 710 250** | **57 598 250** | **292 980 175** | | **15 688 115** | |

As at December 31, 2016 & 2015, the breakdown of loans and advances to Customers is as follows:

| 2016 | Performing loans associated with overdue loans | Time past due: 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 | Total |
|---|---|---|---|---|---|---|---|
| **Loans and advances to Customers** | | | | | | | |
| Loans without impairment | 170 379 | 1 483 | 172 | - | - | - | 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** |

| 2015 | Performing loans associated with overdue loans | Time past due: 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 | Total |
|---|---|---|---|---|---|---|---|
| **Loans and advances to Customers** | | | | | | | |
| Loans without impairment | 532 942 | 4 043 | - | - | - | - | 536 985 |
| **With individually assessed impairment** | | | | | | | |
| Overdue loans and interest | 5 168 690 | 102 196 | 617 729 | 603 370 | 4 451 464 | 4 132 397 | 15 075 846 |
| Impairment | 1 775 633 | 60 400 | 32 062 | 414 929 | 2 701 258 | 2 021 597 | 7 005 879 |
| Net exposure | 3 393 057 | 41 796 | 585 667 | 188 441 | 1 750 206 | 2 110 800 | 8 069 967 |
| **With collectively assessed impairment** | | | | | | | |
| Overdue loans and interest | 4 118 943 | 19 556 | 83 078 | 230 715 | 315 163 | 150 539 | 4 917 994 |
| Impairment | 670 817 | 756 | 4 182 | 110 150 | 311 245 | 150 539 | 1 247 689 |
| Net exposure | 3 448 126 | 18 800 | 78 896 | 120 565 | 3 918 | - | 3 670 305 |
| **Total** | **7 374 125** | **64 639** | **664 563** | **309 006** | **1 754 124** | **2 110 800** | **12 277 257** |

The composition of overdue loans without impairment as at December 31, 2016 & 2015 is as follows:

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | Performing loans associated with overdue loans | Loans up to 30 days past due | Loans between 30 and 90 days past due | Loans between 90 and 180 days past due | Loans more than 180 days past due | Total |
| **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** |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | Performing loans associated with overdue loans | Loans up to 30 days past due | Loans between 30 and 90 days past due | Loans between 90 and 180 days past due | Loans more than 180 days past due | Total |
| **Overdue loans and interest** | | | | | | |
| Without individually assessed impairment | 386 158 | 2 896 | - | - | - | 389 054 |
| Without collectively assessed impairment | 146 784 | 1 147 | - | - | - | 147 931 |
| **Total** | **532 942** | **4 043** | **-** | **-** | **-** | **536 985** |

The composition of overdue loans with impairment as at December 31, 2016 & 2015 is as follows:

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | Performing loans associated with overdue loans | Loans up to 30 days past due | Loans between 30 and 90 days past due | Loans between 90 and 180 days past due | Loans more than 180 days past due | Total |
| **Overdue loans and interest** | | | | | | |
| Without individually assessed impairment | 3 720 633 | 29 103 | 1 142 884 | 1 565 711 | 8 300 800 | 14 759 131 |
| Without collectively assessed impairment | 4 784 484 | 38 652 | 72 460 | 134 245 | 350 903 | 5 380 744 |
| **Total** | **8 505 117** | **67 755** | **1 215 344** | **1 699 956** | **8 651 703** | **20 139 875** |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | Performing loans associated with overdue loans | Loans up to 30 days past due | Loans between 30 and 90 days past due | Loans between 90 and 180 days past due | Loans more than 180 days past due | Total |
| **Overdue loans and interest** | | | | | | |
| Without individually assessed impairment | 5 168 690 | 102 196 | 617 729 | 330 450 | 8 856 781 | 15 075 846 |
| Without collectively assessed impairment | 4 118 943 | 19 556 | 83 078 | 95 167 | 601 250 | 4 917 994 |
| **Total** | **9 287 633** | **121 752** | **700 807** | **425 617** | **9 458 031** | **19 993 840** |

As at December 31, 2016 & 2015, the structure of restructured loans and advances is as follows:

| | 2016 | | | |
|---|---|---|---|---|
| | Loans | | | |
| | Outstanding | Past due | Total | Impairment |
| **Corporates** | 1 993 028 | 2 372 839 | 4 365 867 | 2 489 343 |
| Individuals: | | | | |
| Consumer | 192 566 | 1 203 | 193 769 | 41 547 |
| Home | 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** |

| | 2015 | | | |
|---|---|---|---|---|
| | Loans | | | |
| | Outstanding | Past due | Total | Impairment |
| **Corporates** | 4 531 189 | 1 379 008 | 5 910 197 | 2 780 520 |
| Individuals: | | | | |
| Consumer | 179 930 | 1 375 | 181 305 | 3 848 |
| **Total** | **4 711 119** | **1 380 383** | **6 091 502** | **2 784 368** |

## 31.2 LIQUIDITY RISK

The liquidity risk corresponds to the risk that the Bank may find it difficult to obtain the financial resources it needs to meet its commitments. The 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 the 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, 2016 & 2015, the detail of the wholes of the contractual cash flows is as follows:

| | 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual contractual term | | | | | | | | | |
| | **Due** | **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** | **Indeterminate** | **Total** |
| **Assets** | | | | | | | | | | |
| Cash and funds available at central banks | 280 960 160 | - | - | - | - | - | - | - | - | 280 960 160 |
| Funds available at other credit institutions | 38 031 194 | - | - | - | - | - | - | - | - | 38 031 194 |
| Short-term investments at 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 |
| Held-to-maturity investments | - | - | 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** |
| **Accumulated 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** |

| | 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual contractual term | | | | | | | | | |
| | Due | 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 | Indeterminate | Total |
| **Assets** | | | | | | | | | | |
| Cash and funds available at central banks | 257 482 959 | - | - | - | - | - | - | - | - | 257 482 959 |
| Funds available at other credit institutions | 51 041 519 | - | - | - | - | - | - | - | - | 51 041 519 |
| Short-term investments at central banks and other credit institutions | - | 121 212 365 | 14 000 257 | - | - | - | - | - | - | 135 212 622 |
| Financial assets at fair value through profit or loss | - | 1 327 570 | 27 373 501 | 26 168 150 | 15 051 703 | 18 242 190 | 9 543 941 | - | - | 97 707 055 |
| Held-to-maturity investments | - | 25 875 384 | 32 502 592 | 57 232 566 | 85 127 182 | 153 604 588 | 32 846 690 | 86 253 520 | - | 473 442 522 |
| Loans and advances to Customers | - | 16 995 060 | 10 661 237 | 17 520 322 | 31 889 873 | 66 441 588 | 45 232 003 | 113 912 941 | - | 302 653 024 |
| **Total assets** | **308 524 478** | **165 410 379** | **84 537 587** | **100 921 038** | **132 068 758** | **238 288 366** | **87 622 634** | **200 166 461** | **-** | **1 317 539 701** |
| **Liabilities** | | | | | | | | | | |
| Funds of central banks and other credit institutions | 4 814 604 | - | - | - | - | - | - | - | - | 4 814 604 |
| Customer funds and other borrowings | 597 859 708 | 124 274 887 | 132 879 363 | 127 118 077 | 46 573 593 | - | - | - | - | 1 028 705 628 |
| Financial liabilities at fair value through profit or loss | - | 1 241 155 | 2 557 765 | - | - | - | - | - | - | 3 798 920 |
| **Total liabilities** | **602 674 312** | **125 516 042** | **135 437 128** | **127 118 077** | **46 573 593** | **-** | **-** | **-** | **-** | **1 037 319 152** |
| **Liquidity gap** | **(294 149 834)** | **39 894 337** | **(50 899 541)** | **(26 197 039)** | **85 495 165** | **238 288 366** | **87 622 634** | **200 166 461** | **-** | **280 220 549** |
| **Accumulated liquidity gap** | **(294 149 834)** | **(254 255 497)** | **(305 155 038)** | **(331 352 077)** | **(245 856 912)** | **(7 568 546)** | **80 054 088** | **280 220 549** | **280 220 549** | **280 220 549** |

The composition of contractual cash flows relating to capital as at December 31, 2016 & 2015, is as follows:

| | 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Repricing dates / Maturity date | | | | | | | | | |
| | Due | 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 | Indeterminate | Total |
| **Assets** | | | | | | | | | | |
| Cash and funds available at central banks | 279 154 585 | - | - | - | - | - | - | - | - | 279 154 585 |
| Funds available at other credit institutions | 38 031 194 | - | - | - | - | - | - | - | - | 38 031 194 |
| Short-term investments at 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 | 179 866 | 19 134 443 | 43 251 200 | 55 081 403 | 177 780 901 | 22 852 532 | 19 126 434 | 535 170 | - | 337 941 949 |
| Held-to-maturity investments | - | - | 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 | - | 7 651 097 | 10 733 613 | 21 362 720 | 11 624 433 | 40 700 381 | 63 204 713 | 80 033 914 | - | 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 | - | - | - | - | - | - | 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** |
| **Accumulated 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** |

| | 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Datas de refixação / Data de maturidade | | | | | | | | | |
| | Due | 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 | Indeterminate | Total |
| **Assets** | | | | | | | | | | |
| Cash and funds available at central banks | 255 828 259 | - | - | - | - | - | - | - | - | 255 828 259 |
| Funds available at other credit institutions | 51 041 519 | - | - | - | - | - | - | - | - | 51 041 519 |
| Short-term investments at central banks and other credit institutions | - | 122 156 448 | 12 849 384 | - | - | - | - | - | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 145 820 | 1 237 491 | 25 141 745 | 21 693 039 | 9 777 333 | 13 142 998 | 6 848 992 | - | - | 77 987 418 |
| Held-to-maturity investments | - | 24 736 456 | 30 644 008 | 53 928 092 | 79 888 450 | 136 043 803 | 25 467 714 | 60 791 132 | - | 411 499 655 |
| Loans and advances to Customers | - | 15 257 421 | 9 510 312 | 15 635 726 | 16 402 795 | 39 171 139 | 26 063 149 | 98 755 413 | - | 220 795 955 |
| **Total assets** | **307 015 598** | **163 387 816** | **78 145 449** | **91 256 857** | **106 068 578** | **188 357 940** | **58 379 855** | **159 546 545** | **-** | **1 152 158 638** |
| **Liabilities** | | | | | | | | | | |
| Funds of central banks and other credit institutions | 4 814 604 | - | - | - | - | - | - | - | - | 4 814 604 |
| Customer funds and other borrowings | 597 859 708 | 120 835 589 | 128 178 554 | 122 052 621 | 48 233 154 | - | - | - | - | 1 017 159 626 |
| Financial liabilities at fair value through profit or loss | - | 1 241 155 | 2 557 765 | - | - | - | - | - | - | 3 798 920 |
| **Total liabilities** | **602 674 312** | **122 076 744** | **130 736 319** | **122 052 621** | **48 233 154** | **-** | **-** | **-** | **-** | **1 025 773 150** |
| **Liquidity gap** | **(295 658 714)** | **41 311 072** | **(52 590 870)** | **(30 795 764)** | **57 835 424** | **188 357 940** | **58 379 855** | **159 546 545** | **-** | **126 385 488** |
| **Accumulated liquidity gap** | **(295 658 714)** | **(254 347 642)** | **(306 938 512)** | **(337 734 276)** | **(279 898 852)** | **(91 540 912)** | **(33 161 057)** | **126 385 488** | **126 385 488** | **126 385 488** |

## 31.3 MARKET RISK

Market risk is the possible fluctuation of the fair value or of future cash flows associated with a financial instrument due to changes in market prices. Market risk includes the interest-rate risk and the exchange-rate risk.

### Interest-rate Risk

The interest rate risk is the risk of the fair value or of the cash flows associated with a particular financial instrument changing 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, 2016 & 2015, the detail of financial instruments for exposure to the interest-rate risk is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Exposure to | | Not subject to interest rate risk | Derivatives | Total |
| | Fixed rate | Variable rate | | | |
| **Assets** | | | | | |
| Cash and balances with central banks | - | 255 728 381 | 23 426 204 | - | 279 154 585 |
| Balances with other credit institutions | - | 38 031 194 | - | - | 38 031 194 |
| Short-term investments at 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 |
| Held-to-maturity investments | 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** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Exposure to | | Not subject to interest rate risk | Derivatives | Total |
| | Fixed rate | Variable rate | | | |
| **Assets** | | | | | |
| Cash and balances with central banks | - | 216 777 101 | 39 051 158 | - | 255 828 259 |
| Balances with other credit institutions | - | 50 678 631 | 362 888 | - | 51 041 519 |
| Short-term investments at central banks and other credit institutions | 114 360 270 | 20 645 562 | - | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 74 742 335 | - | 3 245 083 | - | 77 987 418 |
| Held-to-maturity investments | 319 834 234 | 91 665 421 | - | - | 411 499 655 |
| Loans and advances to Customers | 201 170 389 | 19 625 566 | - | | 220 795 955 |
| | **710 107 228** | **399 392 281** | **42 659 129** | **-** | **1 152 158 638** |
| **Liabilities** | | | | | |
| Funds of central banks and other credit institutions | - | - | 4 814 604 | - | 4 814 604 |
| Customer funds and other borrowings | 419 133 673 | 598 025 953 | - | - | 1 017 159 626 |
| Financial liabilities at fair value through profit or loss | - | - | 3 798 920 | - | 3 798 920 |
| **Total** | **419 133 673** | **598 025 953** | **8 613 524** | **-** | **1 025 773 150** |

The detail of financial instruments exposed to the interest-rate risk in the light of the maturity or repricing date as at December 31, 2016 & 2015, is as follows:

| | 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Repricing dates / Maturity date | | | | | | | | |
| | Due | 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 | Indeterminate | Total |
| **Assets** | | | | | | | | | |
| Cash and balances with central banks | 255 728 381 | - | - | - | - | - | - | - | 255 728 381 |
| Balances with other credit institutions | 38 031 194 | - | - | - | - | - | - | - | 38 031 194 |
| Short-term investments at 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 |
| Held-to-maturity investments | - | 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** |

| | 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Repricing dates / Maturity date | | | | | | | | |
| | Due | 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 | Indeterminate | Total |
| **Assets** | | | | | | | | | |
| Cash and balances with central banks | 216 777 101 | - | - | - | - | - | - | - | 216 777 101 |
| Balances with other credit institutions | 50 678 631 | - | - | - | - | - | - | - | 50 678 631 |
| Short-term investments at central banks and other credit institutions | 122 156 448 | 12 849 384 | - | - | - | - | - | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 198 914 | 23 081 062 | 21 693 039 | 9 777 333 | 13 142 998 | 6 848 989 | - | - | 74 742 335 |
| Held-to-maturity investments | 24 736 456 | 30 644 008 | 53 928 092 | 79 888 450 | 136 043 803 | 25 467 714 | 60 791 132 | - | 411 499 655 |
| Loans and advances to Customers | 58 996 216 | 1 986 958 | 3 177 004 | 9 682 052 | 34 361 165 | 51 932 227 | 60 660 333 | - | 220 795 955 |
| | **473 543 766** | **68 561 412** | **78 798 135** | **99 347 835** | **183 547 966** | **84 248 930** | **121 451 465** | **-** | **1 109 499 509** |
| **Liabilities** | | | | | | | | | |
| Customer funds and other borrowings | **718 695 297** | **128 178 554** | **125 254 018** | **45 031 757** | **-** | **-** | **-** | **-** | **1 017 159 626** |

As at December 31, 2016 & 2015, the sensitivity analysis of the results generated by financial instruments to changes in interest rates is detailed as follows:

| | 2016 Changes 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 expense | 9 296 658 | 4 648 329 | 2 324 164 | (2 324 164) | (4 648 329) | (9 296 658) |
| **Total** | **(9 456 725)** | **(4 728 363)** | **(2 364 180)** | **2 364 182** | **4 728 363** | **9 456 725** |

| | 2015 Changes in interest rates | | | | | |
|---|---|---|---|---|---|---|
| | -200 bp | -100 bp | -50 bp | 50 bp | 100 bp | 200 bp |
| Interest income and similar income | (16 915 117) | (8 457 559) | (4 228 779) | 4 228 779 | 8 457 559 | 16 915 117 |
| Interest expense and similar expense | 8 382 673 | 4 191 337 | 2 095 668 | (2 095 668) | (4 191 337) | (8 382 673) |
| **Total** | **(8 532 444)** | **(4 266 222)** | **(2 133 111)** | **2 133 111** | **4 266 222** | **8 532 444** |

## Exchange-Rate Risk

Market risk is the possible fluctuation of the fair value or of 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 its balance sheet, so as to avoid the exchange-rate risk.

As at December 31, 2016 & 2015, the detail of financial instruments by currency is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Kwanzas | US dollars | Euros | Other currencies | Total |
| **Assets** | | | | | |
| Cash and balances with 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 |
| Short-term investments at 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 |
| Held-to-maturity investments | 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** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Kwanzas | US dollars | Euros | Other currencies | Total |
| **Assets** | | | | | |
| Cash and balances with central banks | 212 524 441 | 42 132 528 | 883 389 | 287 901 | 255 828 259 |
| Balances with other credit institutions | 362 888 | 29 236 207 | 20 030 998 | 1 411 426 | 51 041 519 |
| Short-term investments at central banks and other credit institutions | 20 600 260 | 114 405 572 | - | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 57 505 149 | 20 482 269 | - | - | 77 987 418 |
| Held-to-maturity investments | 255 819 380 | 155 680 275 | - | - | 411 499 655 |
| Loans and advances to Customers | 123 423 365 | 96 962 511 | 406 546 | 3 533 | 220 795 955 |
| | **670 235 483** | **458 899 362** | **21 320 933** | **1 702 860** | **1 152 158 638** |
| **Liabilities** | | | | | |
| Funds of central banks and other credit institutions | 1 826 034 | 2 547 040 | 441 530 | - | 4 814 604 |
| Customer funds and other borrowings | 635 436 166 | 359 181 121 | 21 284 371 | 1 257 968 | 1 017 159 626 |
| Financial liabilities at fair value through profit or loss | 2 745 | 3 792 725 | 3 450 | - | 3 798 920 |
| | **637 264 945** | **365 520 886** | **21 729 351** | **1 257 968** | **1 025 773 150** |
| | **32 970 538** | **93 378 476** | **(408 418)** | **444 892** | **126 385 488** |

The sensitivity analysis of the asset value of the financial instruments to changes in exchange rates, as at December 31, 2016 & 2015, is detailed as follows:

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | -20% | -10% | -5% | 5% | 10% | 20% |
| US dollars | (6 344 858) | (3 167 429) | (1 583 715) | 1 583 175 | 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** |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | -20% | -10% | -5% | 5% | 10% | 20% |
| US dollars | (6 911 438) | (1 727 859) | (1 727 859) | 1 727 859 | 1 727 859 | 6 911 438 |
| Euros | (43 844) | (21 922) | (10 961) | 10 961 | 21 922 | 43 844 |
| Other currencies | (89 952) | (44 976) | (22 488) | 22 488 | 44 976 | 89 952 |
| **Total** | **(7 045 234)** | **(3 522 617)** | **(1 761 308)** | **1 761 308** | **3 522 617** | **7 045 234** |

## 31.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2016 & 2015, the carrying amount of the financial instruments is as follows:

| | 2016 | | | |
|---|---|---|---|---|
| | Carried at fair value | Carried at amortized cost | Impairment | Net carrying value |
| **Assets** | | | | |
| Cash and balances with central banks | - | 279 154 585 | - | 279 154 585 |
| Balances with other credit institutions | - | 38 031 194 | - | 38 031 194 |
| Short-term investments at 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 |
| Held-to-maturity investments | - | 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** |
| **Passivos** | | | - | |
| Recursos de bancos centrais e de outras instituições de crédito | - | 3 445 569 | - | 3 445 569 |
| Recursos de Clientes e outros empréstimos | - | 1 079 750 294 | - | 1 079 750 294 |
| Passivos financeiros ao justo valor através de resultados | 1 510 796 | - | - | 1 510 796 |
| | **1 510 796** | **1 083 195 863** | **-** | **1 084 706 659** |

| | 2015 | | | |
|---|---|---|---|---|
| | Carried at fair value | Carried at amortized cost | Impairment | Net carrying value |
| **Assets** | | | | |
| Cash and balances with central banks | - | 255 828 259 | - | 255 828 259 |
| Balances with other credit institutions | - | 51 041 519 | - | 51 041 519 |
| Short-term investments at central banks and other credit institutions | - | 135 005 832 | - | 135 005 832 |
| Financial assets at fair value through profit or loss | 77 987 418 | - | - | 77 987 418 |
| Held-to-maturity investments | - | 411 499 655 | - | 411 499 655 |
| Loans and advances to Customers | - | 235 381 925 | 14 585 970 | 220 795 955 |
| | **77 987 418** | **1 088 757 190** | **14 585 970** | **1 152 158 638** |
| **Passivos** | | | - | |
| Recursos de bancos centrais e de outras instituições de crédito | - | 4 814 604 | - | 4 814 604 |
| Recursos de Clientes e outros empréstimos | - | 1 017 159 626 | - | 1 017 159 626 |
| Passivos financeiros ao justo valor através de resultados | 3 798 920 | - | - | 3 798 920 |
| | **3 798 920** | **1 021 974 230** | **-** | **1 025 773 150** |

As at December 31, 2016 & 2015, the fair value of the Bank's financial instruments is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Fair value of financial instruments | | | | |
| | Net carrying amount | Recorded at fair value | Recorded at amortized cost | Total | Difference |
| **Assets** | | | | | |
| Cash and balances with 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 | - |
| Short-term investments at 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 | - |
| Held-to-maturity investments | 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** | **-** |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Fair value of financial instruments | | | | |
| | Net carrying amount | Recorded at fair value | Recorded at amortized cost | Total | Difference |
| **Assets** | | | | | |
| Cash and balances with central banks | 255 828 259 | - | 255 828 259 | 255 828 259 | - |
| Balances with other credit institutions | 51 041 519 | - | 51 041 519 | 51 041 519 | - |
| Short-term investments at central banks and other credit institutions | 135 005 832 | - | 135 005 832 | 135 005 832 | - |
| Financial assets at fair value through profit or loss | 77 987 418 | 77 987 418 | - | 77 987 418 | - |
| Held-to-maturity investments | 411 499 655 | - | 411 499 655 | 411 499 655 | - |
| Loans and advances to Customers | 220 795 955 | - | 194 426 494 | 194 426 494 | (26 369 461) |
| | **1 152 158 638** | **77 987 418** | **1 047 801 759** | **1 125 789 177** | **(26 369 461)** |
| **Liabilities** | | | | | |
| Funds of central banks and other credit institutions | 4 814 604 | - | 4 814 604 | 4 814 604 | - |
| Customer funds and other borrowings | 1 017 159 626 | - | 1 017 159 626 | 1 017 159 626 | - |
| Financial liabilities at fair value through profit or loss | 3 798 920 | 3 798 920 | - | 3 798 920 | - |
| | **1 025 773 150** | **3 798 920** | **1 021 974 230** | **1 025 773 150** | **-** |

Where possible, the fair value of the financial shall be estimated prices listed 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 of the Bank is not listed in active markets.

In view of the lack of prices listed in active markets, the valuation of financial instruments is undertaken as follows:

a) Financial instruments carried in the balance sheet at fair value:

The Treasury Bills and Treasury Bonds issued by the Angolan State and held by the Bank for trading on a 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 approach to their market value, since no price is listed in an active market with regular transactions.

"Derivative operations – currency forwards" are values on the basis of generally accepted methods, in particular based on the current value of future cash flows, based on the interest-rate curve at the time of calculation.

Interest rates for specific cash-flow periods are determined using interpolation methods.

b) Financial instruments carried in the balance sheet at amortised cost:

For financial instruments carried in the balance sheet at amortised cost, the Bank determines the fair value using valuation techniques.

The valuation techniques used are based on the conditions applicable to similar operations on reporting date, in particular, the value of their discounted cash flows based on 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 of their fair value;
- For Treasury Bonds issued by the Angolan State and carried under investments held to maturity, it was considered that the carrying amount was a reliable approximation of their fair value, on the grounds that it reflects the best approximation to their market value, since they are not listed on an active market with regular transactions;
- For loans and advances to Customers the average annual interest rates applied by the Bank in the closing months of 2016 and 2015, respectively, were used for operations if 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 of 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 no determined for such a purpose.

As at December 31, 2016 & 2015, the detail by valuation methodology of the fair value of financial instruments carried in the balance sheet at fair value is as follows:

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1, price quotation in 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 |

| | 2015 | | | |
|---|---|---|---|---|
| | Level 1, price quotation in active market | Level 2, observable market data | Level 3, other valuation techniques | Total |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | 145 821 | 3 099 262 | 74 742 335 | 77 987 418 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | - | 3 798 920 | - | 3 798 920 |

As at December 31, 2016 & 2015, 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 to 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. OTHER MATTERS

### Acquisition by purchase by Unitel, SA, from Banco BPI, SA, of 26,111 shares in BFA representing 2% of the BFA share capital

On October 7, 2016, Unitel, SA (Unitel) concluded with Banco BPI, SA (BPI) an agreement for the purchase of 2% of the BFA share capital, implementation of which entailed an increase of the percentage of Unitel's holding in BFA from 49.9% to 51.9%. On the same date a new shareholders' agreement was also signed relating to BFA.

Finalisation of this operation was subject to the following conditions precedent:

- Authorisation of the National Bank of Angola (BNA) of the increase 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) Increased of the qualifying holding of Unitel in the BFA share capital through the acquisition of from Banco BPI of 26,611 common shares representing 2% of the 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.representing the Banco BPI share capital.totalidade de acções representativas do capital social do Banco BPI.

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 it is not possible for any reason ensure the 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, the sale by Banco BPI to Unitel took place of said holding representing 2% of the BFA share capital.

This page intentionally left blank.

Deloitte.

Deloitte & Touche – Auditores, Lda
Edifício Escom
Rua Marechal Brós Tito, 33/41 – 7º
Luanda
Angola
Tel: +(244) 222 679 600
Fax: +(244) 222 679 690
www.deloitte.co.ao

# INDEPENDENT AUDITOR'S REPORT

(Amounts stated in thousands of Angolan Kwanzas - mAOA)

Dear Shareholders,
Banco de Fomento Angola, S.A.

**Introduction**

1. We have audited the accompanying financial statements of Banco de Fomento Angola, S.A. (henceforth the "Bank"), which comprise the balance sheet as at 31 December 2016 showing a total of 1.312.879.567 mAOA, equity of 173.021.865 mAOA, and a net profit of 61.712.892 mAOA, income statement and other comprehensive income, equity changes and cash flows for the year then ended and the accompanying Annex.

**Board of Director's Responsibility for the Financial Statements**

2. The Bank's Board of Directors is responsible for correctly drawing up and submitting these financial statements in accordance with International Financial Reporting Standards (IFRS) and to ensure a level of internal control to enable the preparation of the Bank's financial statements that are free of material misstatement resulting from fraud or error.

**Auditor's Responsibility**

3. The Auditor's responsibility is to express an independent opinion on these financial statements based on our team audit. We conducted the audit 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*). Those standards require that we fulfil ethical demands and plan and perform the audit so as to be reasonably assured that the financial statements are free of material misstatement.

4. An audit encompasses the performance of procedures that will produce audit evidence concerning the amounts and disclosures of the financial statements. The elected procedures depend on the auditor's acuity, including the risk assessment of material misstatement in the financial statements due to fraud or error. In making those risk assessments, the auditor regards the measures of internal control significant to the Bank's preparation and submission of the financial statements aiming to design suitable auditing procedures under the circumstances, but not for the purpose of voicing an opinion on BFA's internal control effectiveness. An audit also comprises the assessment of: compliance with accounting policies used, reasonableness of accounting estimates made by the Board of Directors as well as the assessment of the financial statements overall presentation.

**Deloitte.**



5. We view the audit evidence obtained as sufficient and appropriate in order to serve as a feasible base for our audit opinion.

**Opinion**

6. In the auditor's opinion, the financial statements mentioned in paragraph 1 present fairly in all material aspects, the financial situation of Banco de Fomento Angola, S.A. As of 3 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Emphasis on Matter**

7. As disclosed in Note 4 of the financial statements Annex, in 2016 BFA began using the International Financial Reporting Standards (IFRS), following the release of Banco Nacional de Angola's Notice no.6/2016 of 16 May. During the transition process from the previous accounting standards (CONTIF-Chart of Accounts for Financial Institutions) to IFRS, the Bank followed the procedures provided by International Financial Reporting Standard 1 – First-time Adoption of International Financial Reporting Standards. The switch-over transition date was reported on 1 January 2015. Therefore, the financial information corresponding to that date and to FY2015, previously submitted in accordance with CONTIF, was translated to IFRS for comparison purposes. On the basis of the analyses performed, BFA's Board of Directors found that equity had not been affected by any material misstatement issues as a result of the transition process to IFRS and no adjustments were therefore made with an impact on equity. Disclosures relating to the effects of IFRS transition process are presented in Note 4.

   Our opinion has not changed regarding this subject matter.

Luanda, 3 May 2017

Augusta Francisco

Deloitte & Touche - Auditores, Lda.
Represented by Maria Augusta Cardador Francisco
OCPCA member no.20120079

# Supervisory Board Report and Opinion

SUPERVISORY BOARD REPORT AND OPINION

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 submit herewith 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 2016.

2. Over the course of the year, we monitored, with the frequency 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. We also obtained the information and clarifications we requested from the Board of Directors and the Bank's various business areas and departments.

3. We have analysed and agree with the content of the Auditors Report issued by Deloitte & Touche - Auditores, Lda, which is reproduced here in full.

4. Within the scope of our duties, we examined the balance sheet at 31 December 2016, the income statement and other comprehensive income, equity changes and cash flows for the year then ended, as well as the notes thereto, including the accounting policies and valuation criteria used.

5. In addition, we reviewed the 2016 Annual Report drawn up by the Board of Directors and the proposal for the appropriation of profits included therein.

6. 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 2016,
   b. Approve the financial statements for that year, and
   c. Approve the Proposal for the Appropriation of Profits.

7. Finally, we would like to thank the Board of Directors and the Bank's various business areas and departments for their cooperation.

Luanda, 3 May 2017

Supervisory Board

Amílcar Safeca
Chairman

Susana Trigo Cabral
Member

Henrique Manuel Camões Serra
Member

# 08

# ANNEXES

Glossary 216
BFA Contacts 220

# Glossary

- **Assets** – Property and rights held by an organization that have economic value and can be converted into cash.
- **Real estate assets** – Rights in real property for commercial, residential or industrial use.
- **Depreciation/amortization** – 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 authorized 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 summarizes 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 amortization expense and provisions. It represents the company's capacity to generate funds for investment without having to borrow.
- **Operating cash flow** – Net operating revenue, less administrative expenses.
- **Cost-to-income ratio** – A financial measure that shows a company's costs as a percentage of its income.
- **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.
- **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 standardized workflow methodologies for processing various branch activities, so that they can be dematerialized, 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.

- **MT101** – Standard SWIFT message containing a request for transfer of funds between bank accounts, which may even be in different countries.
- **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 corporate 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.
- **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.
- **Regulatory Capital Adequacy Ratio (RCAR)** – The ratio of regulatory capital (RC) to risk-weighted assets.
- **Loan-to-Deposit ratio**: Ratio of total Customer loans less 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 amortization. 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 Banco Nacional de Angola
- **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.
- **TLTRO (Targeted long-term refinancing operations)** – Operations that provide long-term funding to credit institutions.
- **POS terminal (Point-of-sale terminal)** – An electronic device used to process card payments in retail and other establishments.
- **NPV (net present value)** – Discounted value of the expected future cash flows of a transaction.
- **Way4** – EMIS card management platform.
- **Write-off** – Reduction to zero of the carrying amount of a 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 of future returns.

This page intentionally left blank.

# BFA Contacts

## HEAD OFFICE

Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 900

**Website:**
www.bfa.ao

**Homebanking:**
www.bfanet.ao
www.bfanetempresas.ao

**BFA Customer Support:**
(+244) 923 120 120

## INVESTMENT CENTRES

**HEAD OFFICE**
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 900
Fax: (+244) 222 638 948

**SOLAR DE ALVALADE**
Rua Emílio Mbidi, Bairro Alvalade
Maianga
Luanda
Telephone: (+244) 222 696 487
Fax: (+244) 222 696 442

**BAIXA**
Rua Sequeira Lukoki
Ingombota
Luanda
Telephone: (+244) 222 336 285
Fax: (+244) 222 332 242

**TALATONA**
Rua Centro de Convenções S8
Bairro Talatona, Casa dos Frescos
Belas
Luanda
Telephone: (+244) 926 920 352
Fax: (+244) 222 696 442

**MAJOR KANHANGULO**
Rua Major Kanhangulo
98/103 Ingombota
Luanda
Telephone: (+244) 222 394 456
Fax: (+244) 222 393 145

**LOBITO CAPONTE**
Av. Salvador Correia,
Zona Industrial da Caponte,
Benguela
Telephone: (+244) 272 226 242
Fax: (+244) 272 226 756

**SERPA PINTO**
Largo Serpa Pinto n.º 233,
R/C Ingombota
Luanda
Telephone: (+244) 222 392 094
Fax: (+244) 222 393 195

**BENGUELA CASSANGE**
Rua Comandante Cassange
Benguela
Telephone: (+244) 272 230 190
Fax: (+244) 272 230 196

Follow us on:

LinkedIn

YouTube

Banco de Fomento Angola

## CORPORTE CENTRES

### HEAD OFFICE
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 900
Fax: (+244) 222 638 948

### VIANA POLO INDUSTRIAL
Estrada de Catete – Polo
Industrial KM 23
Luanda
Telephone: (+244) 222 696 487
Fax: (+244) 222 696 488

### CENTRO DAS GRANDES EMPRESAS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 900

### LUBANGO
Av. 4 de Fevereiro, Laureanos,
Lubango
Huíla
Telephone: (+244) 261 225 689
Fax: (+244) 261 224 973

### VIANA ESTALAGEM
Estalagem do Leão
Estrada Principal de Viana
Luanda
Telephone: (+244) 931 964 715
Fax: (+244) 222 291 083

### CABINDA – DEOLINDA RODRIGUES
Rua Comendador Henriques Serrano,
Bairro Deolinda Rodrigues
Cabinda
Telephone: (+244) 231 220 309
Fax: (+244) 231 220 382

### LOBITO CAPONTE
Av. Salvador Correia,
Zona Industrial da Caponte,1.º Andar
Zona Industrial da Canata
Benguela
Telephone: (+244) 272 226 240
Fax: (+244) 272 226 238

### MAJOR KANHANGULO
Rua Major Kanhangulo,
N.º 93 / 103
Ingombotas
Luanda
Telephone: (+244) 222 394 022
Fax: (+244) 222 393 839

### BENGUELA CASSANGE
Rua Comandante Cassange
Benguela
Telephone: (+244) 272 236 605
Fax: (+244) 272 236 606

### SANTA BÁRBARA
Av.ª Marginal 2,
Ingombotas
Luanda
Telephone: (+244) 222 696 419
Fax: (+244) 222 696 420

### TALATONA
Rua do SIAC, Bairro Talatona
Talatona
Luanda
Telephone: (+244) 926 920 351
Fax: (+244) 222 447 041

### OIL & GAS OPERATORS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 638 986
Fax: (+244) 222 638 970

### MORRO BENTO
Rua 21 de Janeiro, Morro Bento
Luanda
Telephone: (+244) 935 545 499
Fax: (+244) 222 696 493

### CACUACO
Estrada Directa de Cacuaco,
Largo da Igreja, Cacuaco
Luanda
Telephone: (+244) 934 275 511
Fax: (+244) 222 511 413

### OIL & GAS VENDORS
Rua Amílcar Cabral, n.º 58
Maianga
Luanda
Telephone: (+244) 222 696 430
Fax: (+244) 222 638 970

### RAINHA GINGA
Rua Rainha Ginga, n.º 34
1ª andar
Luanda
Telephone: (+244) 222 392 952
Fax: (+244) 222 392 734