Annual Report'19

BFA

A benchmark for Excellence

2019 presented a challenging economic environment, mainly because of the devaluation of the currency. But for the Bank it was yet another year in which its values were consolidated: commitment to customers and staff, economic and financial solidity, and management based on integrity and thoroughness. It was a year in which the Bank remained a benchmark for excellence and achieved more than 2 million customers.

2019 IN REVIEW

Leads the market in the range of services offered at December 2019:

49%
Visa SPI cards

22%
Debit cards

20%
TPAs

Value of asset portfolio increased to

2 195 058
million AKZ

+29%
on 2018

+9%
Number of clients at December 2019 totalled

2 067 844

Reduction of

54 319
million AKZ in net profit

-31%
on 2018

30%
return on equity

The Bank retained its leadership government securities

1 001 542
Million AKZ in securities
(Treasury bonds and bills)

BFA accounted for 48% of all trades in the year

4 326
trades on BODIVA

197
Branches

391
Active ATMs

First private banking branch now opened

Loan portfolio up

+18%
on 2018

450 867
Million AKZ

BFA is rated the best bank in Angola with a

26%
score on the ISB 2019 (banking satisfacton indicators) survey

BANKITA contracts

386 383

+28%
on 2018

BFA supports the Hydrocephalus Centre through its BFA Solidário programme

members of staff attended training courses

2 703

+5%
on 2018

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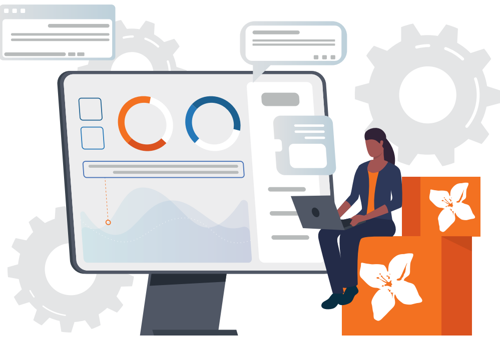


01

REPORT

Message from the Vice-Chairman of the Board of Directors

"Profit attributable to shareholders was higher than budgeted at Kz 135.2 billion (USD 345 million)."

Ladies and Gentlemen,

It is with great pleasure that I present the BFA Management Report for 2019: yet another year in which, despite a more difficult environment than expected at the end of 2018, the Bank achieved its financial, business and operating targets.

2019 saw the Angolan economy ending a fourth full year of recession. The currency followed its 2018 devaluation with further significant depreciation in the second half of the year and the market for financial services (measured in USD) continued to shrink. At the same time the Bank's business risks (especially credit risk) naturally increased.

Profit attributable to shareholders was higher than budgeted at Kz 135.2 billion (USD 345 million). (Average) ROE was 33.8% and cost:income was 36.2%. Operating expense (in USD) fell 8.7% thanks to the rationalization demanded by the economy and business in general. Subsequent developments made continuation of this policy a necessity in the light of the Bank's priorities for the immediate future.

Commercially, the Bank retained customer confidence and its pole position in the main business and service sectors. Network segmentation, part of the strategic plan, places greater focus and emphasis on customer service and when combined with current technology initiatives will enable the Bank to grasp the new opportunities and challenges that emerge from the banking services market.

The Bank had an 18.1% share of the market for customer deposits and other funds (securities) at December 2019 (BNA and BODIVA data). In the case of deposits alone (excluding public sector deposits) the Bank had a 16.5% share of the market. The Kz loan portfolio (foreign currency loans are not permitted) grew 30.4% and 33.2% of Kz deposits transformed into loans. The Bank also enjoyed a leading position within the payments system (cards, ATMs, POS) in terms of both penetration and the excellent performance of its network.

The solidity of the Bank's balance sheet is evidenced by its capital adequacy ratio (58.5% at December 2019) and risk indicators. 4.8% of loans were more than 30 days overdue with 138% impairment. Over 55% of the loan and guarantees portfolio comprised (direct) State debt backed by government debt or deposits. The biggest single credit risk after the State is Bank equity (4.8%) as a result of BFA's risk concentration policy. The risk indicators are testimony to the work and investment put in by the Bank over the last few years to create a risk management model that not only meets the new regulatory requirements but is also in line with best international practice. It was therefore with great satisfaction that the Bank received the results of the BNA (AQA) risk assessment with regard to volumes (almost all recommended adjustments concerned regulatory adjustments that have since been approved and Kz public debt impairment) and its validation of the Bank's management and control policies and processes.

"The solidity of the Bank's balance sheet is evidenced by its capital adequacy ratio (58.5% at December 2019)"

2019 again saw a relatively low (USD 170 000 - around 0.03% of operating income) level of loss. Supplementing policies, rules and training, the work done by our control units, Internal Audit and Compliance also made an essential contribution to the integrity of the Bank's operations. Investment in these areas is not only intended to meet regulatory requirements but also to bring the Bank into line with best banking practice and Angolan legislation on governance, transactions with related parties and the prevention of money-laundering and the fight against terrorism.

Not only does BFA head the primary market, in the financial markets it is also capital market leader. The Bank accounts for 48.4% of BODIVA transactions, thus ensuring a liquid market for its customers and alternative forms of investment, particularly in the investment funds offered by BFA-Gestão de Activos.

None of these results would have been possible without a committed, motivated and competent team. The Bank has therefore made training in banking, behaviours and team spirit one of its strategic priorities. In 2019 training programmes, including e-learning programmes, were expanded, the number of training hours was increased and the role of the BFA Academy was consolidated.

It is part of BFA's mission to contribute to the financial wellbeing of its customers and to provide a benchmark for socially responsible banking in terms of trust, service quality and social commitment. In this area, I must point out the Bank's sponsorship of various institutions and sectors in our society.

My thanks must also go to the Bank's governing bodies, especially its executive team, for the competence, loyalty and diligence shown in the exercise of their duties and their contribution to the results we have achieved.

I finally wish to thank and mention all those who every day contribute to the achievement of our targets: firstly our customers who have motivated us to become Angola's leading bank and who have honoured us by choosing us and placing their trust in us; and also all our staff for the dedication and skill with which they perform their duties.

António Domingues
Vice-Chairman of the Board of Directors

VISION, VALUES AND COMMITMENT

VISION

TO BE ANGOLA'S
LEADING BANK

AND TO CONTRIBUTE TO THE SUSTAINABLE GROWTH OF OUR COUNTRY

VALUES

TRANSPARENCY TOWARDS THE MARKETS

CLOSE RELATIONS WITH CUSTOMERS

CONTINUOUS INNOVATION

MISSION

To develop solutions, products and financial services that will promote a long-term relationship with our customers and will create value for our shareholders

COMMITMENT

CUSTOMERS

TO ENSURE SATISFACTION WITH, AND THE QUALITY OF, OUR SERVICES

ANGOLA

TO HELP GROW THE ANGOLAN ECONOMY

STAFF

TO INVEST IN PERSONAL AND PROFESSIONAL DEVELOPMENT

SHAREHOLDERS

TO CREATE VALUE

STRATEGY

The main focuses of the Bank's strategic challenges and priorities are: staff training, continuous risk management and constant striving to meet customer requirements.

OBJECTIVE

To differentiate the Bank through deeper involvement with the customer against a background of constant and rapid change in the market.

COMMITMENT TO THE CUSTOMER

- Improve customer service.
- Promote digital.
- Simplify processes. Diversify products.

STRATEGIC PRIORITIES

1. Add depth to the customer relationship model.
2. Develop analytical skills to obtain a better understanding of customers.
3. Expand the portfolio of (domestic currency) funds.
4. Invest in e-banking.
5. Maintain the quality of the loan portfolio.

KEY FACTORS IN SUCCESS

- Fast decision-making.
- Operating excellence.
- BFA culture - excellence and customer focus.

The +BFA Transformation Programme

The main objectives of the (2018-2022) +BFA Transformation Programme, launched in 2017, are the development of a more diversified business model that is based on a service model which focuses on the quality of the service delivered to the customer and is organised as follows:

- Improvement of the Bank's commercial functions to encourage customers to become more loyal and make the Bank more profitable
- Innovation within core banking and through expansion into new product lines (e.g. insurance)
- BFA digitalisation of internal processes and customer relations
- Transformation of the organisation and culture to become more customer and profit-centred

In 2019 implementation of the Programme became one of the Bank's main priorities. The process presented BFA and all its staff with significant challenges and work, during which it was essential for all teams to work closely together. 182 initiatives were identified and organised as follows:

Service model and range	Commercial	Culture and HR	Financial products
Distribution channels	BFA Academy	Cost rationalisation	Private banking
PROPRIV			

New area of work since 2018

The Bank therefore focuses on the continuous introduction of new initiatives that will create value for the Bank and its customers and promote constant and diversified growth in its business, primarily through staff training, cost rationalisation, constant improvement in its commercial performance and new business obtained through the Credit Support Programme.

Digital transformation of BFA

In 2019 BFA set up the Digital Transformation Department to improve Bank performance and efficiency and to help develop solutions that deepen customer involvement with the Bank and increase the focus on their needs and the quality of the service we deliver.

The new department introduced a customer path initiative that identifies new ways of providing service and resolving critical problems in customer relations in order to improve the quality of the service we provide. At the same time it also identifies technological solutions and partners that help leverage the new paths and speed up the transformation of the Bank.

As part of the transformation process, BFA carried out an assessment of its IT architecture and began migration of its core system.

How we add value

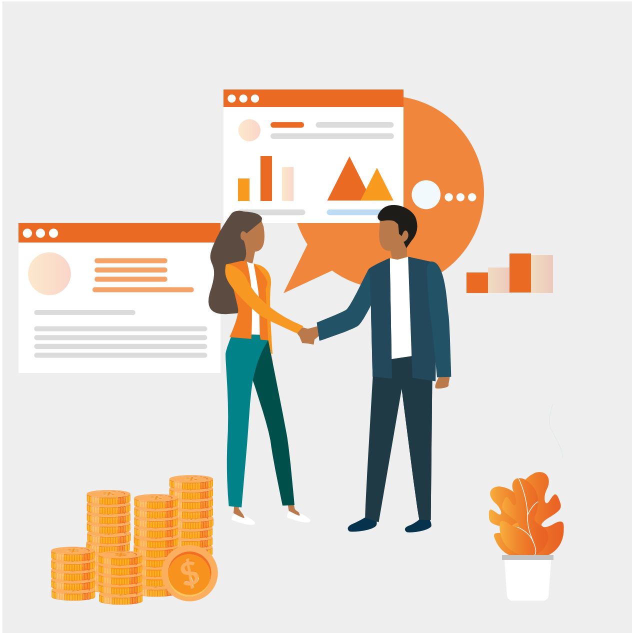
BFA's added value proposition relies on its original values and commitments.

The main aim of BFA's business strategy is to achieve recognition as the best bank in four main areas, in each of which the Bank has set key objectives:

CUSTOMERS

BEST BANK FOR OUR CUSTOMERS

- Simple, accessible range of products and services that meet each customer's requirements;
- Clear and succinct language used for products and services and when answering questions and resolving problems;
- Innovative payment methods and electronic channels that provide customers with security and convenience;
- Fulfilment of commitments and responsibilities to customers; Profitable and secure family savings;
- Mystery Client programme to identify areas for improvement in branch services..



COMMUNITY

BEST BANK FOR THE COMMUNITY

- Partnerships with universities through awards for the best students;
- Promotion of regional events through sponsorship;
- Involvement in solidarity campaigns;
- Creation and management of a social fund;
- Reduction of the Bank’s environmental footprint by higher process digitalisation and greater energy efficiency in branches.

STAFF

BEST BANK TO WORK IN

- Gender diversity and equal career opportunities;
- Talent management through training, specialisation and induction;
- e-learning platform and other internal training courses;
- Careful induction of trainees through two training sessions: one on the history of BFA, its products, services and main features, and the other on the rules and procedures for accepting and using the products offered;
- Induction programme for new young graduates, including a technical component on entering the jobs market with behavioural components, supported by a mentoring programme;
- Investment in training in key areas e.g. compliance and FML/FT.

SHAREHOLDERS

BEST BANK FOR SHAREHOLDERS

- Reliable management and risk control to ensure the sustainability of business;
- The security provided by a sound balance sheet;
- Continuous growth of the Bank's economic value.

Key indicators

BFA I ANNUAL REPORT'2019

	Dec-17	Dec-18	Dec-19	Var% 17-18	Var%18-19
AKZ million					
Total assets	1 443 064,4	1 703 727,8	2 195 058,0	18,1%	28,8%
Loans and advances to clients[1]	194 808,9	295 842,5	327 936,7	51,9%	10,8%
Customer deposits	1 058 241,4	1 232 128,2	1 622 897,6	16,4%	31,7%
Shareholders' equity and equivalent	217 421,7	378 500,92	462 205,9	66,5%	22,1%
Operating income	138 295,3	280 168,9	209 869,2	102,6%	(25,1)%
Net interest income	107 822,5	117 732,9	153 475,7	9,2%	30,4%
Other income	30 472,8	162 435,9	56 393,5	433,1%	(65,3)%
Overheads[2]	33 794,7	58 197,2	77 075,3	72,2%	32,4%
Operating profit	107 340,5	225 707,2	138 371,2	110,3%	(38,7)%
Net profit	69 085,0	174 258,7	119 940,2	152,2%	(31,2)%
Accumulated profit attributable to shareholders[5]	69 085,0	174 258,7	135 192,9	152,2%	(22,4)%
ROA	5,0%	10,0%	6,2%	+ 5,0 p.p.	(3,8) p.p.
ROE	35,4%	57,4%	30,0%	+ 22,0 p.p.	(27,4) p.p.
Cost to income	24,4%	19,8%	36,7%	(4,6) p.p.	16,9 p.p.
Total assets per employee	552,7	637,1	805,8	15,30%	26,5%
Loan to deposit ratio	20,2%	25,6%	22,1%	+ 5,4 p.p.	(3,5) p.p.
Regulatory capital adequacy ratio	37,9%	53,8%	58,5%	+ 15,9 p.p.	+4,7 p.p.
Non-performing loans/Total advances and loans to clients	6,1%	3,6%	5,1%	- 2,5 p.p.	+1,5 p.p.
Impairment of non-performing loans[3]	144,3%	179,2%	138,0%	+ 34,9 p.p.	(42,3) p.p.
Loan impairment[3]	8,8%	5,1%	6,9%	(3,7) p.p.	0,9 p.p.
Number of service desks[4]	191	192	197	0,5%	2,6%
Number of employees	2 611	2 674	2 724	2,4%	1,9%
BFA Net penetration	28,1%	26,2%	24,9%	(1,8) p.p.	(1,1) p.p.
Debit card penetration	59,8%	58,9%	53,9%	(0,9) p.p.	(5,0) p.p.

1) Loans net of impairment
2) Includes cost of personnel, third-party supplies and services, other operating costs, depreciation and amortisation
3) The method for calculating impairment changed in 2018 to come into line with IFRS 9
4) Branches + business centres + investment centres + banking service points
5) Includes AKZ 15.252 million in retained profit

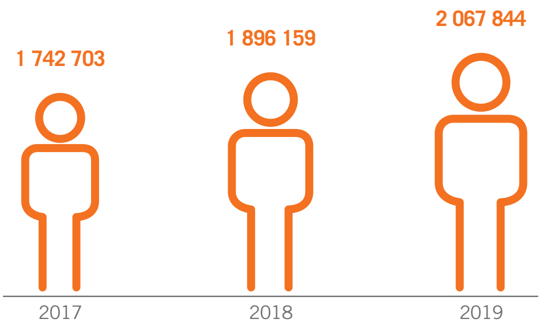
	Dec-17	Dec-18	Dec-19	Var% 17-18	Var% 18-19
USD million					
Total assets	8 697,1	5 520,7	4 551,9	(36,5)%	(17,5)%
Loans and advances to clients[1]	1 174,1	958,6	680,0	(18,4)%	(29,1)%
Customer deposits	6 377,9	3 992,5	3 365,4	(37,4)%	(15,7)%
Shareholders' equity and equivalent	1 310,4	1 226,48	958,5	(6,4)%	(21,9)%
Operating income	833,5	1 128,8	565,2	35,4%	(49,9)%
Net interest income	649,9	457,7	418,4	(29,6)%	(8,6)%
Other income	183,7	671,1	146,8	265,4%	(78,1)%
Overheads[2]	203,7	224	204,6	10,0%	(8,7)%
Operating profit	646,9	919,1	375,8	42,1%	(59,1)%
Net profit	416,4	710,2	313,5	70,6%	(55,9)%
Accumulated profit attributable to shareholders[4]	416,4	710,2	345,1	70,6%	(51,4)%
ROA	5,00%	10,00%	6,2%	+ 5,0 p.p.	(3,2) p.p.
ROE	35,40%	57,40%	30,0%	+ 22,0 p.p.	(25,0) p.p.
Cost to income	24,40%	19,80%	36,7%	(4,6) p.p.	(15,7) p.p.
Total assets per employee	3,3	2,1	1,7	(38,0)%	(20,4)%
Loan to deposit ratio	20,20%	25,60%	22,13%	+ 5,4 p.p.	(3,5) p.p.
Regulatory capital adequacy ratio	37,90%	53,80%	58,5%	+ 15,9 p.p.	+4,7 p.p.
Non-performing loans/Total advances and loans to clients	6,10%	3,60%	5,13%	- 2,5 p.p.	1,53%
Impairment of non-performing loans	144,30%	179,2% 3	138,0%	+ 34,9 p.p.	´-42,3 p.p.
Loan impairment	8,80%	5,1% 3	6,9%	(3,7) p.p.	0,9 p.p.
Number of service desks[3]	191	192	197	0,5%	2,6%
Number of employees	2 611	2674	2 724	2,4%	1,9%
BFA Net penetration	28,10%	26,20%	24,90%	(1,9) p.p.	(1,3) p.p.
Debit card penetration	59,80%	58,90%	53,90%	(0,9) p.p.	(5,0) p.p.

1) Loans net of impairment
2) Includes cost of personnel, third-party supplies and services, other operating costs, depreciation and amortisation
3) Branches + business centres + investment centres + banking service points
4) Includes AKZ 31.6 million in retained profit

Business 2017-2019

Customers

The growth in the number of BFA customers continued, rising 9.1% on 2018 to 2 067 844.

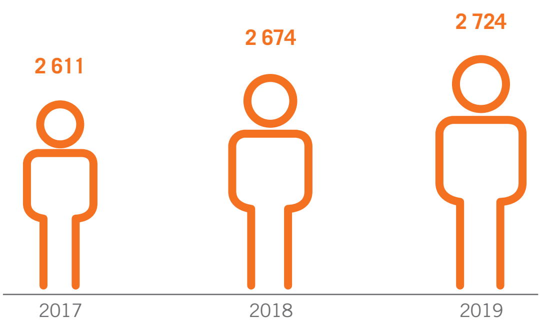


Branches

BFA increased the number of its service desks by 2.6% to 197 (branches, business centres, investment centres, private banking centres and service points).

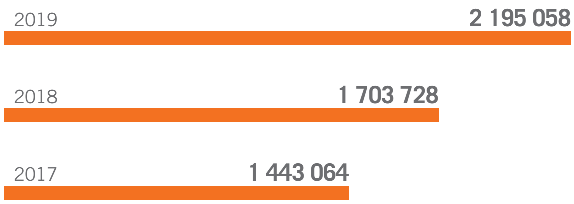
Staff

In 2019 BFA staff numbers increased again to 2 724 (+1.9%).



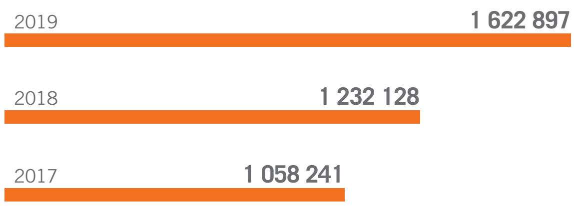
Total assets (AKZ million)

In 2019 BFA's total assets rose 28.8% as its business expanded.



Total deposits (AKZ million)

Market confidence in the Bank was reflected in an upsurge of deposits over 2018 to AKZ 1 622 897.6 million.

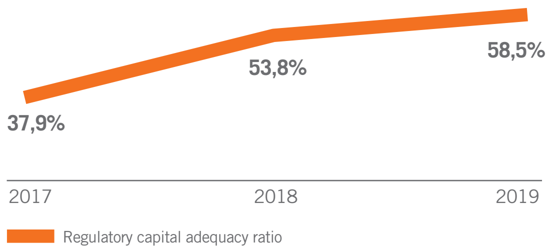


Regulatory capital (AKZ million)

BFA's regulatory capital rose 27.6% in 2019, consolidating the Bank's position and its ability to provide financial support to its customers when required.

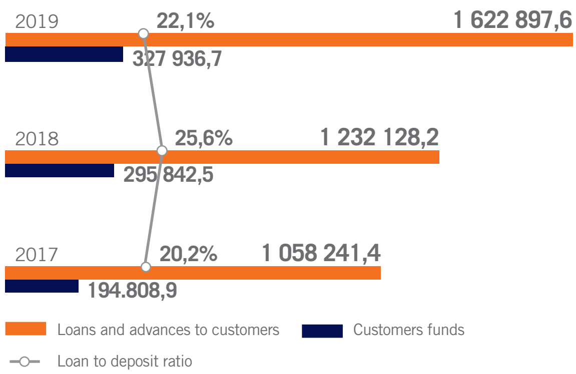
Regulatory capital adequacy ratio

BFA's regulatory capital adequacy ratio exceeds the 10% minimum requirement and is evidence of its robust financial health.



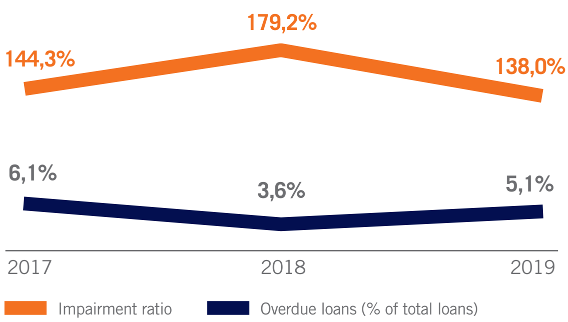
Business with customers (AKZ million)

The loan to deposit ratio slid to 22.1% in 2018 as deposits rose against loans.



Loan quality

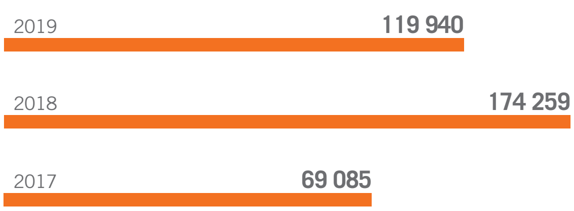
The NPL ratio went up 1.5% in 2019 and the impairment ratio fell, remaining at a comfortable level.



Note: The method for calculating impairment changed in 2018 to come into line with IFRS 9.

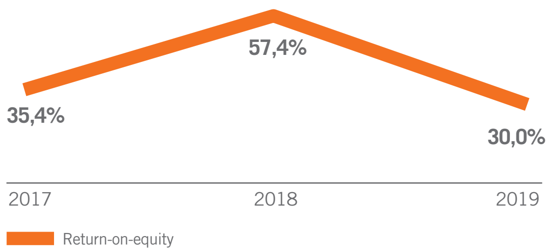
Net profit (AKZ million)

In 2019 BFA's net profit dropped 31.2% against 2018 to AKZ 119 940.2 million.



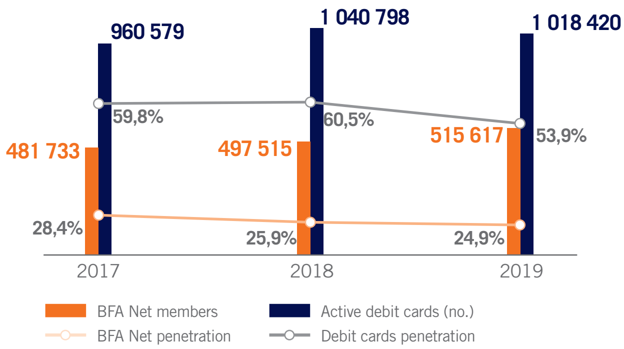
ROE

ROE fell 27.4% in 2019.



Services

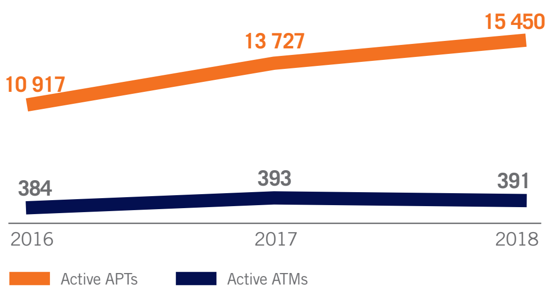
Debit card and BFA Net penetration levels eased in 2019 to 53.9% and 24.9% respectively.



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

ATMs and APTs

The number of active APTs rose by about 13% while the number of active ATMS slid 0.5%.



Outlook for 2020

The economic and social environment forecast for 2020 makes careful planning is ever more important, along with continued efforts to improve and strengthen the Bank's technological and human resources and to develop business solutions that meet the real needs of BA customers.

Innovation, technology and digital

The role of innovation and technology is growing as the transformation of BFA progresses since these factors underpin the greater resilience and the digital processes that will enhance customer experience and involvement. 2020 will place particular emphasis on the following areas:

- Platform stability: ensuring stability and use of the technology platforms introduced in 2019;

- Enhanced resilience: continued enhancement of the resilience of the Bank's systems, particularly the framework for SWIFT;

- Core system migration: continuation of work on the migration of the Bank's core system to 3G to provide 24/7 availability;

- New platforms: implementation of new solutions supporting Bank operations, particularly data processing and analytics, supplier management, internal requirement flow management and foreign exchange management;

- Process automation: continuation of work on the automation of Bank processes, particularly via the eMudar platform;

- Digital: start of customer path implementation, the technological solutions for which were defined and identified in 2019.

+BFA Strategic Programme

In 2020 the Bank will continue to implement its strategic programme, focusing primarily on:

- Cost control;

- Training its human resources;

- Attracting new customers and deposits;

- Lending under the Credit Support Programme (PAC).

Human resources

In this area, the Bank's priorities are to:

- Consolidate implementation of the Bank's HR models;

- Increase the involvement of the HR Department in Bank transformation via the current strategic programme;

- Deepen partnership with other areas of BFA by making an increasingly positive contribution to the expansion of business.

Main business areas

The development of solutions and products that meet its customers' real needs is one of the Bank's priorities. BFA's main focus in 2020 will therefore remain its customers:

- Asset management: BFA will continue to invest in this business segment, creating attractive investment solutions for its customers and raising its profile on the Angolan capital market;

- Personal and business banking: continued improvement in protocol management information and more cross selling within the business and personal banking retail network;

- Investment centres: continued expansion of the deposit and loan portfolios and new campaigns; focus on retaining the income on expiring treasury bonds and customer loyalty;

- Agribusiness: continued investment to inject energy into this business sector through support for the commercial network, improved database classification of customers, mapping of priority geographic areas, involvement in events and conferences and the publication of market surveys and research for the sector;

- Oil & gas: additional solutions and services following the opening up of the foreign exchange market with the sale of operators to commercial banks, BFA being at the forefront in this field;

- Private banking- opening of the first BFA Private Banking service desk.

Macroeconomic scenario: oil prices and COVID19

- Reorganisation of banking business to protect both staff and customers. New service models to combat the spread of COVID19;

- More dynamic contactless channels as an alternative to service desks;

- Assessment of methods of stimulating the economy, implementing Government programmes;

- Product and service diversification to meet business requirements;

- New business support and stimulation programmes;

- Thanks to its financial organisation and human resources BFA is now ready to meet all future challenges.

02

ECONOMIC ENVIRONMENT

Global economy

IMF estimates show that the global economy slowed again in 2019, growing 2.9% (-0.7% against 2018). The slower expansion of certain economies reflected their weaker dynamics, particularly in the more advanced economies where GDP increased 1.7% (-0.5% against 2018).

The growth forecasts shown here are based in part on the reaction of the financial markets to the Covid-19 pandemic.

ADVANCED ECONOMIES

	Germany	Japan	USA	Italy	France	Spain	Canada	UK
2019	0,60%	0,7%	2,3%	0,3%	1,3%	2,0%	1,6%	1,4%
2020	(7,0)%	(5,2)%	(5,9)%	(9,5)%	(71,2)%	(81,6)%	(61,3)%	(61,5)%

EMERGING ECONOMIES

	Sub-Saharan Africa	Nigeria	Saudi Arabia	India	Mexico
2019	3,1%	2,2%	0,3%	4,2%	0,1%
2020	(1,6)%	(3,4)%	(2,3)%	1,9%	(6,6)%

As a result of the Covid-19 pandemic, which has paralysed economic activity across the globe, the IMF predicts that 2020 will see the world plunge into recession with a 3% drop in global GDP. The most advanced economies will probably be most heavily affected, suffering a 6.1% recession because of the pandemic's major impact on the Eurozone in 2020 (-7.5% here) especially Italy and Spain, the countries that have been hardest hit. These economies should see GDP grow -9.1% and -8% respectively.

Slowdown in the emerging economies should also be very significant at -4.7%, with a best-case forecast of -1%. The emerging Asian economies are however likely to produce GDP figures that are in the black, growing 1.9% (India) and 1.2% (China) according to forecasts. The IMF predicts that the impact of the pandemic will be heaviest on emerging countries in Europe and South America. The hardest hit are likely to be Mexico, Russia and Brazil where GDP is forecast to fall 6.6%, 5.5% and 5.2% in 2020. In Sub-Saharan Africa there should be a slight 1.6% contraction. This scenario is based on the limited spread of Covid-19 in Africa at the time of writing.

2019

Advanced economies
- 1.7% growth
- Reduced economic activity
- Instability in Europe as a result of Brexit
- Trade tensions

Emerging economies
- GDP up 3.7%
- Sub-Saharan Africa to grow 3.1%
- Big slowdown in growth in emerging and developing countries in Europe

GLOBAL ECONOMY: +2.9%

2020

Advanced economies
- Estimated 6.1% recession
- Economic activity paralysed
- Risk inherent in the spread of Covid-19

Emerging economies
- Estimated 1.0% recession
- Sub-Saharan Africa to shrink 1.6%
- Emerging Asian economies expected to produce positive performance

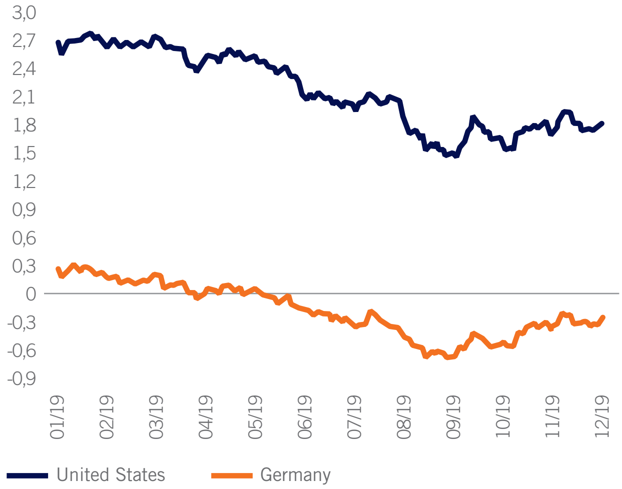
GLOBAL ECONOMY: -3.3%

MONEY AND BOND MARKETS

The USA's adoption of an expansionist monetary policy in 2020 reversed its 2019 approach. This helped global markets grow strongly, despite the trade war between the USA and China, the world's two largest economies.

10-year sovereign debt yield

(%)



The US fed funds rate was cut four times in 2019, the last cut being in October when the range fell to 1.5% and 1.75% (rates last seen in June 2018). Interest rates tracked monetary policy, USD 3-month Libor dropping from 2.81% at end 2018 to 1.91% at end 2019 with a return to February 2018 levels. 2020 is expected to see a continued but lesser fall in interest rates. After cutting its balance sheet by over USD 680 billion between the start of 2018 and September 2019, the Fed decided to grow it again to keep the money markets moving, not in order to stimulate the economy, and consequently closed 2019 with around USD 4.17 billion on its balance sheet (its highest level since the end of 2018).

When the Asset Purchase Programme (APP) ended in the Eurozone, the European Central Bank initially decided to continue reinvesting all capital from maturing securities acquired under APP. In September the ECB announced that from November purchases would resume under the same programme at EUR 20 billion a month. At end 2019 the ECB therefore held assets worth over EUR 4.69 billion (23 billion more than at end 2018). In terms of ECB rates, this only caused the deposit facility rate to drop 10 bp to -0.5%. Both decisions were made in order to increase inflation, which was still below ECB targets. Interest rates for the main refinancing operations and for the marginal lending facility were unaltered at 0% and 0.25% respectively. 3-month Euribor remained stable until May, after which it gradually sank and ended the year at -0.38% (-0.31% at the start of 2019).

There were no significant changes in the monetary policies of the other central banks.

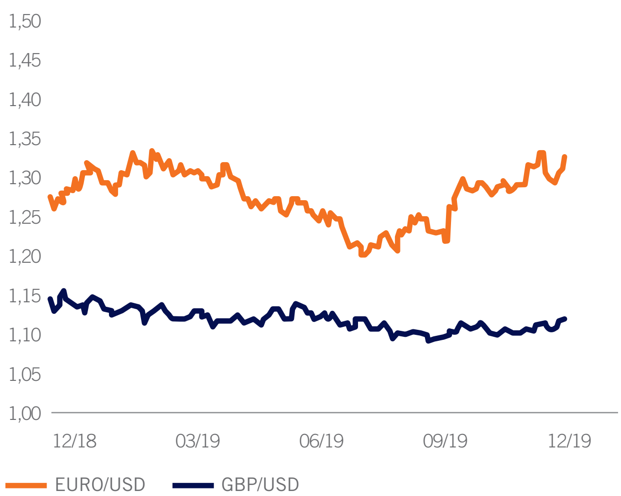
On the government bond market, 2019 was noted for falling US T-bond yields until August/September when 10-year returns dropped to 1.46% (the lowest since mid-2016) as a result of bad manufacturing industry. After September yields rallied and ended the year at 1.92%. German Bund yields moved into the red (-0.71% in August). They recovered however during the rest of the year to close 2019 at -0.185%, down from 0.24% at end 2018.

FOREIGN EXCHANGE MARKET

In 2019 the dollar continued to strengthen against the euro, and the EUR/USD exchange rate was 1.12 at year end, up from 1.02 in September. In aggregate the dollar climbed over the year mainly as a result of US monetary policy and better growth prospects in the US than in other (especially European) countries. This was reflected in the fall of the euro against the dollar which is in part imputable to the ECB's relatively stable and accommodating monetary policy.

EUR/USD and GBP/USD exchange rates

(USD)



Source: Bloomberg

In the first half of the year sterling weakened against the dollar, owing to the absence of any material evidence of a workable Brexit agreement that would be acceptable to both the EU and the UK, but recovered in the final quarter of 2019 (-1.9% YoY).

Emerging market currencies turned in their worst performance since the 2018 Turkish lira crisis. The trade war between the USA and China applied the brakes to Chinese economic growth and had a major impact on emerging market currencies.

Angolan economy

ECONOMIC ACTIVITY

ECONOMIC INDICATORS AND PROJECTIONS

	2012	2013	2014	2015	2016	2017	2018	2019E	2020P
Real growth in GDP (tvh, %)	8,5	5,0	4,8	0,9	(2,6)	(0,2)	(1,2)	(1,5)	(1,4)
Oil sector	8,5	(0,9)	(2,5)	11,1	(2,7)	(5,3)	(9,5)	(5,0)	1,3
Non-oil sector	8,6	8,7	8,9	(3,0)	(2,5)	3,0	1,0	0,6	1,1
Oil and gas production (millions of barrels/day)	1,76	1,72	1,67	1,78	1,75	1,64	1,60	1,52	1,54
Angolan oil price (average, USD/barrel)	110,9	107,7	97,4	48,9	40,9	54,0	70,6	63,0	35,0
CPI (YoY change, end of period)	10,3	8,8	7,3	9,2	30,7	29,8	18,6	17,1	20,7
Budget total (% of GDP)	4,1	(0,3)	(5,7)	(2,9)	(4,5)	(6,3)	2,0	1,0	0,8
Primary non-oil budget total (% of non-oil GDP)	(53,7)	(48,3)	(33,9)	(18,1)	(12,2)	(15,7)	(9,6)	(8,1)	(8,1)
International crude oil reserves (USD billions, end of period)	32,2	32,2	27,8	24,4	24,3	18,1	16,2	17,3	17,2
Average exchange rate (AKZ/USD)	95,5	96,6	98,3	120,1	163,5	165,9	253,0	364,9	-

Sources: IMF, Min. Fin., BNA, INE

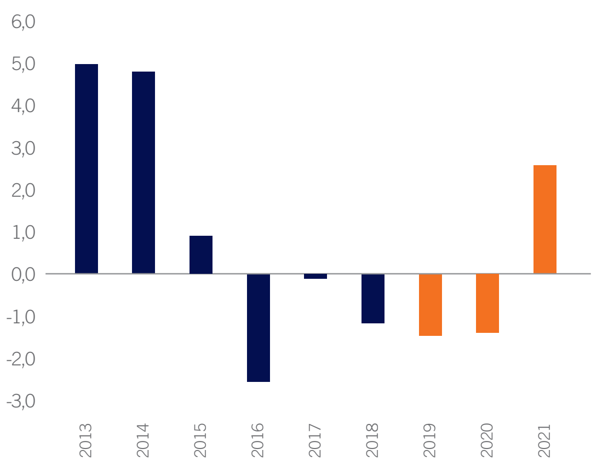
The economy contracted 0.9% YoY in 2019, essentially because of a 6.6% YoY drop in the oil sector (although this was less than the -9.4% fall in 2018). Independent OPEC data shows that average daily production across 2019 was 1.4 million barrels a day (mbd), 0.11 mbd (-7.3%) below 2018. The reason for the big fall was ageing oilfields that are in sharp decline and the absence of new projects (other than Blocks 32 and 15/06 in the Kaombo Project). Shrinking oil prices on the international markets 2018-2019 (from USD 71.69 to USD 64.16) also contributed to the weak performance of this sector.

The non-oil economy saw modest growth last year with a 4.2% YoY improvement in the diamonds and minerals sector and 4.9% YoY growth in construction (the third biggest contributor to GDP after oil and commerce).

In 2020 the contraction of business as a result of Covid-19, combined with the big drop in oil prices will cause a major economic recession that initial IMF forecasts put at around 1.2%. The oil sector had been expected to increase production slightly as Block 32 develops, Blocks 2/05 and 4/05 restart production and the Agogo field in Block 15/06 opens. The most likely scenario now however is that these new investments will be suspended for the moment and that oil production will reduce again in 2020. The non-oil economy will also slow as oil income reduces and the depreciation of the currency is potentially greater than previously expected.

Economic growth

YoY (%)



Source: IMF

FOREIGN TRADE

BALANCE OF PAYMENTS

	2012	2013	2014	2015	2016	2017	2018	2019E	2020P
Current balance (% of GDP)	12,0	6,7	(2,6)	(8,8)	(4,8)	(0,3)	7,0	2,9	(6,7)
Trade balance (% of GDP)	41,1	33,5	21,0	10,7	13,9	16,7	23,6	22,7	23,0
Export of goods (% change YoY)	5,6	(4,0)	(13,3)	(43,9)	(16,9)	26,1	17,8	(13,4)	(11.3)
of which: oil (% change YoY)	6,3	(4,0)	(13,8)	(44,7)	(17,2)	26,9	18,0	(14,3)	(12,1)
Import of goods (% change YoY)	17,2	11,1	8,5	(27,6)	(34,6)	6,8	9,4	(3,7)	(8,8)
Capital and financial balance (% of GDP)	15,5	7,1	(5,0)	(11,1)	(8,2)	(6,5)	5,1	3,2	3,8

Source: IMF

The balance of trade for 2019 was 6.1% of GDP, according to preliminary BNA figures (-0.8% on 2018). In absolute terms the surplus was USD 5.1 billion (USD 7.4 billion in 2018). The reduction was particularly great in goods where the surplus fell by USD 4.3 billion to USD 20.6 billion. USD 6.0 billion (-15.3% YoY) of the fall was imputable to crude oil exports. However, goods imports went down by USD 1.7 billion and foreign services by USD 1.9 billion, essentially because the depreciation of the kwanza pushed up the price of imports in 2019. Foreign debt grew in 2019 to USD 65.9 billion (+7.5% on end 2018). As a percentage of GDP and because of the heavy depreciation of the kwanza (-36.1% in 2019) the rise was greater: from around 57.9% at end 2018 to 77.9% in 2019. For 2020 the IMF forecasts a deep fall in the current account and a more than 6% GDP deficit.

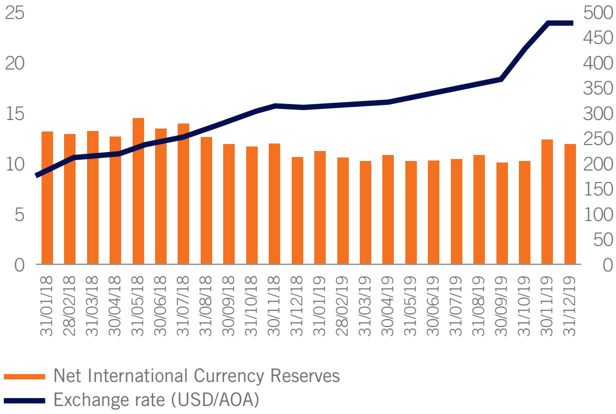
In 2019 international currency reserves went up USD 1.19 billion on December 2018 to USD 11.84 billion (+11.19%). This was the first annual increase in net international currency reserves since 2013.

The IMF also posits another plunge in international investment in 2019 to -20% of GDP, reflecting the rise in the government's foreign debt.

2019 saw the National Bank of Angola loosening foreign exchange restrictions as recommended by the IMF. Between the full opening of the foreign exchange markets at the start of October and the end of the year the kwanza fell 21.6% against the dollar and 23.8% against the euro (over 2019 as a whole the kwanza depreciated 36% against the dollar and

International reserves and exchange rate

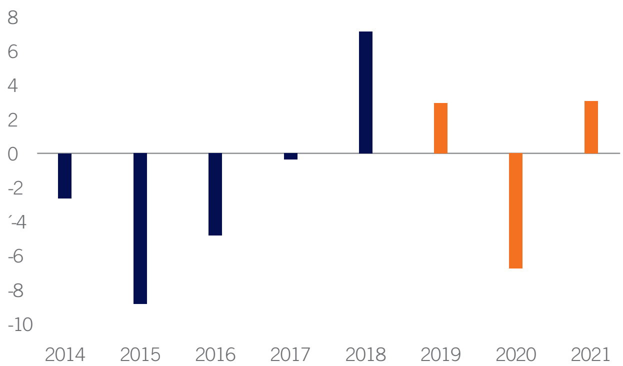
(USD bn); USD/AOA



Source: BNA

Current account balance

(% of GDP)



Source: IMF

34.7% against the euro) to close at USD/AOA 482.227 and EUR/AOA 540.817. On the grey market, the spread between official and unofficial markets widened from 26.4% at end 2018 to 30.6% at December 2019.

BANKING, INFLATION AND INTEREST RATES

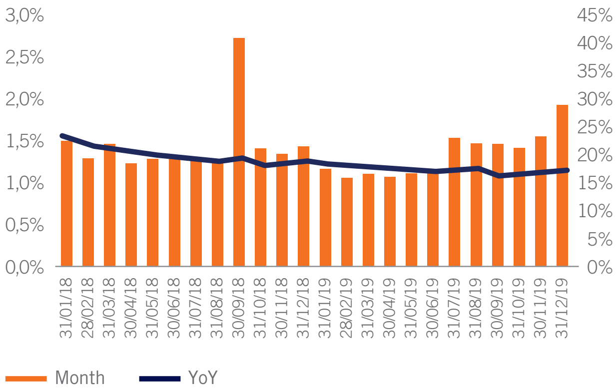
In 2019 total lending to the economy rose 18.0%, primarily because existing foreign currency loans increased in value after the deep depreciation of the kwanza. Deposits also grew.

∆ Total loans	∆ Private sector loans	∆ Deposits	% Foreign currency deposits	% Bad debts
18,0%	**21,2%**	**29,5%**	**54,7%**	**34,6%** (at September 2019)

Inflation slowed over the year. Average inflation was 17.1%, 2.5% below the 2018 average of 19.6% and significantly below the 29.8% average for 2017. Year on year, inflation continued to decrease throughout the period. After moving downwards until June (16.9%) it rose in July (17.2%) and August (17.5%) before dropping again to end the year at 16.9%, its lowest level since January 2016. The movement resulted from a slowdown in monthly inflation to below 1.2% in the first half of the year, followed by fluctuation of between 1.4% and 1.9% thereafter. The more volatile second half was triggered by rises in the cost of housing, water, electricity, fuel and miscellaneous goods and services.

Domestic inflation

(%)



Source: BNA

Regulatory changes

This list shows the decrees and statutes published in 2019 that either concern banking and finance or affect Bank operations.

	Type of decree/statute	Issuer	Subject
01	NOTICE NO. 1/19, 11 DE JANUARY	BNA	Establishes the base for calculating contributions by banks participating in the Deposit Guarantee Fund.
02	NOTICE NO. 2/19, 11 DE JANUARY	BNA	Establishes reporting requirements and format for banks participating in the Deposit Guarantee Fund.
03	NOTICE NO. 3/19, 28 MARCH 2019	BNA	Caps on commission and expenses charged for foreign currency transactions and the currency in which that commission is to be paid.
04	NOTICE NO. 4/19, 3 APRIL 2019	BNA	Determines bank loans for the production of essential goods in areas where domestic production is inadequate.
05	NOTICE NO. 5/9, 30 AUGUST 2019	BNA	Establishes the general principles applying to the standardisation and harmonisation of accounting within the Angolan banking sector.
06	NOTICE NO. 6/19, 30 AUGUST 2019	BNA	Amends Notice no. 8/12 of 30 March 2012 regulating the processing of requests for authorisation and establishing the basic requirements that micro-credit companies must meet.
07	NOTICE NO. 7/19, 7 OCTOBER 2019	BNA	Amends article 1 of the above notice concerning bank loans for the production of essential goods in areas where domestic production is inadequate.
08	NOTICE NO. 8/19, 6 NOVEMBER 2019	BNA	Terms and conditions applying to the operation of bureaux de change.
09	NOTICE NO. 9/19, 6 NOVEMBER 2019	BNA	Establishes the rules applying to the operation of remittance services by banks under BNA supervision within the Angolan payments system.
10	NOTICE NO. 10/19, 6 NOVEMBER 2019	BNA	Establishes the rules and procedures applying to the purchase by individuals of foreign currency for foreign exchange transactions.
11	NOTICE NO. 11/19, 26 NOVEMBER 2019	BNA	Caps on commission and expenses charged for foreign currency transactions relating to certain operations.
12	NOTICE NO. 12/19, 2 DECEMBER 2019	BNA	Establishes the rules and procedures applying to foreign exchange operations by individuals.
13	NOTICE NO. 13/19, 2 DECEMBER 2019	BNA	Procedures to be applied when selling foreign currencies.
14	NOTICE NO. 15/19, 30 DE DECEMBER	BNA	Procedure to be applied during foreign exchange operations for non-residents for foreign exchange purposes.
15	LAW NO. 2/19, 27 MARCH 2019	NATIONAL ASSEMBLY	Approving the legal regime applying to the guarantee funds of companies that manage regulated markets, clearing houses, central counterparties and centralised securities systems.
16	LAW NO. 4/19, 18 APRIL 2019	NATIONAL ASSEMBLY	Amending articles 1, 5, 11, 13, 14, 16, 17, 18, 58, 59, 66, 71 and 75 of Law 19/14 of 22 October 2014 (annexed), approving the Industrial Tax Code.
17	LAW NO. 8/19, 14 MAY 2019	NATIONAL ASSEMBLY	Approving the Special Consumer Tax Code.

	Type of decree/statute	Issuer	Subject
18	**LAW NO. 7/19, 14 MAY 2019**	**NATIONAL ASSEMBLY**	Approving the VAT (Value Added Tax) Code.
19	**LAW NO. 9/19, 14 MAY 2019**	**NATIONAL ASSEMBLY**	Amending **Law no. 18/14** of 22 October 2014 (annexed) approving the IRT (Tax on Labour Income) Code.
20	**LAW NO. 10/19, 14 MAY 2019**	**NATIONAL ASSEMBLY**	Privatisation and Reprivatisation Act.
21	**LAW NO. 17/19, 13 AUGUST 2019**	**NATIONAL ASSEMBLY**	Amending Law 7/19 of 24 April 2019 approving the VAT (Value Added Tax) Code.
22	**LAW 18/19, 13 AUGUST 2019**	**NATIONAL ASSEMBLY**	Amending Law 8/19 of 24 April 2019 approving the Special Consumer Tax Code.
23	**LAW NO. 28/19, 28 SEPTEMBER 2019**	**NATIONAL ASSEMBLY**	Amending articles 2 and 5 of the Tax on Labour Income Code.
24	**INSTRUCTION NO. 04/2019, 26 APRIL 2019**	**BNA**	Loan design.
25	**INSTRUCTION NO. 01/2019, 03 JANUARY 2019**	**BNA**	Automated Clearinghouse of Angola and loan settlement guarantees.
26	**INSTRUCTION NO. 02/2019, 03 JANUARY 2019**	**BNA**	Duty to give clients information on the Deposit Guarantee Fund.
27	**INSTRUCTION NO. 05/2019, 05 JULY 2019**	**BNA**	Processing of bills of dubious legality.
28	**INSTRUCTION NO. 06/2019, 05 JULY 2019**	**BNA**	Kwanza deposits and withdrawals.
29	**INSTRUCTION NO. 07/2019, 05 JULY 2019**	**BNA**	Value limits on payment system transactions.
30	**INSTRUCTION NO. 08/2019, 27 AUGUST 2019**	**BNA**	Impairment loss in loan portfolios.
31	**INSTRUCTION NO. 11/2019, 28 AUGUST 2019**	**BNA**	Accounting for loss in loan portfolios.
32	**INSTRUCTION NO. 12/2019, 28 AUGUST 2019**	**BNA**	Securities.
33	**DIRECTIVE NO. 01/DCC/2019**	**BNA**	Foreign exchange policy/Provision of information at the export of goods.
34	**DIRECTIVE NO. 01/DMA/2019**	**BNA**	BNA rate -Notice no. 10/11 of 20 October 2010.
35	**DIRECTIVE NO. 02/DMA/2019**	**BNA**	Basic BNA interest rate.

	Type of decree/statute	Issuer	Subject
36	DIRECTIVE NO. 002/DSP/DRO/2019	BNA	Validity of payment cards.
37	DIRECTIVE NO. 03/DCC/2019	BNA	Credit card payment at auctions of quantities.
38	DIRECTIVE NO. 002/DSB/DRO/2019	BNA	Loan design information via SSIF(Supervisory System for Financial Institutions).
39	DIRECTIVE NO. 06/DCC/DMA/2019	BNA	Import documentary credits/BNA caps/Relevant terms and conditions.
40	PRESIDENTIAL DECREE NOS. 30 TO 34-2019	FINANCE MINISTRY	Permission to issue Treasury bonds.
41	PRESIDENTIAL DECREE NO. 53/19	PRESIDENT OF THE REPUBLIC	Approving and amending articles 3, 19, 25, 32, 34 and 35 of Presidential Decree no. 195/15 of 7 October 2015 (**annexed**) approving the Sponsorship Act. (This Decree comes into effect at publication).
42	PRESIDENTIAL DECREE NO. 87/19, 21 MARCH 20019	PRESIDENT OF THE REPUBLIC	Adjusting mandatory social protection pension levels.
43	PRESIDENTIAL DECREE NO. 92/19, 25 MARCH 2019	PRESIDENT OF THE REPUBLIC	Approving the Financial System Development Bill for 2018-2022.
44	PRESIDENTIAL DECREE NO. 159/19, 17 MAY 2019	PRESIDENT OF THE REPUBLIC	Approving the Credit Support Programme (PAC).
45	PRESIDENTIAL DECREE NO. 180/19, 24 MAY 2019	PRESIDENT OF THE REPUBLIC	Approving the Value Added Tax (VAT) Regulation.
46	PRESIDENTIAL DECREE NO. 7/19	PRESIDENT OF THE REPUBLIC	Mandatory use of the long scale when reading and writing large numbers in the Republic of Angola.
47	PRESIDENTIAL ORDER NO. 231/19	PRESIDENT OF THE REPUBLIC	Amending article 14 of Presidential Decree no. 312/18 of 21 December 2018 on the legal regime applying to the electronic submission of taxpayer accounting items.
48	PRESIDENTIAL ORDER NO. 232/19	PRESIDENT OF THE REPUBLIC	Approving the legal regime applying to the communication and electronic conduct of fiscal procedures.
49	PRESIDENTIAL DECREE NO. 250/19, 5 AUGUST 2019	PRESIDENT OF THE REPUBLIC	Approving the privatisation programme for 2019-2022.
50	PROVISIONAL PRESIDENTIAL LEGISLATIVE DECREE NO. 1/19	PRESIDENT OF THE REPUBLIC	Suspending the entry into effect and payment of VAT (Value Added Tax) and IEC (Special Consumer Tax).
51	PRESIDENTIAL LEGISLATIVE DECREE NO. 5/19, 2 MAY 2019	PRESIDENT OF THE REPUBLIC	Establishes the principles and rules applying to the set-up and management of guarantee funds for companies that manage regulated markets, clearing houses, central counterparties and centralised securities systems.
52	PRESIDENTIAL LEGISLATIVE DECREE NO. 6/19, 2 MAY 2019	PRESIDENT OF THE REPUBLIC	Establishes the legal regime applying to monetary securities in the form of commercial paper.
53	PRESIDENTIAL LEGISLATIVE DECREE NO. 1/19, 18 JANUARY 2019	PRESIDENT OF THE REPUBLIC	On the mandatory use of the long scale when reading and writing large numbers in the Republic of Angola. Revokes **Official Order no. 17640 of 6 April 1960**.

	Type of decree/statute	Issuer	Subject
54	PRESIDENTIAL LEGISLATIVE DECREE NO. 1/19, 18 JANUARY 2019	PRESIDENT OF THE REPUBLIC	On the mandatory use of the long scale when reading and writing large numbers in the Republic of Angola. Revokes **Official Order no. 17640 of 6 April 1960**.
55	ORDERS NOS. 5, 6, 7, 8, 9, 10, 11 AND 12-2019,	FINANCE MINISTRY	Authorising the issue and placement of 2019 Treasury bills (fixed/variable rate debt) and the issue, placement and redemption of 2019 Treasury bonds (capitalisation).
56	PRESIDENTIAL LEGISLATIVE DECREE NO. 1/19, 18 JANUARY 2019	PRESIDENT OF THE REPUBLIC	Mandatory use of the long scale when reading and writing large numbers in the Republic of Angola. Revokes **Official Order no. 17640 of 6 April 1960**.
57	EXECUTIVE DECREES NOS. 43, 44, 45, 46, 47, 48 AND 49-2019,	FINANCE MINISTRY	Characteristics of Treasury bonds and the direct issue of public debt securities (Treasury bills).
58	FINANCE MINISTRY EXECUTIVE DECREE NO. 73-19	FINANCE MINISTRY	Rules on the printing of invoices and documents.
59	FINANCE MINISTRY EXECUTIVE DECREE NO. 74-19	FINANCE MINISTRY	Rules and requirements applying to the validation of electronic processing systems for billing taxpayers.
60	PRESIDENTIAL LEGISLATIVE DECREE NO. 2/19	PRESIDENT OF THE REPUBLIC	Establishes the legal regime for the settlement and payment of debt by taxpayers and beneficiaries to the body managing the mandatory social protection system.
61	EXECUTIVE DECREE NO. 227/19, 19 SEPTEMBER 2019	FINANCE MINISTRY	Regulating the characteristics of Treasury bonds as per **Presidential Decree no. 210/19 of 2 July 2019** (annexed) issued without adjustment of their nominal value, a coupon rate of 50% per annum and redemption by the National Bank of Angola at face value without discount, revoking all legislation that is contrary to this Executive Decree.
62	CORRECTION NO. 7/19, 6 FEBRUARY 2019	PRESIDENT OF THE REPUBLIC	Correcting Annex I to Presidential Legislative Decree no. 1/19 of 18 January 2019 on the mandatory use of the long scale when reading and writing large numbers in the Republic of Angola.
63	CORRECTION NO. 10/19, 26 MARCH 2019	FINANCE MINISTRY	Approving the rules and requirements for the validation of electronic systems for billing taxpayers and the application form.
64	CORRECTION NO. 29/19, 16 OCTOBER 2019	SECRETARIAT OF THE COUNCIL OF MINISTERS	Amending articles 1, 10, 11, 12 and 15 of Law 8/19 of 24 April 2019 approving the Special Consumer Tax Code.
65	REGULATION NO. 1/19	CAPITAL MARKET COMMISSION	Establishes the conditions for the operation by management companies of regulated markets, clearing houses, centralised systems and securities settlement systems.
66	REGULATION NO. 2/19	CAPITAL MARKET COMMISSION	Regulates the items set out in Presidential Legislative Decree no. 4/15 of 16 September 2015 (annexed) on the legal regime applying to collective venture capital undertakings as regards authorisation to incorporate and register in order to begin operating, their operation, valuation of their assets and the duty to inform.
67	REGULATION NO. 3/19	CAPITAL MARKET COMMISSION	Regulates the items set out in Presidential Legislative Decree no. 6-A/15 of 16 November 2015 ((annexed) on the legal regime applying to collective asset securitization undertakings as regards authorisation to incorporate and register in order to begin operating, their operation, duty to inform, the nature, value and limits of their assets and their minimum risk rating.
68	REGULATION NO. 4/19	CAPITAL MARKET COMMISSION	Establishes the rules applying to asset management companies (AMs) when authorised to incorporate and register with this Commission in order to start operating.
69	RESOLUTION NO. 17/19, 15 MARCH 2019	NATIONAL ASSEMBLY	Approving and ratifying the Convention between the Republic of Angola and the Republic of Portugal on the Removal of Double Taxation on Income and on the Prevention of Fraud and Tax Evasion.

03

O BFA

Our History

1990

- The former Banco de Fomento Exterior (BFE) opens a representation office in Luanda.

1993

- BFE presence boosted with the opening of a branch in Luanda that begins to offer universal commercial banking with capital equivalent to USD 4 million.

1996

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

2002

- BFA becomes an autonomous entity under Angolan law.

2003

- Inauguration of new headquarters in Luanda, a high point for the BFA brand on the Angolan market and a landmark in the Bank's plan to expand its commercial network by putting all its core services in the same building.

2004

- Segmentation of the commercial network begins with the opening of the first three business centres, offering specialist business services.

2005

- The social fund is created with three main focuses: education, health and social welfare.

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

2006

- Major expansion of the commercial network and increased segmentation with the inauguration of the first investment centre.

2007

- The commercial network expands to include 96 service desks, 83 branches, 7 business centres, 4 investment centres and 2 service points.

- In partnership with VISA and EMIS, BFA is the first bank to offer credit and debit card cash withdrawal at all BFA ATMs.

2008

- Change in shareholder structure as 49.9% of BFA is sold to Unitel.

- Investment centre network is extended into Benguela Province with the opening of the first investment centre in Lobito.

- Launch of BFA Super Poupança (Super Saver) as the main source of new (especially USD) customer funds.

2009

- The commercial network expands to 129 service desks.

- Launch of Plano de Poupança BFA (BFA Savings Plan) and a Western Union service.

2010

- Creation of a central archive within the current dynamic IT system in order to improve the quality of customer service (queries and requests for documentation).

2011

- BFA SMS launches for personal customers.

- Start of the eMudar@BFA project, giving the Bank with an application platform for process management.

- Bankita Programme Agreement signed with BNA.

2012

- Oil & Gas (Operators) Business Centre created to meet the particular requirements of oil operators.

- Service desk network expands to 167 service desks, 139 branches, 15 business centres, 8 investment centres and 5 service points in December 2012.

- Service desks in Luanda Province account for 20% of the market (market total 498).

2013

- Oil & Gas (Vendors) Business Centre created to meet the particular requirements of service providers to the oil sector.

2014

- BFA 923 120 120 helpline opens.

- Launch of the Kanandu prepaid VISA card.

2015

- BFA becomes the first member of BOVIDA, with an over 70% share of the market in terms of transaction numbers and volumes.

- BFA launches its first mobile app.

2016

- BFA Gestão de Activos is incorporated to market and manage investment funds.

2017

- UNITEL buys +2% of BFA and becomes its majority shareholder.

2018

– The Agribusiness Department is set up to support the sustainable development of the segment in Angola.

- The Bank's Risk Management Function becomes operational.

- The Training Academy is set up.

2019

– 2 067 844 customers achieved, a historic high.

– Completion of the implementation and commissioning of the Risk Management Function.

- Opening of the first BFA private banking service desk.

Corporate Governance

CORPORATE GOVERNANCE AND THE INTERNAL CONTROL SYSTEM

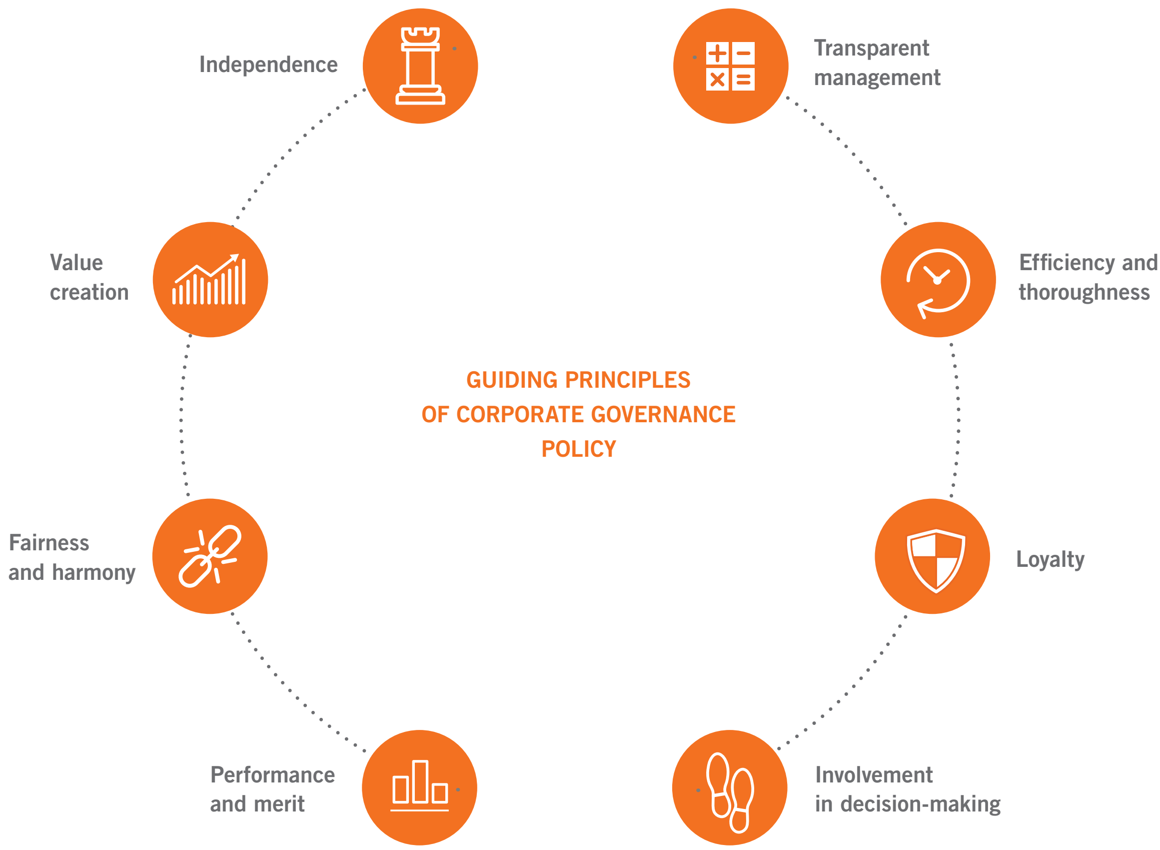
The Board of Directors of Banco de Fomento Angola, S.A. has submitted its annual report on corporate governance and the internal control system as at 30 November 2019 in compliance with article 1 of BNA instruction 1/2013 of 22 March 2013 regulating the dispatch of information by financial institutions to the National Bank of Angola, and as required under BNA notices 1 and 2/2013 of 22 March 2013.

The Board of Directors has prepared action plans covering the management of the Company and its internal control system as required under article 26(2) of notice 01/2013 and article 22(2) of notice 02/2013, both of 22 March 2013, which specify the timings of required actions, in order to meet regulatory requirements and to ensure the Bank applies the best known international practice in this area.

BFA seeks to toughen its internal controls in a coordinated manner through the application of internationally accepted practices. In 2019 the Bank therefore implemented a set of compliance and risk management improvements so as to strengthen its processes and systems and comply with BNA notices and instructions in this area.

GUIDING PRINCIPLES OF CORPORATE GOVERNANCE

The guiding principles of BFA corporate governance are based on strict compliance with Angolan and international legal requirements as embodied in internationally recognised best practices and as mirrored in the best ethical principles. They include:



CORPORATE STRUCTURE AND GOVERNANCE MODEL

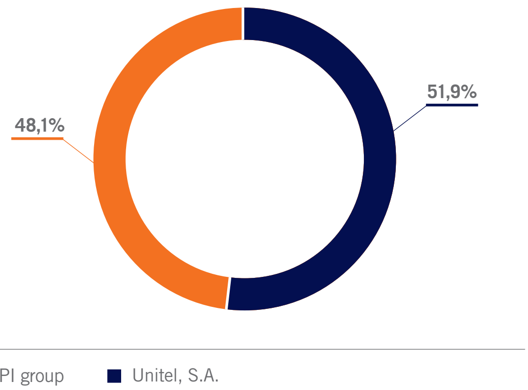
BFA was incorporated by notarised deed on 26 August 2002 after the Angolan branch of Banco BPI, S.A. had been transformed into a bank under Angolan law.

By notarised deed published in Diário da República, series III, no. 11, of 17 January 2017 following a written resolution passed unanimously by the relevant shareholders on 14 October 2016 and authorisation from BNA, BFA's articles of association were completely redrafted after the change in its shareholder structure.

CORPORATE STRUCTURE AND SHAREHOLDERS

At 31 December 2019, BFA's shareholders were as follows:

Corporate structure and governance model



BFA EQUITY INTERESTS

BFA has stakes in the following companies:

13,90%	50,00%	2,00%	99,00%
Emis	Sociedade de Fomento Habitacional	Instituto do Mercado de Capitais	BFA Gestão de Activos

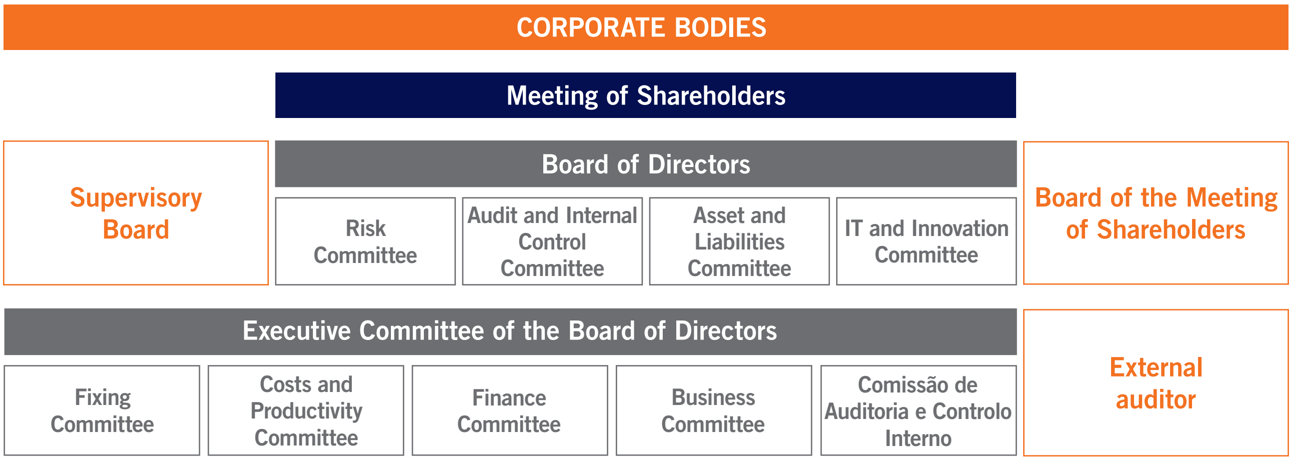
BFA is the biggest private shareholder of EMIS (Empresa Interbancária de Serviços, S.A.) at 13.90% and is its biggest client and user of its services. EMIS handles the entire Angolan payments system.

BFA has always supported and encouraged EMIS initiatives and has habitually been one of the first banks to obtain and use new EMIS solutions and services:

- New BFA data processing centre in facilities built by EMIS that meet the highest international technical and access standards;
- Multicaixa debit cards that use new EMV technology;
- New cardless cash withdrawal system;
- New card management platform: BFA accounts for 51.4% of all valid VISA cards and 27.2% of all valid Multicaixa debit cards.

GOVERNANCE MODEL

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



The following corporate bodies are statutory bodies:

1. Meeting of Shareholders
2. Board of the Meeting of Shareholders
3. Board of Directors
4. Executive Committee of the Board of Directors (ECBD)
5. Supervisory Board
6. External auditor

The members of the corporate bodies over the three years 2017-2019 were unanimously elected by the shareholders on 6 June 2017, on which date the BoD decided the composition of the ECBD and its chair and allocated portfolios to its members.

Meeting of Shareholders	
Powers	• Amend the Company's articles of association, including capital increase/decrease • Company merger, demerger, transformation and winding up • Issue of securities that may give rise to subscription or conversion into shares • Restriction/cancellation of shareholders' pre-emptive rights at capital increases • Purchase and sale of own shares and bonds • Distributions of annual profit in accordance with the articles of association • Other distributions of assets to shareholders and advances on profits

Board of Directors

Powers	• Approve business and strategic plans, budgets and amendments thereof, in accordance with the articles of association • Decisions that have a material impact on assets • Material alteration of the geographic area in which the Company operates, unless this forms part of a strategic or business plan • Admission to trading of shares in the Company and its subsidiaries • Approval of proposed applications of profit/loss • Transactions with related parties that exceed USD 2 500 000 • Issue of subordinate debt, unless included in the budget • Amendment of BoD, ECBD, credit and risk regulations • Formation of subsidiaries and investment to form a subsidiary • Purchase, sale and placing of charges on moveable and immoveable assets • Granting by the Company of security and guarantees, both personal and in rem • Full/partial opening and closing of establishments • Alteration of Company organisation • Appointment of agents to perform particular duties or types of duty, specifying the limits of such mandates

Executive Committee of the Board of Directors

Powers	Under its regulations - which are approved by the Board of Directors and are subordinate to action plans, the annual budget and other measures and guidelines approved by the Board of Directors - the Executive Committee of the Board of Directors (ECBD) has both the extensive legally specified management powers needed or appropriate for banking and also the power to make decisions and to represent the Company in accordance with the authority delegated to it by the BoD.

Supervisory Board

Powers	• Supervise Bank management • Ensure compliance with the law and the deed of incorporation • Check the propriety of the books, accounting registers and their supporting documents • Check balance sheet and income statement figures • Check that the valuation criteria adopted by the Company produce a correct assessment of its assets, profit and loss • Prepare annual reports on its supervisory work and give opinions on the reports, accounts and proposals presented by management • Convene shareholder meetings if the chair of the Board of the Meeting of Shareholders fails to do so • Comply with legal requirements, the deed of incorporation and BNA directives

External auditor

Powers	• Audit BFA's financial statements as at 30 June and 31 December each year • Issue opinions as to the truth and fairness of the annual report on corporate governance and the internal control system

Audit and Internal Control Committee

Powers	• Ensure that an effective and duly documented reporting system is in place and operational, including preparation and issue of the financial statements • Supervise the determination and implementation of the Bank's accounting policies and practices • Review all financial information for internal publication/ disclosure, especially the annual accounts prepared by management • Supervise the independence and effectiveness of Internal Audit, approve and review the actions and frequency of its work and supervise the implementation of recommended corrective action • Supervise Compliance • Supervise the work and independence of the external auditors, setting up a channel for the communication of audit findings and reports

Risk Committee

Powers	• Advise the Board of Directors on risk strategy • Monitor all Bank risk management policy

Asset and Liabilities Committee

Powers	• Support the Board of Directors with regard to asset and liability management strategy • Define and monitor asset and liability management policy as regards liquidity, interest rate, exchange rate and market risk management • Monitor indicators and metrics and their alignment with balance-sheet financial management objectives and targets as set out in the Strategic Plan • Analyse market interest and exchange rate trends

IT and Innovation Committee

Powers	• Support the Board of Directors with regard to strategies for managing and developing the Bank's IT systems • Monitor implementation of the Bank's IT system projects • Support the Board of Directors in the identification, assessment and implementation of new working processes, products and methods

Fixing Committee

Powers	• Ensure compliance with BNA regulations • Monitor BNA foreign currency auctions, analysing deviations and proposing corrective action • Approve and monitor the distribution of foreign currency to customers using foreign currency sale and purchase criteria and relevant internal rules • Monitor foreign currency sales management policy, inviting proposals for the resolution of constraints on business that will then be put before the ECBD • Monitor and energise the Bank's foreign currency collection processes by identifying areas for improvement and new methods and putting them before ECBD for assessment.

Finance Committee

Powers	• Maintain a watch on current legislation and prudential rules • Pricing policy • New product strategy • Manage balance-sheet risks: exchange rate, interest rate and liquidity risks

Business Committee

Powers	• Monitor the business and the commercial performance of the various networks • Monitor competition and prospects for growing the business • Produce commercial policy by identifying commercial priorities, opportunities and constraints • Invite proposals for the resolution of constraints on business that will then be put before the ECBD • Monitor action taken on specified priorities, examining deviations and their impacts • Develop and energise the implementation of new products to be launched on the market and monitor their commercial performance • Monitor and energise commercial business by identifying opportunities for introducing processes and new methods and ensuring they are subsequently assessed by ECBD

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COMPOSITION OF CORPORATE BODIES

BOARD OF THE MEETING OF SHAREHOLDERS

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

BOARD OF DIRECTORS

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

EXECUTIVE COMMITTEE

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

SUPERVISORY BOARD

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

EXTERNAL AUDITOR

PricewaterhouseCoopers (Angola), Lda.

The above corporate bodies were as shown until new bodies were appointed on 28 January 2020.

ORGANISATIONAL CHART

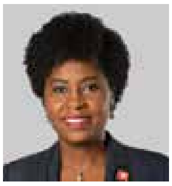
The Bank is organised into functions that divide departments into several areas and, each of which is headed by an executive director.

EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

Jorge A. Ferreira Chair
- Marketing
- HR
- Business Development Unit
- Corporate
- Transformation
- BFA Academy

António Matias
- Personal and Business Banking (North)
- Personal and Business Banking (South)
- Investment Centres
- Agribusiness

Vera Escórcio
- Finance and International
- Foreign Exchange Control
- Treasury
- BFA Gestão de Activos



Manuela Moreira
- Social Responsibilityl
- Protocol Management
- Private Banking

Mário Silva BD Chair
- Internal Audit

Carlos Firme
- Accounts and Planning
- Facilities and Assets

Rodrigo Guimarães
- Personal and Business Lending
- Credit Risk
- Structured Finance and Investment
- Risk Management
- Monitoring, Recovery and Litigation
- Legal
- Compliance

Francisco Avilez
- IT
- Means of Payment
- Credit Processing
- Foreign
- Organisation and Quality
- Procurement

Executive Committee of the Board of Directors

Jorge Albuquerque Ferreira
Chairman

Rodrigo Guimarães
Director

Francisco Avilez
Director

António Matias
Director

Vera Escórcio
Director

Carlos Firme
Director

Manuela Moreira
Director

Executive Committee of the Board of Directors

JORGE ALBUQUERQUE FERREIRA

Chairman
Date of birth
22 February 1970

Jorge Albuquerque Ferreira has been President of the BFA Executive Committee since the end of June 2017. He holds a degree in Economics from the University of Coimbra and has been with Banco BPI for 23 years. He began his career as an account manager at a BPI service desk and worked his way up through the ranks to the position of Central Director. His professional focus has always been on domestic and international commercial banking.

ANTÓNIO MATIAS

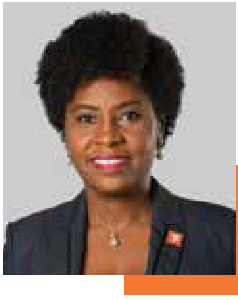
Director
Date of birth
19 July 1968

António Matias has been a director of BFA since 2005. In addition to his academic career as an economist, he has more than 15 years' experience with the Bank, having joined BFA in January 1998 and holding various commercial positions until he was appointed Assistant Manager of the Credit Department in 2001 and then Central Manager of the Corporate Department in May 2005. He earned a degree in business management from the economics faculty at Agostinho Neto University and a postgraduate degree in banking, insurance and financial markets from ISLA (Instituto Superior de Línguas e Administração) in Lisbon. He chairs the Board of IFBA (Instituto de Formação de Angola).

VERA ESCÓRCIO

Director
Date of birth
17 September 1974

Vera Escórcio has been a director of BFA since 2009. She has been with the Bank for 14 years since 2001 and before that was with Banco BIC in its financial department. She is an economic graduate, specialising in business economics, from Lisbon's Universidade Nova and holds a post-graduate degree in bank management from Católica Executive Education.



MANUELA MOREIRA

Director
Date of birth
28 September 1969

Maria Manuela Moreira has been a director of BFA since 2014. She has been with the Bank for 23 years since January 1997 and her varied duties during her career have been in the Accounting, Credit and Commercial Departments. She was appointed head of the Investment Centre Department in May 2006. Her previous experience is in the Ministry of Finance's Accounts Department and with the Ministry of Education as a lecturer at the Instituto Médio de Economia de Luanda (IMEL). She graduated from the University of Havana, Cuba, in 1995 with a first degree in accounting and finance and obtained an MBA from Fundação Getúlio Vargas in 2005 and a certificate from the Advanced Management Program of Lisbon's Universidade Católica/Kellogg and Corporate Governance Program at the Nova School of Business and Economics.

CARLOS FIRME

Director
Date of birth
28 December 1970

Carlos Firme been a member of the BFA Board since June and 2017. He holds a degree in Economics from ISEG (1988-93) and a master's degree in Monetary and Financial Economics from ISEG (1995-97) and has completed the Advanced Management Program (AMP) at Harvard Business School (2009). He started his professional career in 1993 in the Economic Studies (EGE) Office at the Ministry of Finance and in 1997 joined the Finibanco Group, initially as Head of the Economic and Sectoral Studies Office and, from 1999, as the director responsible for the Trading and Financial Markets areas. From 2006 to the end of 2015, he served as a director in Banif Group, in the areas of Investment Banking, Asset Management, Pension Funds, Venture Capital and Commercial Banking, with responsibilities in the areas of Finance, Investment and Risk.

RODRIGO GUIMARÃES

Director
Date of birth
18 September 1966

Rodrigo Guimarães has been a director of BFA since June 2017. He worked for the Bank 2006-9, initially as head of Project Finance and later as head of Corporate and Legal. He began his career at BPI in 1990, working in various areas, including project finance and in the Business Development Unit (from 2012). He has also served as Chief of Staff to the Secretary of State for the Treasury and Finance (2004) and Chief of Staff to the Secretary of State for Fiscal Affairs (2011). He holds a law degree from Universidade Católica Portuguesa and an MBA from Manchester Business School.

FRANCISCO AVILEZ

Director
Date of birth
29 March 1971

Francisco Avilez has been a director of BFA since April 2018. He began his banking career in asset management with the BPT group in 1996, working in Portugal and Switzerland, before moving to finance as its Central Director 2013-2017. He was BFA's Head of Finance 2006-2010, working as a Banco BPI executive seconded to Angola. Mr Avilez holds a degree in economics from Lisbon's Universidade Nova and a Masters in Developing Economies from the University of Stanford in California. He has been a non-executive director of EMIS (Empresa Interbancária de Serviços SA) since May 2018.

INTERNAL CONTROL SYSTEM

The BFA internal control system organises all the methods and procedures adopted by management to ensure that wherever possible business is conducted methodically and efficiently. Objectives include implementation of management policies, protection of assets, the prevention and detection of fraud and errors, accurate and complete accounting records and the timely preparation of reliable financial information. In accordance with Notice 2/13 regulating the duty of every financial institution to implement an internal control system, these are considered suitable and effective if the board of directors and management can be reasonably certain that their bank's strategic and operating objectives are being met, that its reporting system is reliable and that there is compliance with legal requirements.

BFA's current internal control system comprises 4 components, each of which has its own objectives and tools, and together they ensure that the Bank's internal control system is suitable and integrated:

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

REMUNERATION OF THE MEMBERS OF CORPORATE BODIES

Remuneration of executive directors

BFA's remuneration policy for the Executive Committee of the Board of Directors (ECBD) provides both fixed and a variable pay, the latter being at market levels and depending on the performance of BFA and the director concerned in the previous year.

Fixed pay for ECBD members is at market levels and is decided by the Bank's shareholders.

Variable pay ensures that the interests of ECBD members remain in line with those of BFA and its shareholders.

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

Non-executive directors and members of the Supervisory Board and the Board of the Meeting of Shareholders receive fixed remuneration that is unanimously agreed in writing by the shareholders.

In 2019 the total fixed remuneration paid to all members of the Board of Directors, Supervisory Board and Board of the Meeting of Shareholders was USD 5 751 260, as follows:

- Members of the Executive Committee of the Board of Directors: USD 5 076 260 in fixed and variable pay;
- Non-executive members of the Board of Directors, Supervisory Board and Board of the Meeting of Shareholders: USD 675 000 in fixed and variable pay.

Distribution of profits policy

This is set out in the articles of association, which establishes the following order of priorities:

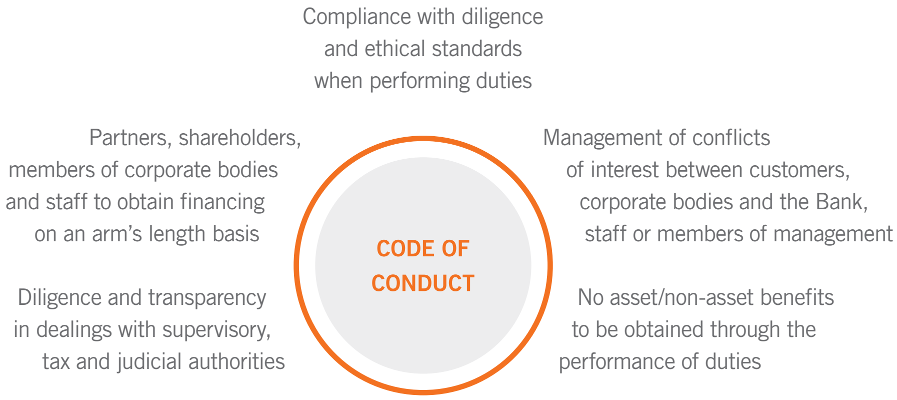
- Settlement of loss brought forward;
- Formation or replenishment of the legal reserve;
- Formation or replenishment of special statutory tax reserves;
- Payment of preferred dividends on any preference shares (without voting rights) issued by the Company;
- 40% of remaining profit to be distributed among all shareholders, unless an AGM resolution passed by 2/3 of the Company's share capital allocates it all or in part to create and/or supplement reserves or to any other purpose that is in the Company's interests;
- The remainder to be applied as resolved by the Meeting of Shareholders by simple majority vote.

Ethical principles and conflicts of interest

Based on ethical principles, the code of conduct, the Board of Directors regulations and the ECBD regulations set the highest standards of behaviour and lay down rules, principles and procedures for identifying, monitoring and mitigating conflicts of interest.

BFA fosters transparency in relations between its corporate bodies and employees and bans all involvement in illegal activities and excessive risk-taking, thus contributing to transparency in contractual relations between the Bank and its counterparties.

The professional activities of members of the Bank's corporate bodies and its employees are governed by the ethical principles set out in the BFA code of conduct, which has been approved by its Board of Directors. This is available on the intranet and on the Bank's website. The following is a summary of the main points:



Given the importance of clear and objective conduct guidelines, BFA has produced a code of conduct for issue to all new staff. All Finance and International Department (DFI) staff are additionally required to sign the Declaration of Acceptance of the Market Code of Conduct published by BNA in Notice no. 13/2011.

BFA has signed the Acceptance of the Money and Foreign Exchange Market Code of Conduct, which sets out the general and professional ethics applying to relations between interbank market participants, operating practice on those markets and its scope.

RISK MANAGEMENT SYSTEM

BFA's risk management system covers the following essential functions:

- Strategy development;
- Identification and assessment of exposure to risk;
- Monitoring and control;
- Reporting and performance assessment.

BFA risk management also continuously identifies and analyses exposure to different types of risk and the implementation of strategies to improve profits in the light of those risks. It also ensures full compliance with the restrictions and limits that have been set and are duly supervised.

In 2019 BFA implemented and commissioned the new Risk Function that has the human, procedural and technological resources needed to fulfil its mandate in line with current logistics.

In 2019 BFA also distributed to all its departments the methods and practices (Risk Management System) for identifying, assessing, monitoring and controlling the following risks identified in 2017:

Credit risk

- **Personal and Business Lending**: monitoring of credit risk in this segment;
- **Corporate, Institutional and Project Credit Risk**: risk analysis, opinions and decisions on lending to corporate and institutional (State and public sector) customers;
- **Credit Management**: regular credit monitoring, preparation of decisions, terms and conditions of credit and monitoring of guarantees received;
- **Loan Monitoring, Recovery and Litigation**: monitoring and recovery of loans more than 60 days' overdue. This department is also responsible for the recovery of overdue loans through negotiation or the courts;
- **Risk Management (Credit Risk)**: this has 3 units (Credit Management, Impairment, Model Development).

Operating risk

The following departments are responsible for assessing and controlling operating risk:

- **Operating Risk**: global exposure analysis;
- **Internal Audit**: operating risk management.

Liquidity risk

- **Finance and International**: Analysis of individual liquidity risk by instrument.

Market risk

- **Finance and International**: Analysis of risk by instrument and global risk analysis: interest rates, exchange rates, trading portfolios.

Country risk

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

Compliance risk

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

INTERNAL INFORMATION

BFA's IT and communication systems are an integral part of its strategy for ensuring high levels of innovation, modernity and risk control and for promoting the sustainable growth of the Bank and the transparency of its activities.

Corporate communication

BFA places great importance on its relations with shareholders and authorities, on social communications and on communications with all other market operators. Communication takes the form of publication of its financial statements and quarterly interim accounts on its public website. Bank performance and activities are disclosed on its intranet.

The Bank also holds quarterly executive meetings attended by representatives from all its departments, at which results and outlook are presented.

MONITORING

Audit and Inspection (DAI) and Compliance (DC) monitor the internal control system to assess its effectiveness, efficiency and relevance. They are responsible for the regular audit of commercial bodies and central services to ensure the integrity and security of Bank and customer assets, compliance with legal and internal requirements and risk control. DAI also ensures that control procedures are able to deal with new risks as they are identified and that they meet legal requirements.

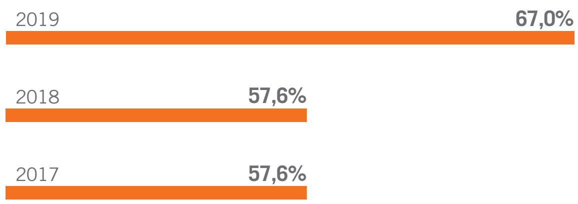
Main Areas of Business

SPEARHEADING FINANCIAL INCLUSION AND INCREASING THE FINANCING OF THE ECONOMY

Developing banking in Angola

A survey carried out in 2019 shows that 67% of Luanda Province residents aged 15 or over hold a bank account (+9.4% on 2018). Banking is therefore continuing to expand in the country.

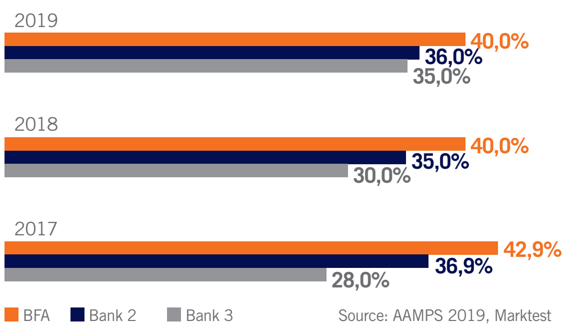
Growth in Banking



Source: AAMPS 2019, Marktest

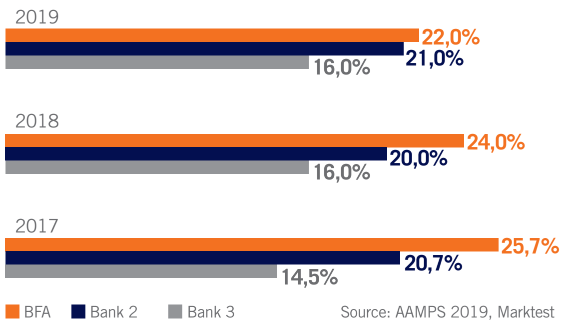
2019 saw BFA penetration stabilise at 40%, ahead of other banks. This yet again testifies to the dynamism of BFA in capturing business, maintaining good relations with the market and its customers and in contributing to the energising and growth of the sector in Angola.

Penetration



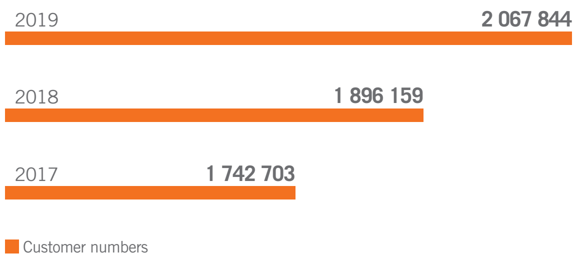
BFA maintained its leadership of the market in 2019 (22% market share) and also maintained its pole position in financial services despite a 2% slip since 2018.

Market Share as Leading Bank



Maintenance and consolidation of position BFA's position on the market

Improving customer service through ever better quality care has been one of the key principles applied across the Bank and, as in previous years, has continued to increase customer numbers, which rose 9.1% on 2018 to 2 067 844.



LONG-TERM INVESTMENT IN OUR PHYSICAL NETWORK OF SERVICE DESKS

A commercial network covering all Angola

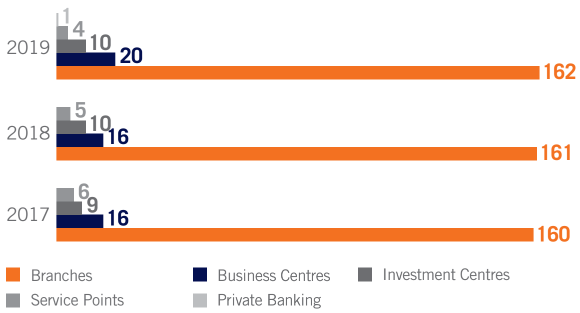
In order to ensure the excellence of its service, BFA's commercial network has adopted a strategy of segmenting the market into three areas:

- Branches;
- Personal banking;
- Business banking.

PERSONAL AND BUSINESS BANKING

In 2019 BFA opened 1 branch, 4 business centres and 1 private banking branch and closed 1 service point. The Bank currently has 162 branches, 20 business centres, 10 investment centres, 1 private banking branch and 4 service points.

BFA Distribution Networ



Customer segmentation

In 2019 BFA successfully concluded the segmentation and organisation of its customer portfolio. In order to adjust its service model to reflect the value added by each customer, the Bank reviewed and adjusted its segmentation of personal and business customers. Personal customers have now been reclassified into four segments (top, affluent, upper mass, and mass).

Personal	Corporates
Private	Large enterprises Oil & gas Public sector
Affluent	Medium enterprises
Upper Mass Mass	Small enterprises Micro enterprises

More efficient customer care

Service quality is one of BFA's guiding principles. The Bank consequently adjusts its practices and systems to keep its focus on the customer. In 2019 the Bank therefore reorganised its Personal and Business Banking Department by dividing it into two separate departments (DPN North and DPN South) to improve service quality and ensure the customer remains at the heart of all its work.

Service quality

Mystery Client survey

The mystery client approach is based on active observation to obtain a discrete, scientific and professional assessment of service quality from the customer's viewpoint.

In 2019 the assessment grid and assessment weightings were adjusted for the Customer Focus training programme. Each branch was visited twice in 2019 by two inspectors from a market survey company certified by the Mystery Shopping Providers Association (MSPA). The Bank's aim was to improve service quality and to focus its commercial teams on the customer.

AAMPS 2019 survey: public perceptions of banks

In 2019 82% of all people aged 18 or over did not have a bank account but intended to open one. This is a measure of the challenges and the road remaining on the path to a sustained expansion of banking in Angola.

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SERVICE QUALITY

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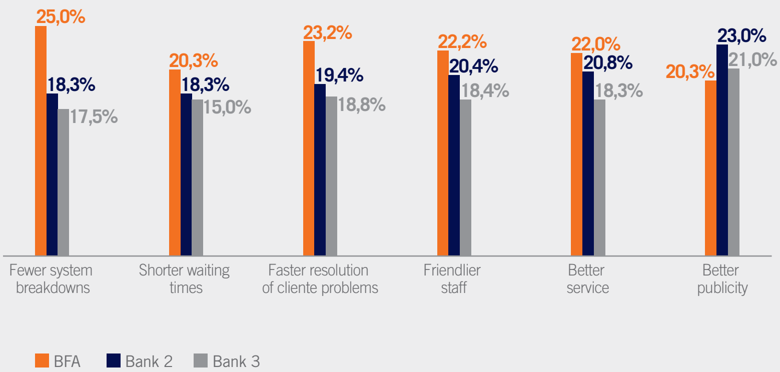
Banks Image



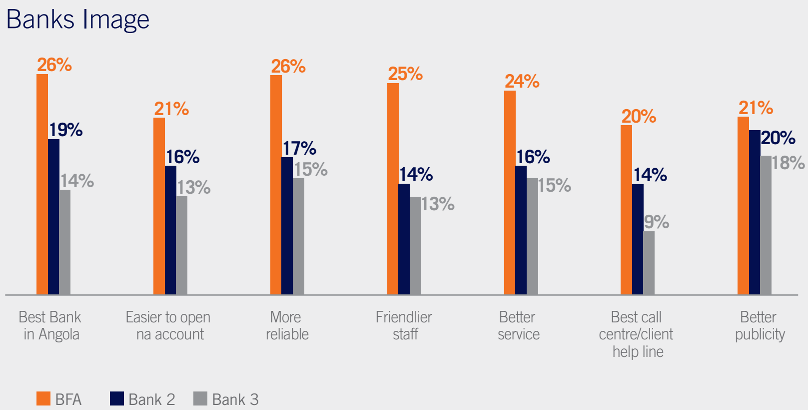
Source: AAMPS 2019, Marktest

ISB 2019 survey - Bank satisfaction indicators

ISB 2019 involved 4 305 interviews with bank account holders living in the 4 provinces of Angola in order to find out how potential and current customers rate and assess banks and to obtain comprehensive information on customers' relations with their main bank.

In 2019 BFA was rated the bank with the best image. 26% of interviewees rated it the best bank in Angola. Most of these respondents were young (aged 20-24).

BFA is rated the most trustworthy bank (26%), bank 2 obtaining a rating of just 17%, 9% behind BFA.
BFA also led on customer care at 26%, 8% ahead of bank 2.



Source: AAMPS 2019, Marktest.

The leader in attracting new customers

In 2019 BFA customers totalled 2 057 366 in the personal, business and corporate banking sectors (+9.2%), although the number of its credit cards dropped 11.3% to 1 359.

The number of BFA debit cards rose to 1 138 420 (+2.3%) and it held 215 652 payroll accounts.

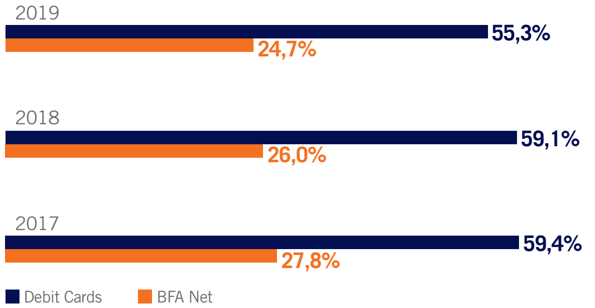
CUSTOMER AND SERVICE BASE - PERSONAL AND BUSINESS ACCOUNTS

Million AKZ

	2017	2018	2019	Δ% 17-18	Δ% 18-19
Customers (no.)	1 727 759	1 884 469	2 057 366	9,1%	9,2%
BFA Net (no.)	480 855	489 900	507 724	1,9%	3,6%
Debit cards (no.)	1 026 637	1 112 944	1 138 420	8,4%	2,3%
Credit cards (no.)	10 149	12 000	10 641	18,2%	(11,3)%
Payroll accounts (no.)	101 210	110 679	215 652	9,4%	94,8%

In 2019 debit card penetration reduced 3.7% and that of BFA Net slid 1.3%.

BFA Net and debit card penetration



Deposits

In 2019 with the completion of customer segmentation, the portfolio of deposits totalled AKZ 288 834.5 million, divided into sight deposits (AKZ 232 968.7 million) and term deposits (AKZ 55 865.8 AKZ million).

CUSTOMER FUNDS - PERSONAL AND BUSINESS ACCOUNTS

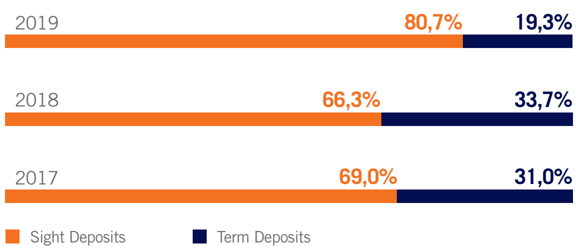
Million AKZ

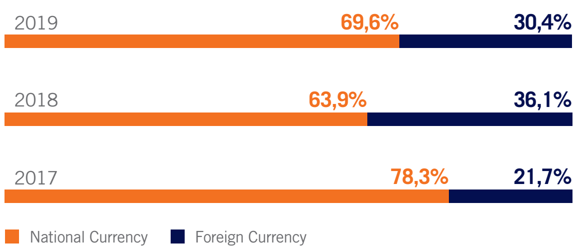
	2016	2017	2018	2019	Δ% 16-17	Δ% 17-18	Δ% 18-19
Funds	423 822,4	396 021,3	416.777,0	288 834,5	(6,6)%	5,2%	(30,7)%
Deposits	423 706,8	395 960,4	416.777,0	288 834,5	(6,5)%	5,3%	(30,7)%
Sight	309 824,5	273 186,7	276.507,9	232 968,7	(11,8)%	1,2%	(15,7)%
Term	113 882,3	122 773,6	140.269,1	55 865,8	7,8%	14,3%	(60,2)%
Other	115,6	60,9	-	-	(47,3)%	(100,0)%	0,0%

Sight deposits totalled AKZ 232 968.7 million in 2019 (-15.7% on 2018).

The fall in term deposits meant a material change in the distribution of deposits as a whole. Term deposits now accounted for 80.7% of the total, compared with 66.3% in 2018. Foreign currency deposits shrank less owing to the fall of the kwanza against the main international currencies.

Deposits by Currency and Type - Personal and Business Accounts

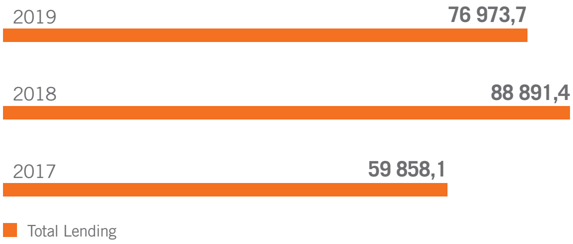




Increased lending to customers (AKZ million)

Following customer segmentation, the loan portfolio totalled AKZ 76 973.7 million.

Lending to Customers



NB: accrued interest is not included

PROTOCOL MANAGEMENT DEPARTMENT

The Protocol Management Department (DGP) was set up in July 2013 to handle and energise direct salary payment protocols with public and private sector institutions and companies in an organised and competitive manner with the aim of creating relationships based on trust and closeness with their employees.

In 2019 DGP maintained its focus on increasing the number of its payroll accounts through protocol agreements, signing 15 new agreements in the year (+12% on 2018). The new agreement with the Interior Ministry and its Social Fund for Finance Workers was the most important of these since it directly affects over 100 000 civil servants and indirectly their families.

Under the slogan "Together we are stronger" DGP joined forces with the Personal and Business Banking Department to attract new customers across Angola and took part in around 48 initiatives to promote protocols with public sector institutions and companies and achieve a target of 2 million customers.

The Department set itself the following objectives:

- Hire more staff;
- Promote training courses to improve the team's banking skills;
- Produce a protocol procedures manual;
- Promote improvement in the protocol management information that DSI produces from time to time;
- Increase the promotion of cross-selling within the Bank's Business and Personal Banking commercial network in order to increase sales of BFA products and services to companies and their employees.

SPEARHEADING NEW INVESTMENT AND SAVINGS SOLUTIONS

The network of investment centres is of key importance to the Bank's segmentation and specialisation strategy. Its teams therefore focus on personal relationships also to obtain and develop solutions suited to the requirements of high net worth customers and customers with high wealth accumulation potential.

2019 projects included:

- DCI customer segmentation for Private Banking (USD 1 300 000 000 portfolio);
- Implementation of commercial scenarios;
- 2 515 customers from other commercial networks segmented by investment centres.

Development of the customer base and services – investment centres

In 2019 the number of customers rose around 16.3%, demonstrating the ability of the various areas to attract new clients (up 774 in 2019 over 2018). The number of customers with access to home banking followed this trend, rising to 4 229 in 2019.

Debit and credit card numbers also increased by 25.8% and 42.0% respectively to 4 368 and 3.269.

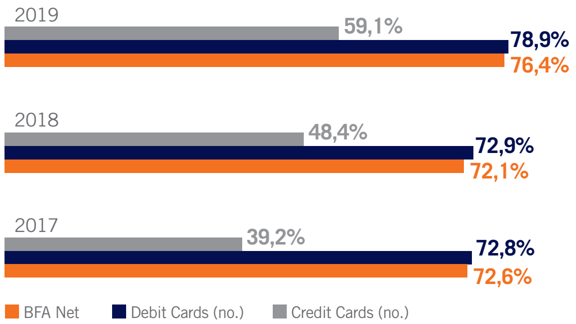
DEVELOPMENT OF THE CUSTOMER BASE AND SERVICES – INVESTMENT CENTRES

	2017	2018	2019	Δ% 17-18	Δ% 18-19
Customers (no.)	4 377	4 759	5 533	8,7%	16,3%
BFA Net (no.)	3 177	3 431	4 229	8,0%	23,3%
Debit cards (no.)	3 186	3 471	4 368	8,9%	25,8%
Credit cards (no.)	1 715	2 302	3 269	34,2%	42,0%

In the last few years the Bank has been particularly careful to increase the number of solutions it offers its clients to maintain their loyalty and keep satisfaction levels up. This has increased penetration levels.

The penetration level of BFA Net in 2019 was 76.4% (credit cards 59.1% and debit cards 78.9%).

Penetration levels of BFA Net, debit cards and credit cards – investment centres



Following the migration of DCI customers to the new Private Banking Department, the customer funds portfolio totalled AKZ 135 824.1 million.

Term deposits totalled around AKZ 94 052.4 million.

CUSTOMER FUNDS – INVESTMENT CENTRES

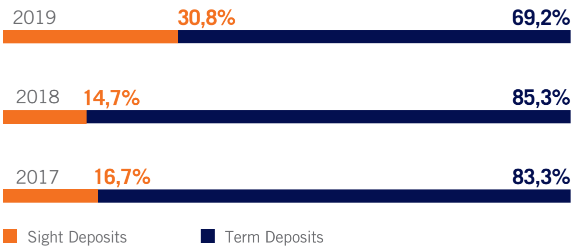
Million AKZ

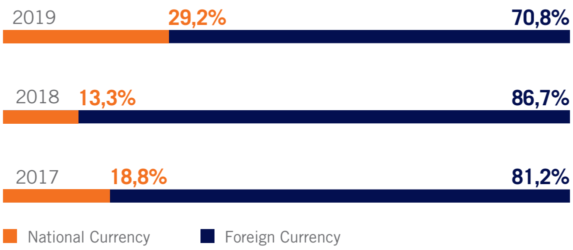
	2017	2018	2019	Δ% 17-18	Δ% 18-19
Funds	196 482,1	328 008,9	135 824,1	66,9%	(58,6)%
Deposits	196 445,4	328 008,9	135 824,1	67,0%	(58,6)%
Sight	32 843,5	48 350,1	41 771,6	47,2%	(13,6)%
Term	163 601,9	279 658,8	94 052,4	70,9%	(66,4)%
Other	36,8	-	-	(100,0)%	0,0%

The difference between term and sight deposits is significant. The deposits portfolio of the investment centre customer segment was predominantly term deposits (69.2%), a proportion that dropped in 2019 when the absolute value of this item plunged.

In 2019 kwanza deposits totalled around 29.2% of the total and foreign currency deposits 70.8%.

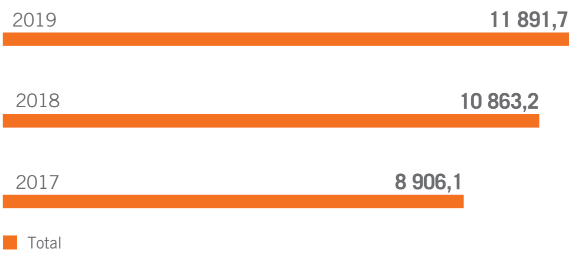
Deposits by type and currency – investment centres





Lending to customers – investment centres

Lending to customers continued its upward trend in 2019, rising 9.5% to AKZ 11 891.7 million.



Objectives

The following objectives were set:

Funds	Continue expanding the deposits portfolio
Treasury bonds (OTs)	Retain expiring OTs
Credit	Continue expanding the credit portfolio
Customers	Ensure the loyalty of customers migrating from DPN and DE
Campaigns	Continue running campaigns

PRIVATE BANKING

As part of its strategy to deepen the segmentation of its commercial network, in December 2019 BFA inaugurated BFA Private Banking for personal customers in the top segment.

BFA Private Banking is an exclusive unit offering a welcoming and efficient environment, and a specialist team entirely dedicated to serving the customer.

CORPORATE

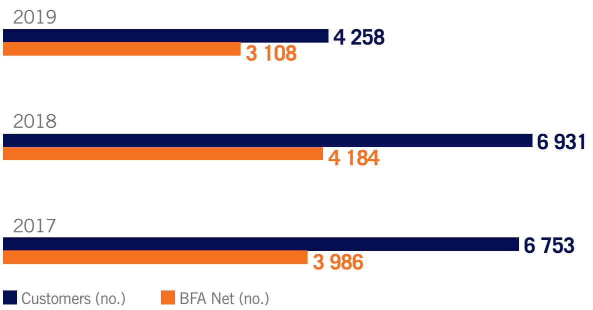
Constant support for Angolan business

As one of Angola's leading financial institutions, BFA's main role is to support business development. Despite the economic problems of 2019, the Bank therefore continued its efforts to finance Angolan business. This led to an increase in lending to this segment, which is clearly one of the main pillars of entrepreneurial activity.

Customer base and service penetration

In 2019 the number of BFA corporate customers fell around 38.6% against 2018 to 4 258. This was a result of the Bank's new segmentation strategy, which differentiates levels of service to large, medium and small enterprises and has migrated SMEs from business centres to personal and business branches. At the same time, the number of customers registered for home banking dropped 25.7% to 3 108 in 2019.

Customer Base and Services - Corporates



2019 saw penetration continue to grow to 73.0% thanks to the priority placed by the Bank on providing customers with as many solutions as possible to increase their loyalty to, and satisfaction with, BFA and to ensure material growth in its business.

BFA Net Corporate Penetration

Increase in customer funds

Customer funds dropped 19% in 2019 to AKZ 808 525.6 million as the securities portfolio plummeted from AKZ 518 962.3 million to AKZ 400 million.

Deposits totalled around AKZ 808.125.6 million (+68.5% on 2018) as sight deposits increased 53.4% and term deposits went up 85.6% to AKZ 390 184.0 million and AKZ 417 941.6 million respectively.

CUSTOMER FUNDS - CORPORATES

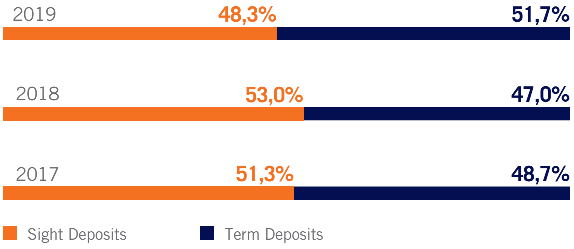
Million AKZ

	2017	2018	2019	Δ% 17-18	Δ% 18-19
Funds	741 517,9	998 564,0	808 525,6	34,7%	(19,0)%
Deposits	460 378,2	479 601,7	808 125,6	4,2%	68,5%
Sight	236 210,2	254 375,3	390 184,0	7,7%	53,4%
Term	224 168,0	225 226,4	417 941,6	0,5%	85,6%
Other	281 139,7	518 962,3	400,0	84,6%	0,0%

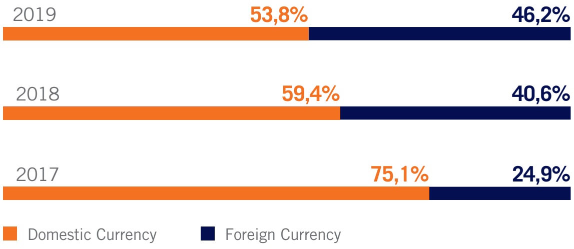
* Customer securities held in custody by BFA and recognised as off-balance sheet items.

In 2019 sight deposits grew against term deposits to account for 48% of the total. Domestic currency deposits also continued their slide as a proportion of total deposits (-5.6% against 2018,) partly as a result of the devaluation of the kwanza throughout 2019.

Deposits by Type



Deposits by Currency



Credit

Corporate credit cards continued to grow in 2019 (+25.9% to AKZ 326.097.8 million). The rise was supported by the around 18.1% increase in customer credit to AKZ 239 535.3 million and by the 195.5% soar in import documentary credits over 2018 to AKZ 63 857 million.

CUSTOMER CREDIT - CORPORATES

Million AKZ

	2017	2018	2019	Δ% 17-18	Δ% 18-19
Total credit	161 223,3	258 952,1	326 097,8	60,6%	25,9%
Corporates	161 214,0	258 952,1	326 097,8	60,6%	25,9%
Customer credit	126 269,1	202 861,0	239 535,3	60,7%	18,1%
Unsecured loans	34 944,9	56 091,1	86 562,5	60,5%	54,3%
Import doc. credits	7 357,2	21 607,3	63 857,0	193,7%	195,5%
Guarantees given	27 587,7	34 483,8	22 705,5	25,0%	(34,2)%
Other	9,3	-	-	(100,0)%	0,0%

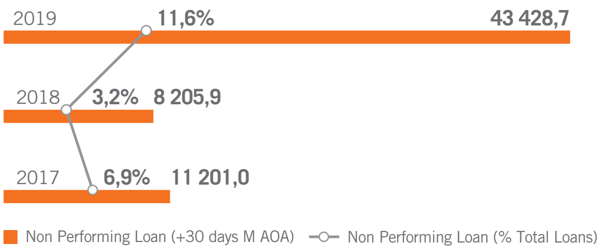
Note: total loans excluding accrued interest

Non-performing loans

Non-performing loans went up AKZ 35 222.8 million against 2018. The NPL ratio also increased from 3.2% in 2018 to 11.6% in 2019.

The impairment ratio was 138.0% in 2019, reflecting the prudence that is a feature of BFA management, particularly as regards non-performing loans.

Credit quality - Corporate Banking

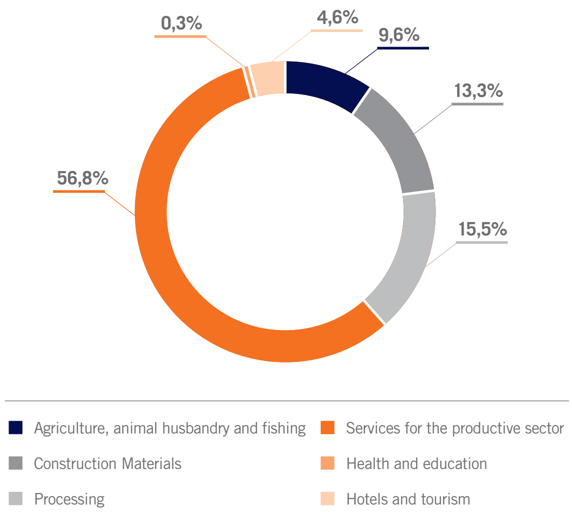


Structured financing and investment

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

- Start-ups;
- Project finance;
- M&A;
- Major corporate venture capital investments;
- Lending to the State and public bodies and/or Angolan government guarantees;
- Structured financing with banking syndicates;
- Debt restructuring/replacement for major corporate groups to protect loans;
- Risk-sharing projects with multi-lateral and bilateral agencies and export credit agencies (ECAs);
- Agricultural credit, including assessment of the technical component and investment credit to finance non-current investment and investment covered by the Angola Investe Programme.

5 loans were approved in this area in 2019. The structured finance portfolio concentrates predominantly on services for the productive sector (56.8%), and secondly on processing (15.5%).



OIL & GAS

BFA continuously strives to offer a value proposition based on innovative solutions and excellent service that can meet the challenges faced by its oil sector customers. The Bank's approach is dictated by the dynamics of the markets in which its business partners operate and their geographic locations.

Business in this area is therefore based on three main pillars:

1. SPECIALIST SUPPORT

The aim is to provide **specialist services for oil sector companies** through two dedicated business centres:

- **Oil & Gas (operators) business centre** (for operators)
- **Oil & Gas (vendors) business centre** (for service providers)

Our experienced and dedicated teams with their detailed transaction skills and knowledge of regulations ensure that instructions are handled fast.

BFA is now the preferred business partner of oil & gas customers.

2. OPERATING SUPPORT

BFA **adjusted** its **operating structure** and **payment processing and transfer systems** to ensure:

- customer and BFA IT systems automatically integrate files passed between them.
- automatic delivery of statements and SWIFT payments on MT940 and MT101 transactions and batch payment of PSX files.
- incentives to use electronic payment methods, e.g. home banking.
- tax payments via the home banking system.
- registration and monitoring of service and salaries payment contracts by SINOC (integrated foreign exchange transaction system).

3. SOLIDITY AND SECURITY

Thanks to its **sound balance sheet** and **high level of liquidity** BFA is able to meet all oil sector customer needs with full transparency.

The **apps and technologies** BFA has developed for its customers are in line with best practice in the sector and provide entirely **secure, fast, efficient transaction processing, with full integrity**.

BFA has worked to ensure that all its customers have up to date KYC information by **meeting all current legal requirements** that protect relations with its counterparties.

Oil & Gas in 2019

Throughout 2019 BFA continued to execute, with its trademark efficiency and in line with its commitment to its customers:

- FX transactions with BNA, making payment on contracts and local expenses in kwanza.
- PIT (oil tax) payments.
- Tripartite contracts: for these customers BFA is not restricted when buying USD from operators.

2019 proved challenging for the Oil & Gas Department where compliance with the changes in Angolan law affecting foreign exchange policy forced BFA to redesign and beef up its operating procedures and train its staff.

Since BFA is committed to providing a high-quality service that does not compromise strict compliance with Angolan law, the Bank reorganised its customer care teams to provide excellent service to the highest quality standards. Teams now include not just account managers but also commercial assistants who together support clients and provide the dedicated service to which BFA is committed.

In order to improve the tailored and professional service delivered to customers in this segment, BFA business centres were moved to new, modern, functional premises.

Outlook for 2020

In 2020 BFA will concentrate on providing additional solutions and services following the opening up of the foreign exchange market with the sale of operators to commercial banks, BFA being at the forefront in this field.

AGRIBUSINESS DEPARTMENT

Direct support for the diversification of the Angolan economy

The Agribusiness Department (DAN) was approved by the ECBD on 3 October 2018 and started operations on 3 December 2018. It's mission is to support the sustainable development of agribusiness in Angola (agriculture, animal husbandry, fishing, forestry and associated industries). One of BFA's priorities is to become the leading bank for businesses in this sector.

In its first full year of operation the new department's performance was particularly impressive since it created the groundwork BFA requires for a professional approach to the agribusiness, and developed a pioneering vision of the market that will ensure better protection against animal husbandry, fishing, forestry and processing risk. 2019 saw DAN become operational and set the following priorities:

- Expand the team
- Train the commercial network in DAN's strategic objectives
- Take dynamic action and identify customers
- Identify and assess investment projects t hat BFA can support
- Take part in forums with public institutions and bilateral cooperation organisations and attend trade fairs to raise BFA's profile in the segment
- Carry out research in the sector

In order to generate dynamism and to promote business, activities were developed to manage the customer portfolio through tailored products for the sector, customer prospecting and training.

Main DAN results in 2019

Total target customers identified	No. customers visited	No. loan requests received	Training courses run
72	**20**	**5**	**7 sessões**

The following objectives were set:

- Management to present agribusiness activities to top customers;
- Continue supporting the commercial network in the areas of promotion, customer loyalty and attraction of new customers in the sector;
- Develop actions to improve the classification of agribusiness customers within the Bank's database;
- Complete the mapping of priority geographic areas in order to obtain a better understanding of sector stakeholders and adjust the range of products and services to their needs;
- Continue attending events and conferences relevant to the sector in order to cement BFA's position on the market;
- Increase DAN efficiency and effectiveness by improving its ability to meet customer needs in the segment;
- Regularly produce and publish market studies and research in the sector.

TRADING IN PUBLIC DEBT

Spearheading an energised Angolan capital market

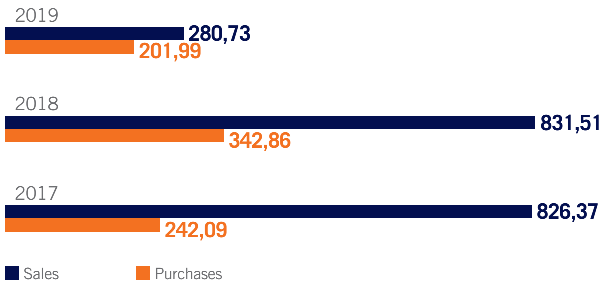
BFA began trading in public debt at the start of 2014 in order to provide an additional service to meet its customers' investment requirements.

In November 2013 the Finance Ministry began issuing negotiable public debt (USD-indexed government bonds) to pay its liabilities to suppliers and contractors (mainly in the public works sector). The Finance Ministry currently makes payment on this negotiable public debt in the form of unadjusted government bonds (OTNRs).

BFA buys government securities from companies that need cash to run their businesses and then resells them to other customers seeking an opportunity to diversify and obtain a return on their investments.

BFA trading in kwanza-denominated public debt with its customers totalled USD 482.7 million (-58.9% on 2018). Despite this drop, BFA continued actively to address its customers' needs and consolidated its leadership of this market.

Trading in public debt with clients (USD million)

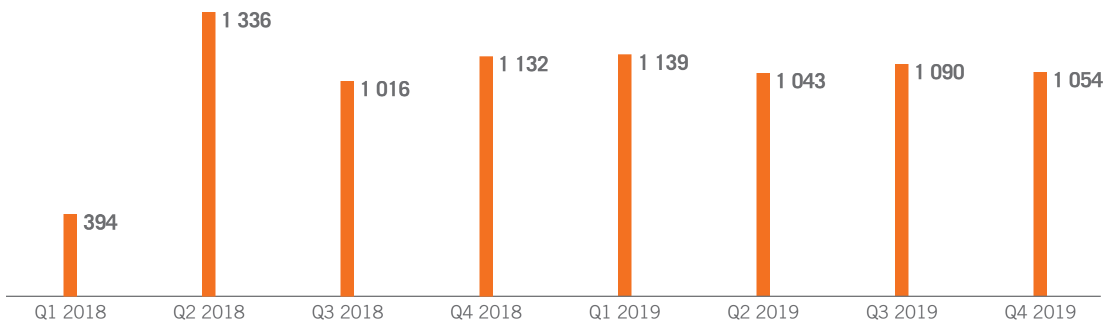


BODIVA

The Bank's position as a broker was consolidated when BODIVA (the Angolan stock exchange) opened in 2015 and BFA, as its first trading member, became able to trade on regulated markets on its own behalf and as a broker executing third-party orders.

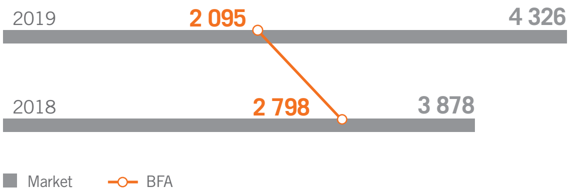
In 2019 BODIVA recorded 4 326 trades (+11.6% on 2018) worth in total AKZ 874.13 billion.

Trades per quarter



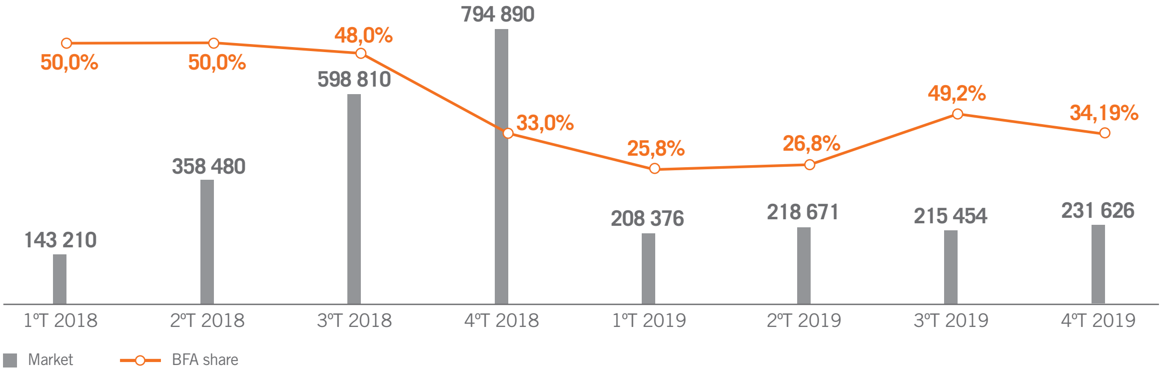
48.3% of all 2019 trades were by BFA, reflecting the access it offers its customers to the capital market and the importance it places on increasing the dynamism of the Angolan capital market. The number of BFA trades was however slightly down on 2018 (-25.1%).

Total number of trades



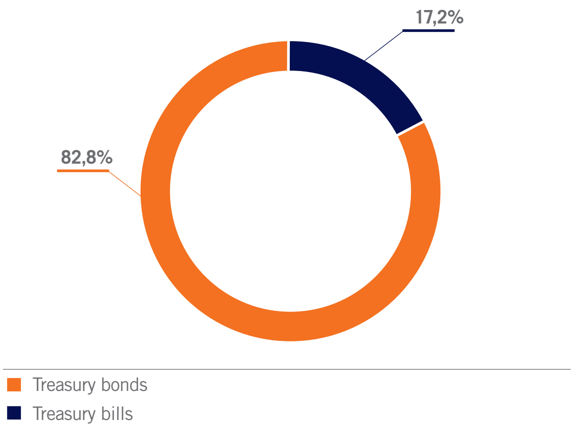
Analysis of the total value of 2019 BODIVA trades shows that BFA had a 38.1% share of the market that year, maintaining its leading position in terms of both number and value of trades.

Accumulated value of trades (AKZ M)

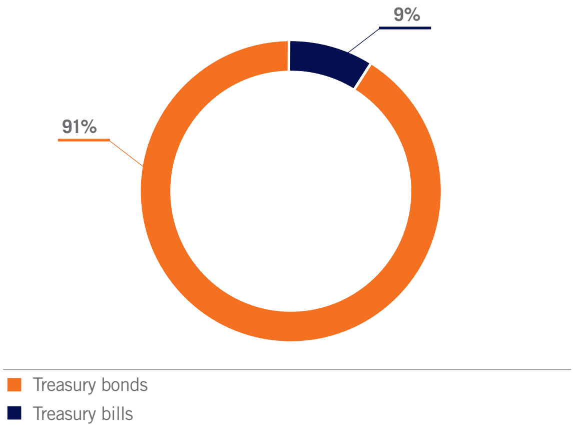


Types of trade

Distribution of Trades by Number



Distribution of Trades by Value



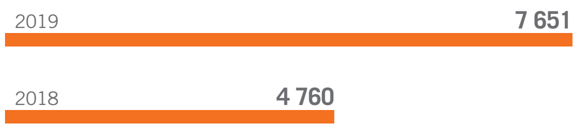
Examination of 2019 trades in number terms shows the clear predominance of government bonds (82.8%) over government bills (17.2%). Government bonds also predominated in traded value (91%).

CEVAMA accounts

BODIVA manages regulated markets and must provide a trading environment in which government securities, corporate bonds, equities, investment fund units and other securities can be transacted on a secondary market.

By registering with BODIVA, market participants all gain access to the same information, ensuring total price transparency for those wishing to buy or sell government securities. This is crucial to any capital market since it increases securities trading among market operators.

The number of CEVAMA (BODIVA's central securities depository) accounts grew significantly in 2019 from 6 886 in 2018 to 11 485, highlighting the increasing dynamism of Angola's capital market.



By end 2019 BFA had 7 651 active accounts, a 60.8% rise, representing 66.6% of all CEVAMA. accounts.

BFA - GESTÃO DE ACTIVOS

COLLECTIVE INVESTMENT UNDERTAKING MANAGEMENT

BFA Gestão de Activos (BFA GA) was registered with the Capital Market Commission (CMC) in December 2016 and is now one of the largest managers of collective investment undertakings (SGOICs) operating in Angola.

The company's services include investment fund set-up, management and consultancy for institutional and non-institutional investors and for public and private institutions.

BFA GA's investment strategy covers a wide range of asset classes that are selected after careful examination and analysis of market opportunities and trends.

By December 2019 BFA GA had set up 4 investment funds and had successfully placed them with various customer segments.

Success has been achieved thanks to a highly professional and dynamic BFA team and to the deep commitment, transparency, democracy, resilience and innovative ability that has been a feature of BFA GA since its inception, all of which are targeted on producing a differentiated range of products and services.

INVESTMENT FUND INFORMATION:

BFA OPORTUNIDADES
Value I AOA 10 billion
Yield I 18.1%
Maturity I 1 year
Assets I BT, DP

BFA OPORTUNIDADES II
Value I AOA 18 billion
Yield I 14.6%
Maturity I 1 year
Assets I BT, DP

BFA OPORTUNIDADES III
Value I AOA 17.7 billion
Maturity I 26/01/2021
Assets I OTNR, DP]

BFA PROTECÇÃO
Value I AOA 8.5 billion
Maturity I 18/12/2020
Assets I OT TXC, DPI

INVESTMENT FUNDS
4

GRADUATE STAFF (%)
100%

MARKET SHARE
40,96%

AVERAGE AGE
33 Anos

MARKET LEADER
1ª Posição no ranking das SGOIC

ANGOLAN STAFF (%)
62,5%

NUMBER OF STAFF
8

2020 focus

BFA GA believes 2020 will have three main characteristics:

1. **Foreign investment** – There is expected to be greater investment by non-residents for foreign exchange purposes thanks to new Government policies aimed at improving the business environment and to the good practices introduced throughout the Angolan economy. The policies aim to assert a new approach in Angola and demonstrate it to the world, e.g. Notice no. 15/2019 that makes it easier for non-residents for foreign exchange purposes to import and export capital;

2. **Privatisation** – This may be one of the main methods for attracting foreign investment (see above) and kick-starting the equities market;

3. **Stock market** – BFA GA believes that public debt yield will continue to sink and may trigger the issue of corporate debt.

In order to meet future challenges, BFA GA will continue to invest heavily in executive training and upskilling. This will improve service quality, encourage success, mitigate operating risk and continue to create innovative investment solutions for all the company's partners, establishing reliable, long-term relations that will consolidate its capital market position.

Human Resources

Human resources strategy

BFA's staff are the bedrock of its operations and its biggest asset. It is therefore the Bank's policy to ensure their continuous improvement and upskilling and to promote a culture of excellence focused on the quality of service to customers.

In 2019 BFA continued the transformation introduced under its Strategic Plan with the aim of deepening a culture that is based on the following values:

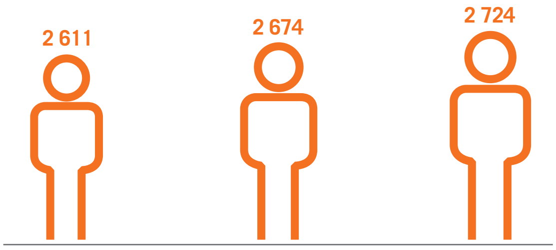
- Self esteem
- Empathy
- Sensitivity in interpersonal relations
- Transparency
- Commitment
- Initiative
- Creativity

BFA's transformation programme applies across the entire Bank and has had a significant impact, promoting changes in recruitment, selection and other HR management processes in order to improve staff satisfaction and contribute to the continuous growth of business.

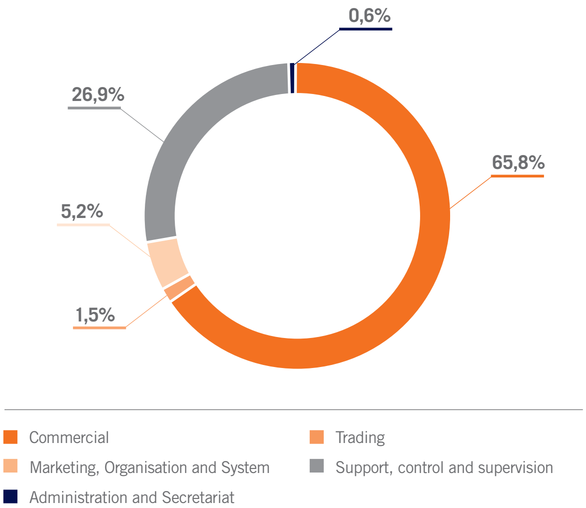
2019 in figures

At end 2019 the Bank had 2 724 employees (+133 on 2018) that together constituted a young, well-qualified and dynamic workforce with an everyday focus on meeting customer requirements.

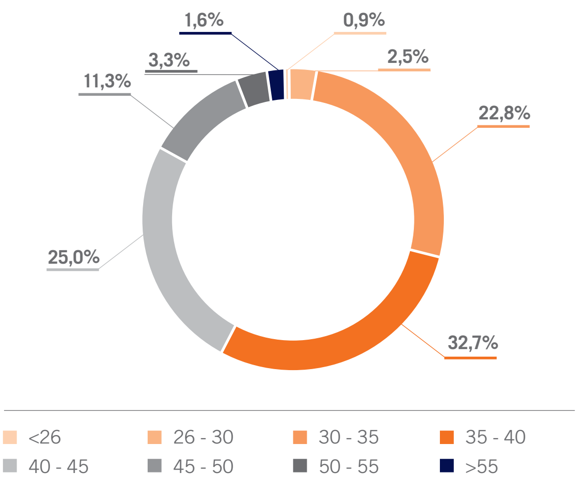
Workforce



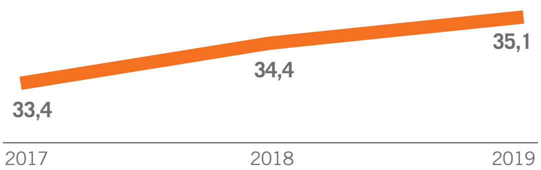
Workforce by Area



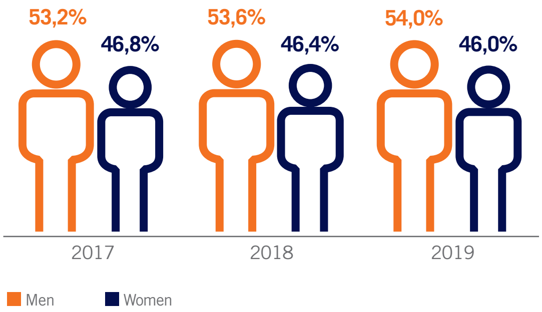
Staff by Age



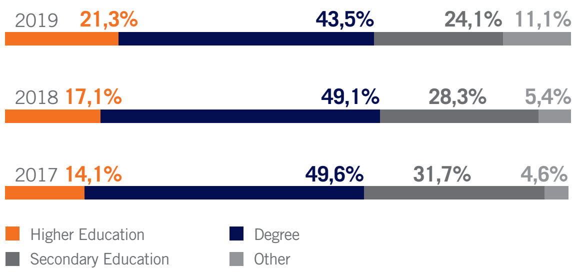
Average Age of Staff



Staff by gender



Staff Qualifications



The HR Department

Internal staff rotation, mobility and promotion

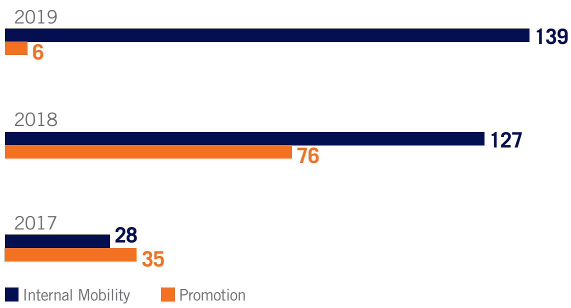
The slowdown in the economy has made recruitment sporadic and strategic. In order to boost staffing levels, BFA has been filling positions through internal rotation, mobility and promotions, involving 392 employees 2017-2019.

In 2019 BFA promoted staff development through internal mobility, using as its catchphrase:

"The right person in the right place".

This is a staff retention programme based on staff development and growth by movement through the Bank departments in which their contributions and skills are most needed.

BFA's constant emphasis on internal mobility, transfers and promotion has been assisted by restructuring and the creation of new departments that have improved staff knowledge and skills through greater understanding of the organisation as a whole.



New staff induction

The first half of 2019 saw the launch of #FuturoBFA, the Bank's first trainee programme. This was developed with Novabase to select 25 talented young holders of post-graduate IT qualifications for positions in the IT Department.

The 12-month programme implements the strategy of identifying Angolan talent that can actively contribute to the growth of the Bank.

The HR Department

The HR Department's aim in 2020 is to deepen its partnership with other areas of BFA by making a positive contribution to the expansion of business.

TRAINING

Training in 2019

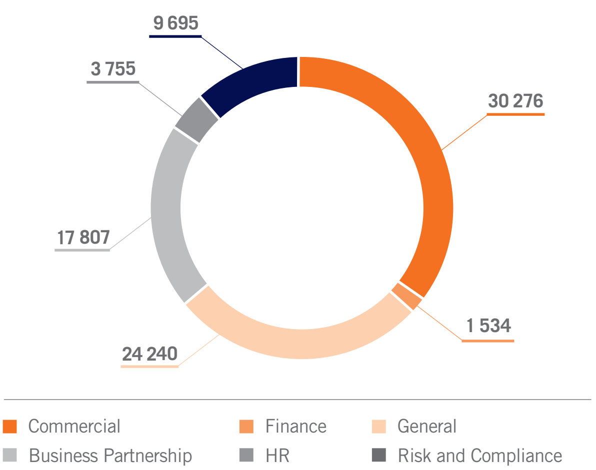
2 703 members of staff (99.2% of all staff) attended training courses in 2019, up 134 on 2018.

Trained staff

Total training hours went up 9 461 on 2018 (+12.2%).

Training hours

Distribution of training hours



BFA Academy (BFA Centre for Training in Banking)

BFA ran the BFA Academy in 2018 to consolidate staff training based on the Bank's own principles of customer focus, intelligence and leadership.

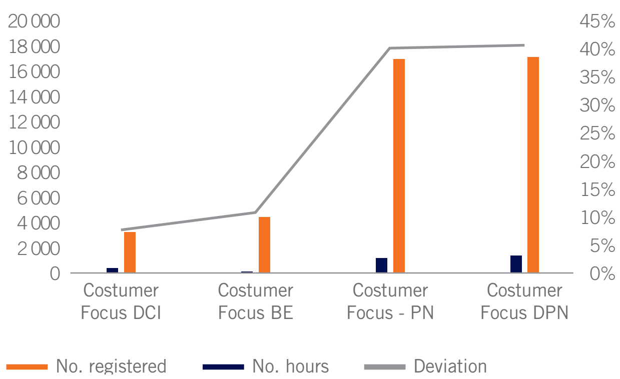
Customer focus

Customer focus continued through 2019, developing skills that will ensure quality customer service with the following objectives:

- To develop the ability to persuade and motivate teams to produce results voluntarily;
- To promote the use of tools that will give teams a better strategic view, that will produce innovative answers to problems and flexibility in the face of change;
- To develop models that will promote commercial activities.

Results were as follows:

- Registered participants: 3 627
- Hours of training: 42 442



e-Learning Platform

In 2019 BFA decided to invest in a new e-learning solution that provided the following courses through the year:

- AML (anti money laundering);
- Code of conduct;
- Performance assessment for assessors and assessed.

Performance assessment

A new performance assessment method was introduced in 2019, based on four principles:

- Talent management;
- Responsibility;
- Fairness;
- Simplification;
- Bringing staff roles and paths into line with BFA's strategies and objectives;
- Maximising the performance of individuals and the organisation;
- Criteria-based systematic and structured analysis of staff performance to differentiate between levels of performance;
- Encouragement of dialogue between managers and staff;
- Managing personal expectations.

The new method is in line with best international practice and is an extremely important staff motivation and development management tool. A supporting solution was also introduced that can grow with business, staff numbers and best market practice.

Review of internal regulations

In 2019 the HR Department reviewed the BFA code of conduct to bring it into line with best international practice.

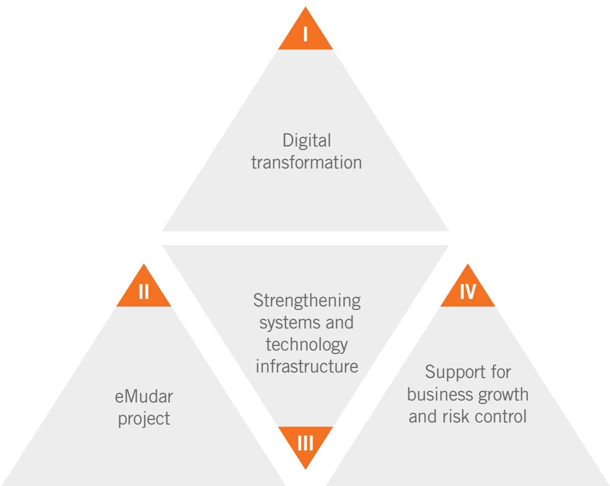
A revision was also undertaken of the internal regulations that describe functions and skills in all areas of the Bank. This was mainly in order to improve BFA effectiveness and efficiency and to prepare it for the challenges that are to come.

Technology and Innovation

Technology and innovation (T&I) form one of the main pillars of BFA's strategy and in 2019 projects were developed in the area to improve the capacity and resilience of Bank systems and to support the growth of its

business and operations.

The main T&I strategies were:



I. Digital transformation

In 2019, as part of its strategic objectives, BFA began the digital transformation of the Bank on the following bases:

- **Customer paths**: internal and external customer paths were mapped to obtain a clear definition of pain points and strategies for dealing with them;
- **Technological solutions**: supporting technological solutions and partners were identified to ensure that each path could be put into operation;
- **System architecture**: this was assessed with respect to 2019-2021 to ensure it is able to meet the digital transformation challenge;
- **Human resources**: a comprehensive HR management solutions were implemented, covering not only the usual pay record-keeping and processing processes but also talent management, including assessment, training and upskilling paths and succession processes. The following project initiatives were of particular note:

#01

Pay record keeping and processing using SAP HCM.

#02

Performance and training management using Success Factors.

#03

Commissioning of the Bank's new e-learning platform for integrated management of all BFA training courses and the proper recording of training hours.

II. eMudar

The eMudar platform plays a vital part in the Bank's transformation since it is essential to the increase of BFA effectiveness and efficiency. It makes processes simpler, automatic, dynamic and resilient. The system is crucial to the development of BFA business since it:

- Reduces operating risk;
- Introduces standard procedures across the entire Bank;
- Guarantees service levels and reduces processing time;
- Automates processes and makes them paperless;
- Produces an indisputable improvement in customer service.

In 2019 the Bank continued along this path by automating the collection of investor information via eMudar.

No. of eMudar@BFA processes
+3.3 Million

SMSs sent
+1 Million

Card activation
761 602 SMSs sent

BFA Net access activation
70 600 SMSs sent

Cheque activation
77 182 SMSs sent

III. Strengthening of systems and technology infrastructure

In 2019 saw great efforts and dedicated significant investment made to strengthen BFA's systems.

MIGRATION OF CORE BANKING

The main focus in this area was the upgrade of core banking. This is a critical, complex and delicate project that is essential to the digital strategy.

STRENGTHENING OF SWIFT FRAMEWORK

The framework for SWIFT was strengthened.

HARDWARE UPGRADE

Branch and central service hardware upgrade continued, improving resilience and efficiency. In 2019 communication links and critical equipment were replaced and upgraded.

INCREASE IN DATAMART CAPACITY

Datamart was upgraded, increasing its capacity to meet increasing reporting and information dissemination requirements.

IMPROVED BATCH AND SAVE

The batch and save process was improved, reducing the time spent on this to around 2 hours per weekday outside the most critical hours for customers. Week-end unavailability was also reduced and moved to times of less importance to customers. We are continuing to improve this process and also intend to improve core banking batch and real time processes (increased accessibility).

IV. Support for business expansion and risk management

BFA improved its direct business support tools and systems, processes and risk management in 2019:

SIFOX

Sifox was introduced to support the application of securities as the commercial network expandedl.

KYC AND KYT

Changes to KYC (Know Your Client) were made and KYT (Know Your Transaction) was introduced in 2019.

RISK MANAGEMENT SUPPORT

There was a particular focus on consolidating risk management support solutions and on the models used.

FOREIGN PROCESSES

Solutions were examined using business process management tools for meeting new foreign process workflow requirements.

CLOSENESS TO THE CUSTOMER

The strategy of remaining close to the customer was strengthened through agile slutions for accessing mobile platforms and new functionalities via the public website, BFA Net, BFA Net Empresas and the BFA app.

ANALYTICAL MODELLING

A support solution for modelling information and analytics was introduced to prepare the Bank to meet the challenges of IT analysis and to boost business.

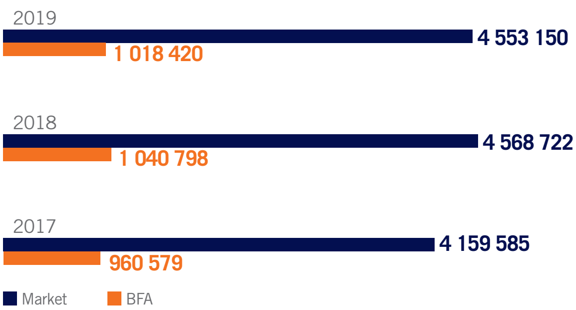
Payment Systems

DEBIT CARDS

In 2019 total valid debit cards (active/inactive) was 1 532 156. Despite a 1.2% slide, BFA extended its market share to 27.1% (24.5% in 2018).

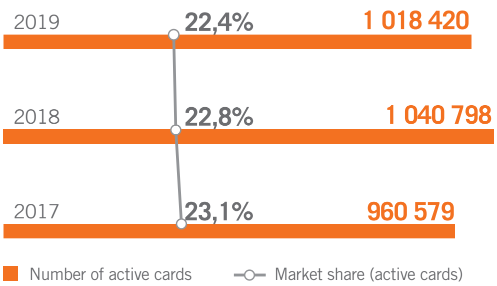
The total number of active BFA debit cards was 1 018 420, a 2.2% reduction that was greater than that of the market as a whole (-0.3%). BFA nevertheless maintained a 22.4% share of the market.

Number of active debit cards



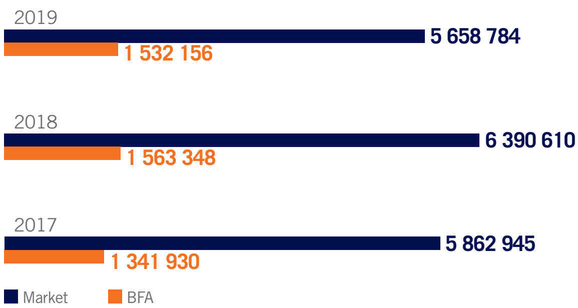
Source: EMIS Monthly Report, EMIS

Number of Active BFA Debit Cards



Source: EMIS Monthly Report, EMIS

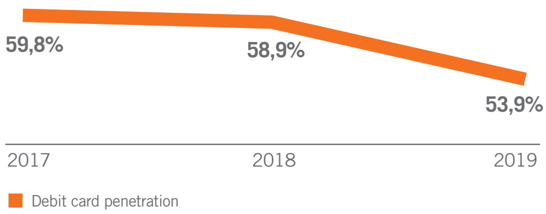
Number of valid debit cards



Source: EMIS Monthly Report, EMIS

In 2019 debit card penetration levels fell again to 53.9% (58.9% in 2018).

Debit card penetration

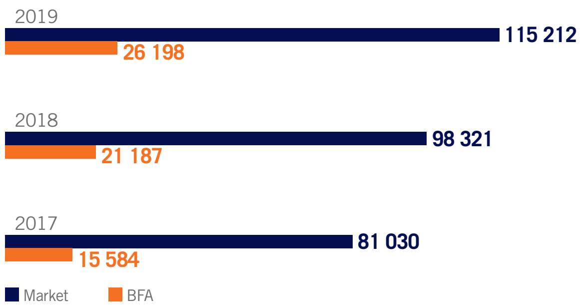


APTs and ATMs

The number of APTs in Angola in 2019 rose 17.2% on 2018 to 115 212 installed at year end, of which 65.7% were active.

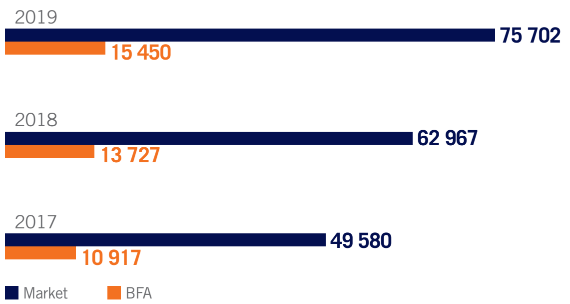
The number of BFA APTs went up around 23.7% against 2018, lifting BFA's market share from 21.5% to 22.7%. At end 2019:

Number of registered APTs



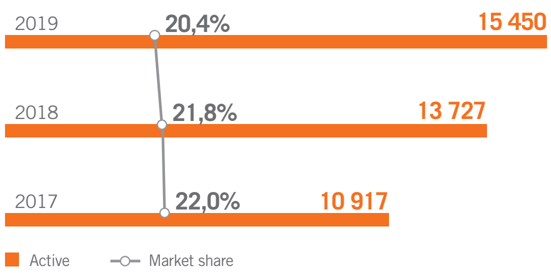
Source: EMIS Monthly Report, EMIS

Number of active APTs



Source: EMIS Monthly Report, EMIS

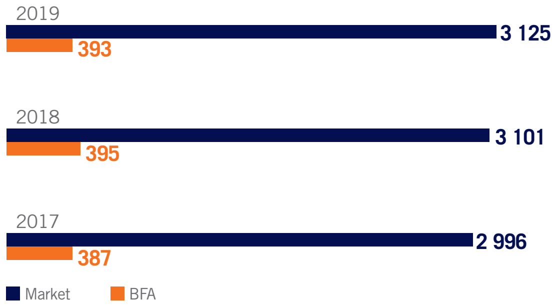
BFA TPAs



Source: EMIS Monthly Report, EMIS

By the end of 2019 the number of ATMs in Angola had increased 0.8% on 2018 to 3 125. The number of BFA ATMs slipped around 0.5% on 2018 to 393 at 31 December 2019.

Number of registered ATMs



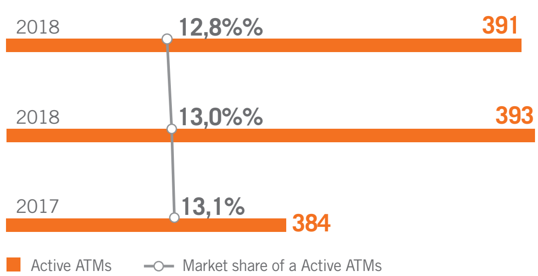
Source: EMIS Monthly Report, EMIS

The number of active ATMS on the market as a whole rose 1.6% in 2019, while the number of BFA ATMs dropped 0.5% and its market share slid 0.2% to 12.8%. ATM withdrawals increased 15.5% in value terms on the market as a whole to over AKZ 2.2 billion de AKZ. BFA ATMs dispensed more than AKZ 407 000 million, ensuring it retained its leadership of the market (18.4% market share) despite a 1.8% fall (from 20.2% in 2018).

Number of active ATMs

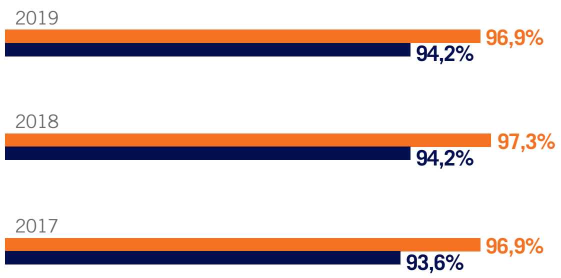
Source: EMIS Monthly Report, EMIS

Number of BFA ATMs



Source: EMIS Monthly Report, EMIS

Average annual ATM uptime



Average ATM uptime - BFA
Average annual ATM uptime - Market

Source: EMIS Monthly Report, EMIS

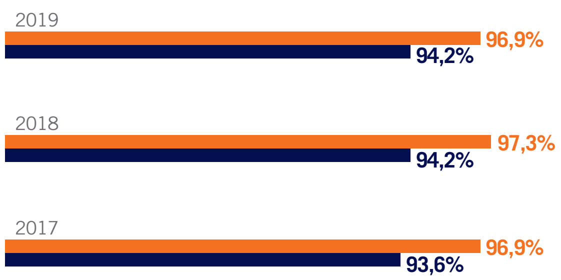
NB: Uptime measures ATM operation and is calculated as follows Uptime=1- ((No.days' downtime)/(Days in month)), where an ATM is considered down if it registers no transactions in a month.

Empty machine downtime

In 2019 market downtime caused by empty machines rose 0.1%

Although its own downtime was 0.5% higher than in 2018, BFA's downtime remained below the mean at 9.5%.

Average annual ATM uptime



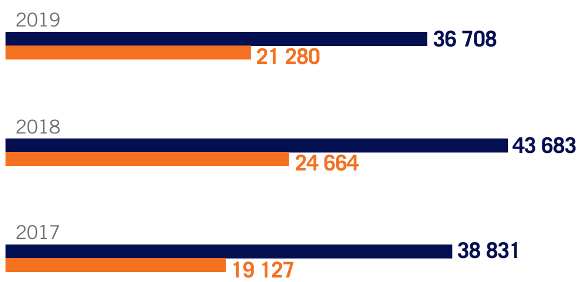
Average ATM uptime - BFA
Average annual ATM uptime - Market

Source: EMIS Monthly Report, EMIS

CREDIT CARDS

The number of active BFA credit cards went down in 2019 to 19 127 or 49.3% of all EMIS cards. The entire market of EMIS credit cards fell 11.1% to 38 831 active cards at end 2019.

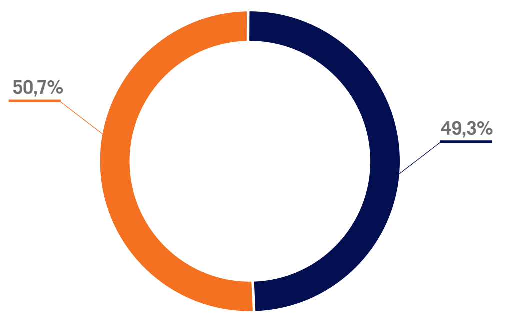
Number of active credit cards



EMIS Market BFA

Source: EMIS Monthly Report, EMIS

Market share of active credit cards

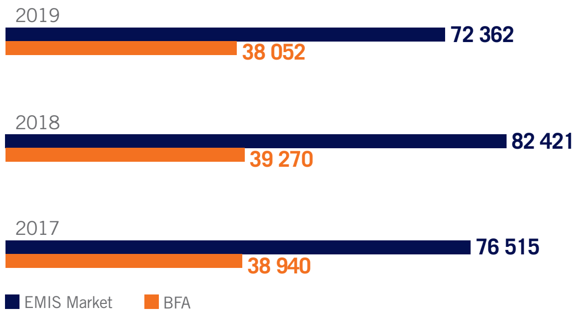


BFA Others

Source: EMIS Monthly Report, EMIS

The number of valid BFA credit cards dropped 0.8% to 38 940 registered cards, compared with a market total of 76 515 cards (-7.2% on 2018).

Valid credit cards

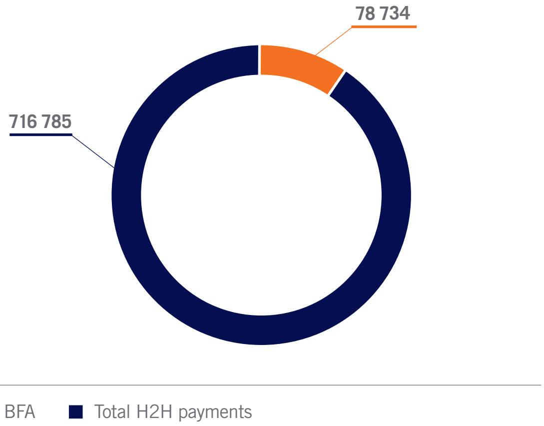


Source: EMIS Monthly Report, EMIS

H2H payments

H2H is an EMIS subsystem that links a bank host to the main EMIS host. The system allows banks to offer Multicaixa payment functionalities through their own channels.

H2H Payments

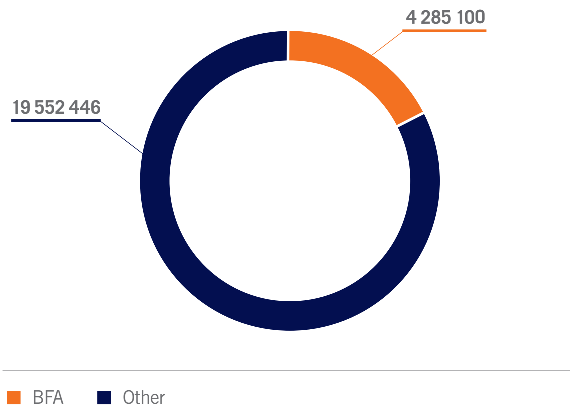


Source: EMIS Monthly Report, EMIS

Pagamento por HBMB (Multicaixa *Express*)

O MULTICAIXA Express funciona como um canal interbancário de pagamentos, levantamentos e transferências, disponibilizado pela EMIS, e que, mediante associação de vários cartões Multicaixa no telemóvel, ambiciona ser o veículo impulsionador da massificação das transacções bancárias em Angola.

HBMB (Multicaixa Express) payments



Source: EMIS Monthly Report, EMI

In 2019, BFA recorded 4 285 100 transactions by 42 400 users (21.9% of all market transactions).

Digital BFA

2019 saw BFA increase its digital presence with the launch of a new public website.

BFA'S PUBLIC WEBSITE

Banco Fomento de Angola's new digital presence makes digital communications simpler and more intuitive and dynamic. The new 'mobile first' approach reflects real life in Angola and global market trends.

One of our main concerns has been to keep the BFA identity throughout the website and to simplify communications as a whole by creating a step-by-step path that leads the customer to the best and most tailored solution for his needs.

Website design is underpinned by the "We are at your side" message that links the Bank with its customers in one single amalgamated, trust-based and close unit.

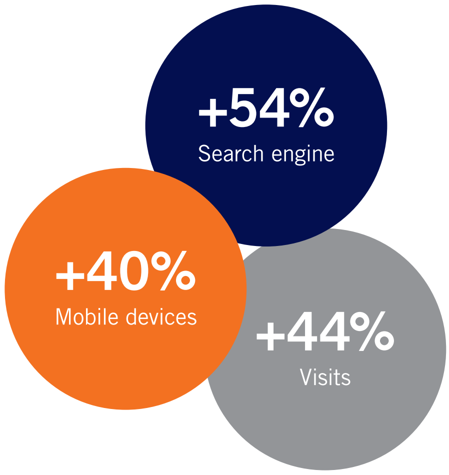
The BFA identity as presented on the website is based on a simple, minimalistic design that highlights the most important items and functionalities.

Features

- Mobile first – Reflects real life in Angola and global trends without giving too much information. Focus on usability and accessibility.
- Responsive design – Components adjust automatically to screen size.
- User-friendly – Designed for customers and users with easy navigation (2 or 3 clicks max to reach the right page, simple, easy to access menus and simple language).
- Design – Clean, easy to use and user-focused to reduce error.
- Architecture – Modular, i.e. pre-set modules can be combined, changed and added to in future.

Search engine searches have been the main method of website access.

Access and website visits compared with 2018:



The general areas most visited by the public were:

- FAQ;
- Service desk network;
- Working for BFA;
- Suggestions/complaints.

2019	
Total visits	1 430 067
Unique visitors	541 400
Pageviews	2 152 483

BFATURISMO

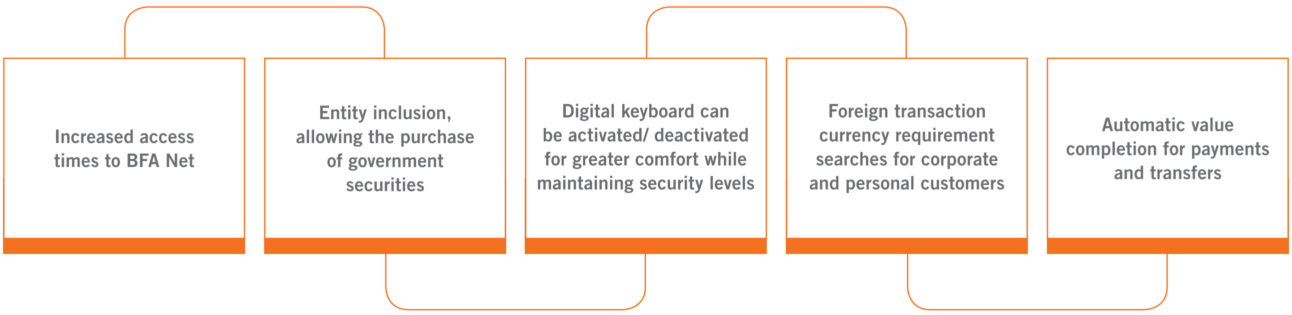
23-25 May 2019 Angola hosted the World Tourism Forum organised to promote investment and energy in Angolan tourism.
BFA once again emphasised its support for economic diversification by publicising Angola's tourism potential with the launch of its BFATurismo website. This presented information on Angolan tourism for the 2019 Tourism Fair on an (Android and IOS) app and an interactive internet portal that offered details of BFA branches, their geo-location and other tourist information on all Angolan provinces.

BFA NET - CONTINUOUS FUNCTIONALITY IMPROVEMENT AND DEVELOPMENT

By end 2019 BFA Net had 515 617 subscribers (+3.6%) and a 24.9% penetration rate.

SUBSCRIBERS	
2019	515 617
2018	497 515
2017	488 018

BFA APP - BFA'S MOBILE APP (NEW FUNCTIONALITIES)



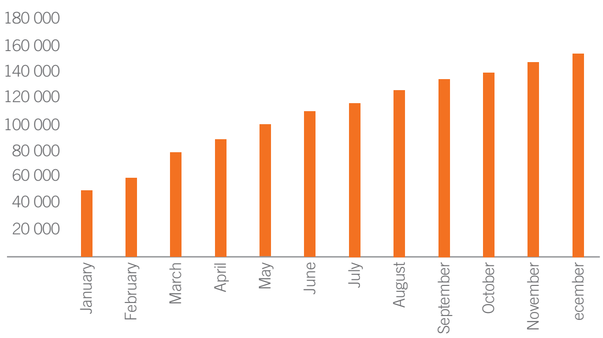
FACEBOOK

Facebook is the world's biggest social network and has 3.5 million active users in Angola.

BFA uses it to communicate with its target audience because of Facebook's diversified range of users.

Facebook is the most important network for building relationships with the community, a feature that differentiates it from other networks. This means that opportunities to establish a dialogue with the community must be grasped. Interaction (shares, comments, likes and cliques) and hits measure success in all areas of communication. Engagement is the true added value provided by this network. BFA closed the year with the 2nd biggest banking community and the third biggest community in the financial sector.

Fans



LINKEDIN

LinkedIn is the world's biggest recruitment platform and is used by BFA HR for recruitment purposes. It provides the ideal environment in which to communicate BFA's corporate and employer images thanks to its specialist, interested users. Pages can also be made more relevant with economic/financial education and notices. The website's Life pages can be used to provide inspiration by highlighting BFA's human capital. BFA has more LinkedIn and updates followers than its competitors, and therefore far more interactions with those followers. The total number of LinkedIn users in Angola in 2019 was 410 000 and BFA's page ended the year with over 30 000 followers.

INSTRAGRAM

Good pictures contribute to a good brand image and BFA achieved both in 2019. With around 380k active monthly users, most under 24, Instagram is the network for creating emotional, empathetic relations with the community and customers and humanising the brand.

By creating a communication area focused on its own people (#SomosBFA) BFA has placed value on them, making their humanity, faces, names and histories its own. In under one year BFA has already achieved 7000 followers

BFA'S 923 120 120 HELPLINE

Inaugurated at the end of 2014, the BFA helpline is open 24/7 on 923 120 120.

The BFA helpline has met its objective of increasing the quality of customer care, increasing access to information on products and services, reducing waiting lines at service desks and of course responding to customers more quickly.

2019 saw a 21% rise in received calls and a 20% rise in the number of answered calls - while efficiency fell 1.6% and SLA 1.2%. The ratio of calls received to calls answered was 96.7%.

Communications

CAMPAIGNS

BFA Turismo – The promotion of tourism starts here

23-25 May 2019 the World Tourism Organisation and Angola welcomed the Tourism Forum, attended by around 1500 participants.

The purpose of the campaign was to publicise Angola's tourism potential and increasing BFA's support for the Government's economic diversification strategy.

Card-free withdrawals – Card-free cash withdrawals

Card-free withdrawal allows BFA Multicaixa cardholders to transfer money via an ATM without using a card.

This new form service, at no additional cost, gives customers more ways of managing their daily financial needs using a range of BFA products and services.

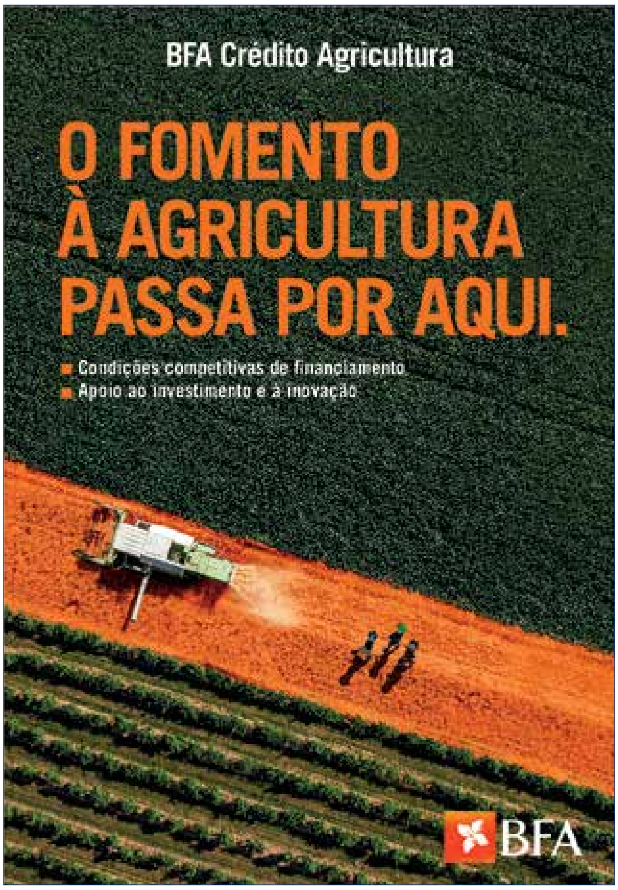
CAMPAIGNS

2 million BFA customers – A family of 2 million members

In 2019 BFA achieved a total of 2 million customers, 2 724 staff and 197 service desks (162 branches, 20 business centres, 11 investment centres and 4 service points).

BFA is now in the top 3 in terms of Multicaixa cards and its market share of active TPAs.

In the campaign BFA reported its 2 million customers, the consolidation of its position on the market and its excellence and performance as a trading member of Bodiva and the biggest vendor of road tax disks in Angola in the last few years.



BFA Crédito à Agricultura – The promotion of agriculture starts here

In 2019 BFA Crédito à Agricultura was created to promote the products and services that form part of its agricultural business solutions and to increase the Bank's profile as a lender to agriculture.

The Bank invests in the agricultural sector in order to diversify the national economy.

BFA Solidário – A better future for new generations

BFA Solidário is a programme that makes socially responsible investments that support and recognise the work done by no-profit organisations, particularly in the fields of education, health and the promotion of social inclusion for children and young people. BFA invests in these organisations to promote the identification and visibility of the best projects in these areas.

SPONSORSHIPS

ORDER OF MERIT GOLF TOURNAMENT

The Mangais Golf Club organised a number of tournaments to promote interaction between amateur and professional players living in Angola. The Club currently has over 106 players from more than 10 countries.

UNITEL/BFA GOLF CUP

This is a golfing championship open to domestic and multinational companies in Angola and has become one of the countries biggest golf fixtures.

CLUBE 1º AGOSTO

BFA sponsors the Clube 1º August through its players on TV and with merchandise materials.

JAANGO

Jovens Artistas Angolanos (JAANGO) set up by Adriano Maia Internacional, Lda (AM-Arte) brings together young Angolan artists based in Angola or abroad who are working in a number of different areas (conceptual art, painting, interior design, photography and sculpture).

The artists involved in JAANGO are notable for their revisiting of well-known places and for their reinterpretation of fixed ideas and concepts.

ESPAÇO ELA

Espaço Arte Luanda is an initiative of AM Internacional Lda and has three main focuses:

- Exploration: two separate and three collective residencies of between two and three months each enable exploration and the creation of works in the Space
- Dialogue: area for round tables, discussions and talks by artists
- Exhibition: large exhibition area for one-man, two-man and general innovative exhibitions

CARNIVAL OF LUANDA

During Carnival over 15 000 people take to the streets to celebrate this 3-day cultural festival and promote cultural values.

MODA LUANDA

A fashion event started in 1996 and now one of the biggest showcases for new Angolan and international collections. Moda Luanda is the country's driver in one of the world's biggest industries - fashion. For sponsors, Moda Luanda offers an excellent opportunity for communicating their brand values.

11TH KIZOMBA AND SEMBA COMPETITION

The Angolan kizomba and semba dance competition is the country's biggest cultural event since these are its most popular dances.

The national competition has inspired many young people to take up an artistic career since many of its winners have become ambassadors for Angolan culture in the rest of the world.

DUETOS N'AVENIDA

Duetos N'Avenida is a month-long series of two-man shows organised by Zona Jovem at Casa 70 to showcase Angolan culture.

SPONSORSHIPS

LAUNCH OF MACROECONOMIA ABERTA

This book charts the way macroeconomics is practiced in eleven institutions, eight of them universities, from the perspectives of Portugal, Brazil and Angola.

Macroeconomia Aberta is an academic work by Professor Jorge Braga de Macedo with participation by Universidade Católica de Angola (UCAN). UCAN provides the introduction and details of how economics has been taught in Angola in three periods:

- Portuguese administration
- Independence to 1991
- The modern period: the global boom after 1995

BENGUELA FASHION WEEK

Benguela Fashion Week is one of the biggest and most important fashion events in Benguela and forms part of the festival commemorating the founding of the city.

PRESIDENTIAL GOLF DAY

The Presidential Golf Day is no-profit tourist sports event presented by the President of the Republic of Angola, João Manuel Gonçalves Lourenço.

It pits the representatives of Angolan and foreign companies against each other to promote Angola.

WORLD TOURISM FORUM

The World Tourism Forum organises tourism events around the world to promote global tourism.

The organisation invests in relations between global and local tourism to adopt strategies that will ensure the sustainable growth of tourism and provide incentives for allocating resources to develop a shared vision of tourism.

In Angola the initiative has been taken up by the President of the Republic of Angola, João Manuel Gonçalves Lourenço and by the Tourism Minister, Maria Ângela Bragança.

BANKING FORUM

The Banking Forum is a series of debates on the main topics affecting the national economy (analysis of the current and future positions of the sector) with the aim of discussing ways of promoting banking within Angola.

The event has become increasingly important within Angola and each year attracts more participants, particularly entrepreneurs.

III ANGOLA-PORTUGAL MEETING

This event provides businesses with information on the economic and financial environment for relations between Portugal and Angola.

In 2019 the impact of the meeting was increased by the US Federal Reserve's decision to allow US correspondent banks to resume relations with Angolan financial institutions, enabling Angola to regain access to US currency.

NOSSA SENHORA DO MONTE FESTIVAL

The festival of Nossa Senhora do Monte (Our Lady of the Mountain) takes place in Lubango in August and commemorates the anniversary of the city and pays homage to its patron.

A number of events are organised:

- Agricultural and livestock fair
- Clay pigeon shooting competition
- Expo Huíla
- Huíla Fashion
- 200 Km da Huíla
- Cross fit and aerobics

LUANDA SONG FESTIVAL

This song competition is organised by Radio Luanda Antena Comercial (LAC) every year to promote Angolan music. The festival promotes new singers and has launched the careers of many artists.

SPONSORSHIPS

TALENT FESTIVAL

The Talent Festival develops the team-management skills of young people through key experiences.
The theme this year was ‘Inner Power’ and aimed to direct young leaders down a path of personal discovery in order to encourage their talents on a daily basis.

OKTOBERFEST

The festival offers a series of shows with Angolan and international singers in family settings.
The Oktoberfest is a German beer festival and was organised for the first time in Angola this year. There are now plans to re-run it in 5 years.

CAPITAL MARKET FORUM

The Capital Market Forum introduces a new approach to communications and corporate events. The project was developed by Media Rumo and has enjoyed great success in the business and financial sectors and in promoting the image of Angola internationally.

GEM ANGOLA

GEM Angola is the benchmark for identifying the level, features and growth factors of Angolan business, enabling comparison with other countries.
The Global Entrepreneurship Monitor (GEM) is the world’s biggest survey of business dynamics and takes place once a year. The last edition was attended by 49 countries.

BOXING DAY RACE

The Boxing Day Race is run over 10 km, this year under the slogan:
"A test for everyone"
Runners include Angolan and international athletes.

PORTUGUESE CULTURAL CENTRE

The Portuguese Cultural Centre (CCP) is one of Angola's biggest investors in the promotion of Portuguese culture through Angolan and Portuguese artist exchanges.
The CCP organises exhibitions of the plastic arts, photography, literature, dance and music, to which BFA contributes.

LUANDA CARTOON

Luanda Cartoon each year attracts professional and amateur cartoonists, illustrators and animators and their fans.
The project was developed by young people who organised occasional cartoon exhibitions in galleries in Luanda to promote and develop this art form.

2019 FAIRS

BFA sponsored a number of fairs in 2019:

- Expo Malanje 2019 – Cassava Fair
- FICN – 2019 International Fair of North Cuanza
- FIB – 2019 International Fair of Benguela
- FEIBA – 2019 International Fair of the Banana
- Expo Uíge 2019
- Expo Kongo 2019
- FILDA – 2019 International Fair of Luanda
- Expo Huila 2019
- Fair of South Cuanza Local Products and Produce
- 2019 International Fair of Angolan Fisheries and Aquaculture
- Expoindústria 2019
- FEMUL – 2019 International Luandan Municipality Business Fair

WORLD THANK YOU DAY

This is celebrated on 11 January to encourage people to give thanks for a particular person or event that has given direction to their lives.
On that day BFA published news and a banner on its intranet to encourage staff to thank all their colleagues and to recognise these events.

WORLD LAUGHTER DAY

World Laughter Day was celebrated on 18 January. Laughter does you good: it promotes wellbeing, cheerfulness, good humour, health and a good working environment. People who laugh every day lead a quieter and happier life.
On that day BFA published news and a banner on its intranet to show how laughing reduces the appearance of wrinkles as you grow older and exercises the body, brain, throat, heart, thorax, legs and feet.

VALENTINE'S DAY

BFA celebrated 14 February with a competition awarding prizes to 10 members of staff for their romanticism and creativity. Staff were challenged to produce a romantic dedications that would be judged by a jury.
The 10 best dedications won a voucher for 2 people to attend a Valentine's Day film and the 3 best dedications were published on BFA's Instagram page.

WOMEN'S DAY

Women's Day on 8 March celebrated the social, political and economic progress made by women over the years. Women's Day is celebrated in many counties and recognises the important role women play in society and their fight for their fundamental human rights in many parts of the globe.
BFA paid homage to all the talented women who over the years have inspired it with their determination, vision, commitment and daily dedication.

FATHER'S DAY

Father's Day falls on 19 March and celebrates the active presence and impact of fathers in making their children feel wanted and loved and in giving them emotional stability and self-confidence as they develop.

BFA celebrated internally by inviting staff to share their paternity by sending in artistic photos of themselves with their children for posting on the intranet.

WORLD WATER DAY

World Water Day (22 March) was created by the United Nations as a way of thinking about and producing practical ways of solving the problem of water shortage.

On this day every year topics are addressed that concern this life essential. Water is our body's main chemical component. We can live far longer without food than we can without water. We need so much water that it makes up around 60% of our body weight.

On World Water Day we therefore take internal action to make staff aware of the importance of water to our wellbeing and of our duty to save it. Throughout the day reminders were sent on the intranet about when to drink water.

WORLD PHYSICAL ACTIVITY DAY

On 7 April BFA invited all staff and their families to take part in a morning of full-body physical activity that combined aerobics, step and specific exercises.

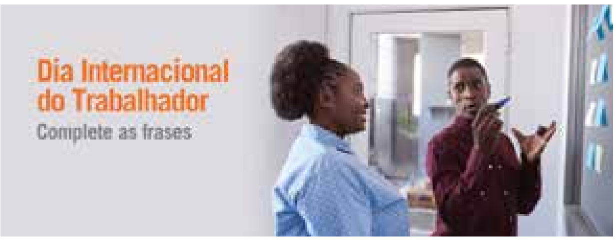
The event (Move to take care of your health) organised by BFA was the first held in the open air (at Clube dos Caçadores) to promote physical activity for health.

INTERNATIONAL WORKERS' DAY

This was celebrated on 1 May. BFA invited all its staff to take part that day in an internal communication action by completing three sentences about BFA:

- My contribution to BFA is important because …
- The best thing about working for BFA is…
- I'm proud to work for BFA because…

Staff contributions to the action were high throughout May and their sentences were posted on the intranet and the SomosBFA mailbox throughout June.



INTERNAL COMMUNICATIONS

MOTHER'S DAY

Mother's Day was on 5 May. BFA celebrated it with internal action in which staff were invited to share moments with their children by sending in artistic photos.
The photos were cut up to form small pieces in puzzles published as banners throughout May. All involved were surprised with the images produced by combining the photos.

DAY OF THE CHILD

This was celebrated on 1 June. In Espaço Luanda Arte (ELA) BFA organised an internal communication action involving the 5 to 12-year old children of its staff.
The event (I'm a child, I'm an artist) was made up of several activities to show children the importance of art.
BFA gave the children the opportunity to meet Ricardo Kapuka, an artist who showed them how to draw freehand and how to work with different painting materials. The day ended with photographs of all the drawings.

PORTUGAL, CAMÕES AND PORTUGUESE COMMUNITIES DAY

Portugal Day (10 June) is celebrated in various cities each year with military ceremonies, exhibitions, concerts and parades.

INTERNATIONAL FRIENDSHIP DAY

BFA celebrates 30 June by asking staff to produce an invitation for one of their colleagues at the Bank.
The 10 best dedications won a BFA kit.

INTERNATIONAL MUSIC DAY

International Music Day on 1 October celebrates music and musical history across the world, not only for the benefits of music and its importance to the world but also for its promotion of peace and friendship between nations through the union it brings.

The transformative power of music does not only act among peoples and is not limited to the actions of formal institutions. Music and dance can be enjoyed in daily life, at home, at work or even when walking around the city. For this reason we therefore shared thoughts with staff on the ephemeral nature of music and how it enhances our everyday lives.

INTERNATIONAL BREAST CANCER AWARENESS DAY

On 30 October BFA invited all staff to wear something pink to highlight the importance of this date. Photos were published on the intranet in the first week of November.

INTERNATIONAL PROSTATE CANCER AWARENESS DAY

In November BFA invited staff to wear something blue so that photos could be posted on the intranet.

GLOBAL HAND WASHING DAY

15 October is Global Hand Washing Day, created to reduce the sickness and death caused by infections. The primary aim of the day is to prevent infant death caused by respiratory infection and diarrhoea.

One of the first rules of hygiene is to wash your hands to prevent the spread of infectious disease and germs resistant to medication.

Viruses and bacteria stay mainly on the hands. Unless washed properly (e.g. with soap and water) our hands can be the main way of transmitting disease. Colds, herpes and conjunctivitis are just some of these diseases.

The day was celebrated by intranet reminders on the importance of washing your hands whenever necessary.

2019 ENVIRONMENTAL CHRISTMAS

BFA celebrated Christmas 2019 with several activities on 14 December:

- Rubbish collection on Jango Veleiro beach
- Recycling class with the Espaço ELA team.

Social Responsibility

MAIN 2019 PROJECTS

BFA SOLIDÁRIO

BFA SOLIDÁRIO was launched by Banco de Fomento Angola as part of its social responsibility programme to provide financial support for children in Angola through grants, activities and projects to improve health, education and social inclusion.

The programme applies only within Angola to non-governmental, no-profit institutions in the field.

Organisations apply for the programme with projects that must fall into one of three categories:

- Education – For organisations working to improve the education or qualifications of children from the most deprived levels of society.
- Health – For organisations working to improve the health of children from the most deprived levels of society.
- Social and financial inclusion – For organisations working to improve the qualifications and social and financial inclusion of children and young people at risk through education and the prevention of risk behaviours, professional qualifications and basic help with living

BFA SOLIDÁRIO 2019 funding totalled AKZ 157 500 000 in 2019 and was divided among the above categories.

BFA +SAÚDE HUAMBO

This project started in 2018 in response to a Government appeal for help during the malaria emergency in Huambo Province.

Support to Huambo's Central Hospital continued in 2019 with the provision of equipment to help improve paediatric care in line with Hospital priorities and to ensure better care for the children in it.

AKZ 113 918 165 was invested in hospital equipment and materials under the programme in 2019.

BFA +ÁGUA +VIDA

In partnership with UNICEF (the United Nations Children's Fund) and the Provincial Government of Cunene, BFA developed its Portos Seguros (safe haven) project for vulnerable children and their families affected by the drought in the Municipality of Ombadja, Cunene Province.

The aim of the project is to reduce the long-term vulnerability of people in Ombadja, including children and adolescents.

It also aims to improve the ability of local communities to prepare for, and produce means of responding to, mitigating and adapting to climate-related disasters.

The project presents school as a safe haven and a long-term development initiative for ensuring that the provincial and municipal governments are prepared to deal with existing risks and future climatic shocks.

BFA +NUTRIR

Acute and chronic malnutrition are among the most frequent causes of emergency paediatric hospital admissions and one of the main causes in the death of children under 5.
In 2019 BFA, in partnership with the Health Ministry, developed the BFA + Nutrir project to speed the reduction in acute and chronic malnutrition in Bié Province in Cunhinga Municipality.
The project aims to ensure the municipality is able to provide a proper preventative and curative response to malnutrition through early identification of malnutrition within the community that will enable acute and chronic cases to be dealt with better and by promoting preventative breastfeeding practices and changes in behaviour.

BFA +CAPACITAR

In partnership with the Ministry of Education, BFA supports the CAPPRI project in Luanda Province, which trains primary teachers to introduce the Teach to Teach method into Angola's schools. This is a differentiated, innovative teaching method for training primary teachers.
The phased project trains teachers to work in a simpler, more interesting and innovative way.
This year BFA + Capacitar supported the training of 5 600 primary school teachers across Luanda.

BFA VOLUNTARIADO
BFA DOADOR VOLUNTÁRIO

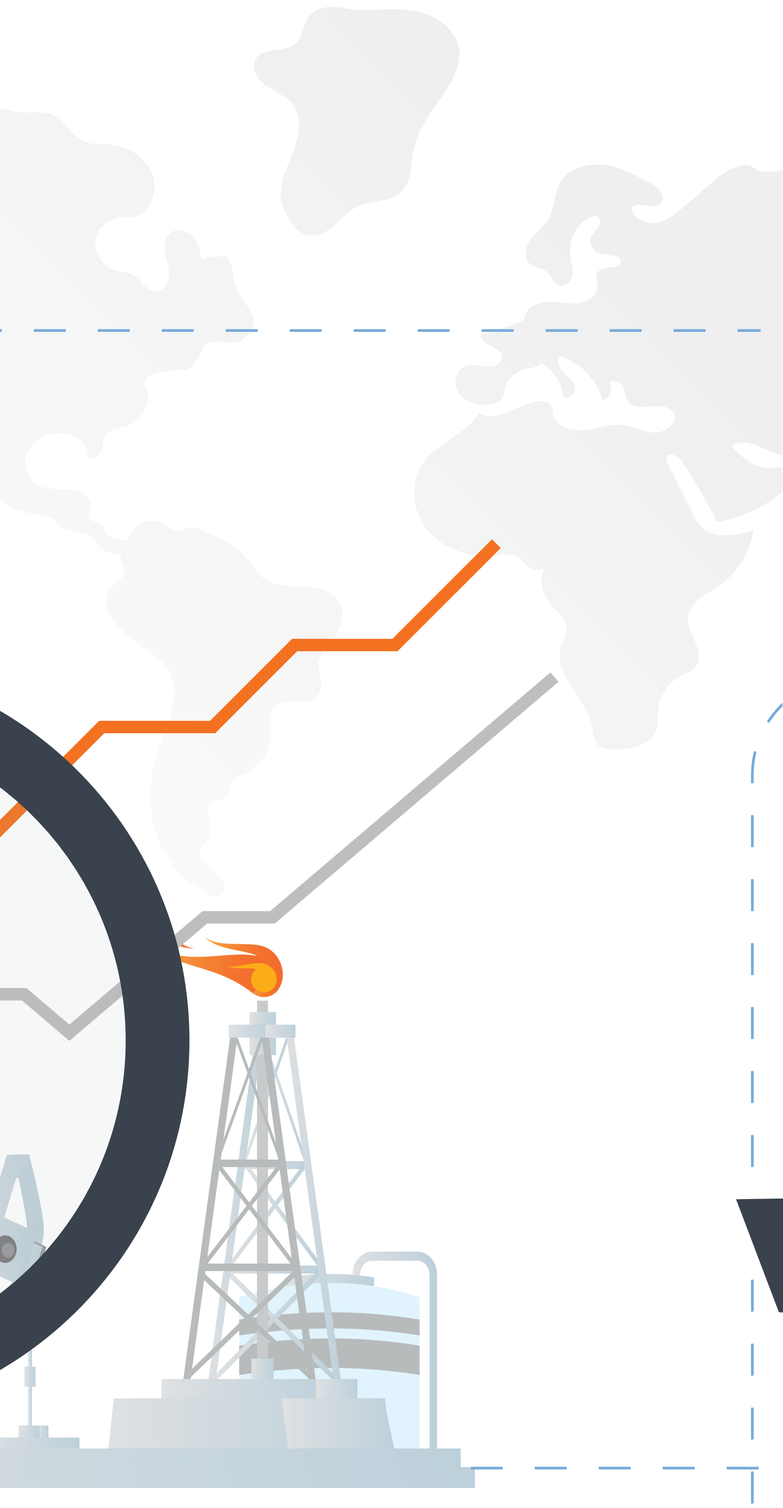
In partnership with the National Blood Institute, BFA has developed the BFA Doador Voluntário project to encourage regular voluntary blood donors and to support health institutions by increasing their blood banks.
7 blood donation campaigns were organised in 2019 in 6 provinces (Luanda, Cabinda, Huíla, Huambo, Benguela and Zaire), attracting over 657 voluntary donors from among BFA staff, their family members and friends.
The campaigns helped 1 188 patients, including 996 children.

BFA +CULTURA +NATAL

200 children aged 5-12 in 6 orphanages enjoyed this event, which aimed to bring out the talents of each child.
BFA celebrated Christmas with a children's party at which the children themselves staged a show that presented their talents and desire to shine with dancing, singing, poetry, acting, music, painting and chess.

04

RISK MANAGEMENT



Risk Management Governance and Organisation

Under the rules introduced by the BNA in 2013, banks are required to create an independent risk management function, whose task is to identify, assess, monitor, control and report on all the relevant risks of their activity.

Accordingly, in 2017 BFA's Board of Directors launched an action plan to reinforce the supervision and monitoring of the Bank's risk management system by reformulating the approach to the risk management function, a plan that was continued in 2019. This wide-ranging plan was supported by a detailed schedule of targets and strategic initiatives, aimed at conducting an in-depth review of the governance, organisation, support systems and methodologies of the risk management system, so as to bring them into line with international best practice.

BFA's risk management system is organised on the principle of the separation of functions, consistent with the three lines of defence model. The aims is to establish a clear distribution of responsibilities between the areas of business and support, supervision and control, ensuring independent monitoring and control of the Bank's business activities, identifying any deviations from the agreed strategy, policies and limits, and the areas of independent review, whose mission is to ensure the efficiency and effectiveness of the Bank's internal control and risk management systems.

BOARD OF DIRECTORS

EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

1st Line of Defence	2nd Line of Defence	3rd Line of Defence	External Auditor	Supervisory Authorities
Business units	Risk Management function	Internal Audit function		
Support units	Compliance function			

1st Line of Defence

Business and Support Units

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

2nd Line of Defence

Risk Management Function and Compliance Function

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

3rd Line of Defence

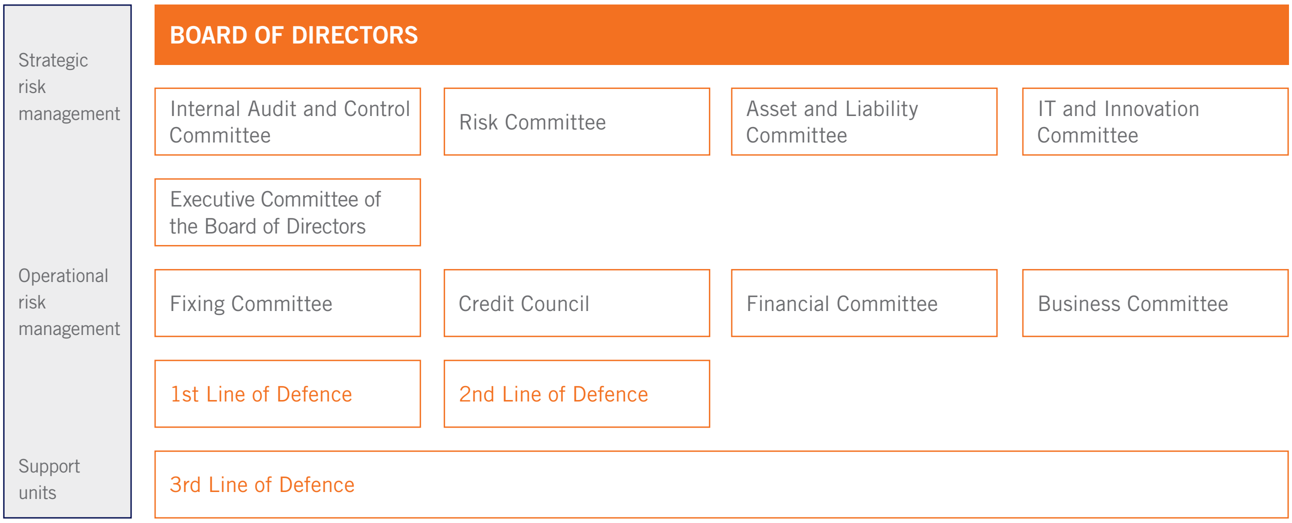
Internal Audit Function

The third line of defence is the Internal Audit Function, which evaluates the efficiency and effectiveness of the Bank's internal control and risk management systems. The External Auditor and the Supervisory Authorities are also part of BFA's risk management model. The External Auditor contributes to the effectiveness of the Bank's risk management system through objective, independent analysis of the system's functioning; and the Supervisory Authorities contribute by overseeing internal practices.

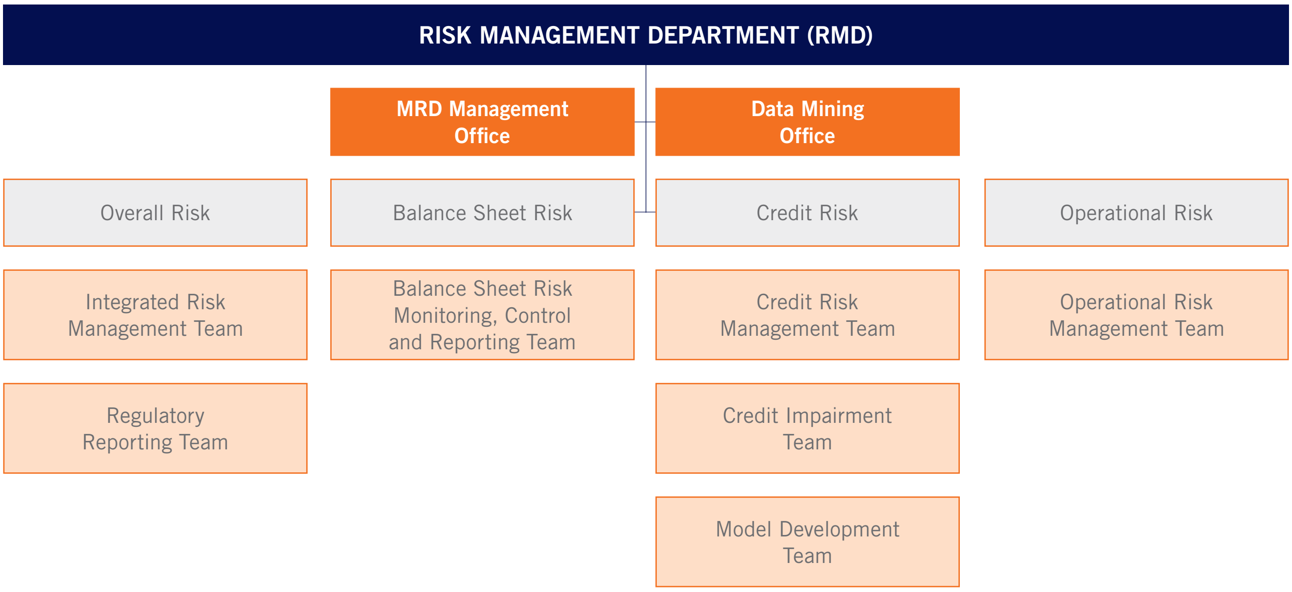
BFA's risk governance bodies

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

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



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



Risk Management Principles

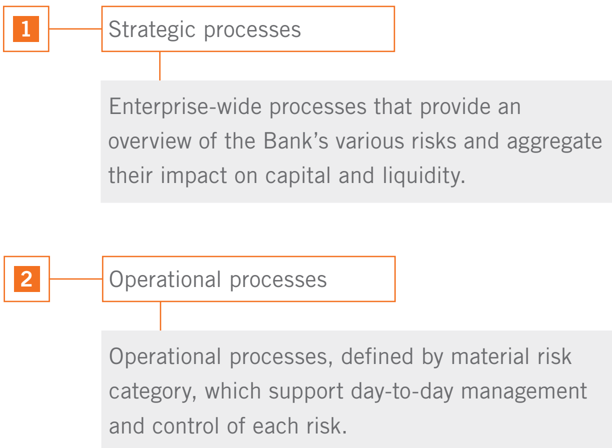
BFA aims to continuously achieve and maintain a balance of risk and return commensurate with its size, complexity and risk profile.

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

Risk management model

Consistent with the risk management principles, the Bank organises its overall risk management processes along the strategic and operational dimensions.

The following figure shows the organisation of risk management:



3 Contingency planning

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

Strategic risk management processes

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

1 Strategic processes

Risk profile self-assessment	Risk appetite framework	Internal stress--testing programme	ICAAP & ILAAP
Identify the categories of risk to which the Bank has a material exposure	Set risk appetite and limits	Define and simulate plausible scenarios to which the Bank is (or could be) exposed	Assess the Bank's capital adequacy and liquidity

Risk profile self-assessment

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

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

Risk Appetite Framework

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

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

Stress Test Programme

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

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

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

Capital Adequacy and Liquidity Assessment

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

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

Operational Management of Risk

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

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

2 Operational processes

Identification	Assessment/ Quantification	Monitoring and control	Reporting
Identification of actual and potential risks based on up-to-date, timely and reliable information from the different areas	Assessment of the information collected for submission to consistent, auditable assessment mechanisms	Establishment of risk limits and control mechanisms	Reporting of results and mechanisms used

Identification

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

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

Assessment/ Measurement

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

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

Monitoring and Control

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

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

Reporting

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

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

Contingency Planning

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

3 Contingency planning

Capital and liquidity	Business continuity
Establish a suitable framework and measures to allow the Bank to continue to operate in the event of significant deterioration in its capital and liquidity	Ensure the continuity of the Bank's operations and mitigate losses in contingency situations

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

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

Material Risks

The risks considered material are:

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

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

RMD Management Office

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

Data Mining Office

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

Overall Risk Area

Integrated Risk Management Team

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

Balance Sheet Risk Area

Balance Sheet Risk Monitoring, Control and Reporting Team

- Propose risk management policies and limits consistent with the risk management strategy and oversee their implementation;
- Implement methodologies, processes and activities for monitoring and controlling balance sheet risk;
- Prepare and provide specialised information about balance sheet risks.
- Oversee the balance sheet risk management systems and trading area activities;
- Monitor and report trading results and the exposures managed by the trading areas.

Operational Risk Area

Operational Risk Management Team

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

Credit Risk Area

Credit Risk Management Team

- Propose credit risk management policies and limits consistent with the risk management strategy and oversee their implementation;
- Define and implement concepts and indicators to support the identification and assessment of credit risk;
- Develop internal credit risk management models;

- Monitor and control BFA's credit assessment and approval activities;
- Monitor and control BFA's credit monitoring and recovery activities;
- Monitor and provide information about the quality of BFA's loan portfolio.

Credit Impairment Team

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

Solvency Risk

WHAT IS SOLVENCY RISK AND HOW DOES IT ARISE?

Solvency risk is the risk that the financial institution will have insufficient capital to absorb unexpected future losses arising from its operations.

HOW IS SOLVENCY RISK MANAGED?

To determine the level of capital, BFA calculates its capital adequacy ratio, regulatory capital and regulatory capital requirements. These calculations are performed by the Risk Management Department's Overall Risk Area in strict compliance with the regulatory provisions and requirements laid down by National Bank of Angola (BNA). The Risk Management Department is also responsible for carrying out the internal capital adequacy assessment (ICAAP) and stress tests, which the Bank carries out at the intervals stipulated by law.

Furthermore, BFA sets the risk appetite (risk appetite framework and risk appetite statement) for solvency risk, using such metrics, internal limits and tolerance levels as may be appropriate to the Bank's strategy. The risk appetite framework defines the relevant risks and the metrics for assessing and monitoring them.

Capital adequacy ratio and regulatory capital:	• Notice 02/2016 - Regulatory capital; • Instruction 18/2016 - Reporting on the composition of regulatory capital and the capital adequacy ratio.
Regulatory capital requirements for credit risk:	• Notice 03/2016 - Regulatory capital requirements for credit risk and counterparty credit risk; • Instruction 12/2016 - Regulatory capital calculation and requirements for credit risk and counterparty credit risk; • Instruction 13/2016 - Reporting on regulatory capital requirements for credit risk and counterparty credit risk.
Regulatory capital requirements for market risk:	• Notice 04/2016 - Regulatory capital requirements for market risk and counterparty credit risk in the trading portfolio; • Instruction 14/2016 - Regulatory capital calculation and requirements for market risk and counterparty credit risk in the trading portfolio; • Instruction 15/2016 - Reporting on regulatory capital requirements for market risk and counterparty credit risk in the trading portfolio.
Regulatory capital requirements for operational risk:	• Notice 05/2016 - Regulatory capital requirements for operational risk; • Instruction 16/2016 - Regulatory capital calculation and requirements for operational risk; • Instruction 17/2016 - Reporting on regulatory capital requirements for operational risk.

Strong increase in BFA's solvency

In 2019, the trend in the capital adequacy ratio was very positive compared to the same period of the previous year, driven by the increase in regulatory capital, as shown below:

(Unity: AOA)

	Dec-18	Dec-19
Regulatory capital	325 215 815 923	414 929 624 904
Total capital requirements	60 408 499 375	70 981 993 905
Capital requirements for credit risk - CR_{CR}	28 157 280 694	32 959 430 160
Capital requirements for market risk - CR_{MR}	6 633 860 847	6 954 305 239
Capital requirements for operational risk - CR_{OR}	25 617 357 834	31 068 258 506
BFA regulatory capital ratio	53,8%	58,5%
Regulatory minimum capital ratio	10,00%	10,0%

	Regulatory minimum capital ratio [31-12-2019]	BFA
Regulatory capital ratio Total Capital Ratio	10,0%	58,5%
Core Equity Tier 1 ratio Tier 1 capital ratio	8,5%	58,5%

Credit Risk

WHAT IS CREDIT RISK AND HOW DOES IT ARISE?

Credit risk is the risk of loss due to failure by customers to meet their obligations under credit agreements. Credit risk can also arise when credit is concentrated in a particular counterparty, industry, product, geography or maturity.

HOW IS CREDIT RISK MANAGED?

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

Personal Loan Department	Assessment of loans to individuals
Business Loan Department:	Assessment of loans to business customers
Corporate, Institutional and Projects Department	Risk analysis, issuance of opinions and risk approval in respect of loans to customers in the Large Corporate and Institutional (State and Public Sector) segments
Credit Management Department	Management and coordination of the various phases of the credit approval process, and monitoring of the loan and collateral management process, along with all related tasks
Credit Monitoring, Recovery and Litigation Department:	Monitoring and recovery of loans more than 60 days past due and recovery of past-due loans through negotiation or legal action.

In 2019, the work of the Credit Risk Area (made up of three teams: Credit Management, Credit Impairment and Model Development) was focussed on dedicated, active participation in the Asset Quality Assessment exercise carried out in the Angolan financial system.

All these units report to the same director and have no responsibilities at the level of the Bank's commercial units.

Lending limits and loan procedures are laid out in the General Lending Regulations, the Lending Procedures Manual and the Product Specifications. The situations in which the granting of credit is not permitted are also clearly defined.

Filter for rejecting loan applications due to default or material incidents

- Record of material incidents
- Failure to perform obligations to the Bank
- 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.

Assessing loan applications requires rigorous analysis, within the framework of a set of parameters that ensure proper risk approval:

Prior collection, verification and critical analysis of relevant information about the borrower, the borrower's economic and financial situation, the transaction to be financed and any guarantees provided.

Proposals for loans or guarantees to be submitted must be:

- Fully specified in a loan proposal form;
- Comply with the relevant product specifications;
- Accompanied by a properly documented credit risk analysis;
- Signed by the persons submitting the proposal.

Loan proposals relating to companies or corporate groups with accounts spread across different Corporate Centres or BFA branches are examined by the body responsible for managing the relationship with the company or group in question.

The Bank's total exposure to the client, or to the group to which the client belongs under applicable legislation, is taken into account.

Analysis and appraisal of guarantees

- All loans are secured with guarantees appropriate to the borrower's risk and the nature and term of the loan. The loan documentation should provide assurance as to the adequacy and liquidity of the guarantees.
- Property collateral is valued before a loan approval decision is made.
- The Monitoring, Recovery and Litigation Department's Collateral Management Area drives and monitors the entire mortgage registration, amendment and cancellation process, as well as appraisals of properties pledged as collateral for loans.

Risk classification

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

- Level A (lowest risk): loans to the Angolan State
- Level B (very low risk): All 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.

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, except for employee loans under plans agreed with companies.

The classification of outstanding loans and the associated provisions are reviewed at least monthly, in accordance with BNA Notice 11/2014.

Proceedings of decision-making bodies

- The resolutions of each decision-making body, which are recorded in minutes, are approved as collective decisions of the body's respective members and so 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 the discussion and decision on that transaction, which is referred 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.

Impairment loss calculation model

The impairment loss calculation model was implemented in June 2013. From 2018, the Bank transitioned from IAS 39 - Financial Instruments: Recognition and measurement to IFRS 9 - Financial Instruments, which was issued by the International Accounting Standards Board (IASB) in July 2015 but did not become mandatory in the Angolan financial system until 31 December 2018.

Various different areas of the Bank were involved in the implementation, each in a different role, as set out below:

IT Systems Area	Extraction of information from systems and support solution maintenance
Risk Department – Credit Risk Area	Monitoring of the periodic calculation process and model governance Assistance in carrying out, supervising and validating individual customer analyses, in collaboration with the Personal and Business Loans, Corporate Credit Risk, Investment and Structured Financing, and Monitoring, Recovery and Litigation departments
Executive Committee	Final validation and approval of the results

Expected credit losses are measured for the following portfolios:

- Credit;
- Debt instruments (securities);
- Deposits and balances at other credit institutions;
- Off-balance-sheet exposures (including revocable and irrevocable limits);
- Credit limits associated with revolving credit facilities, overdrafts and cards;
- Bank guarantees;
- Letters of credit.

Impairment losses are measured using calculation methods defined by BFA, based on historical series and the characteristics of the Bank's loan portfolio. For impairment loss calculation purposes, the Bank classifies its portfolio according to evidence of impairment, classified in stages:

- **Stage 1**: Loans up to 30 days past due that are not credit-impaired;
- **Stage 2**: Credit-impaired loans between 30 and 90 days past due;
- **Stage 3**: Credit-impaired loans more than 90 days past due (default).

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

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

For the purpose of assigning risk factors and calculating impairment losses, the portfolio is segmented according to homogeneous risk profiles, as follows:

- Home loans;
- Consumer loans;
- Overdrafts;
- Credit cards;
- Car loans;
- Companies (significant exposures);
- Companies (less significant exposures);
- Public sector;
- Financial Institutions.

Restructured loans are treated differently and are classified as follows:

- **Stage 2**: until they complete the cure period (12 months), provided there are no arrears of more than 30 days after the restructuring;
- **Stage 3**: if the restructuring involves a material loss or a grace period for principal, or if there are arrears of more than 30 days.

Individual assessment

Loans to the following customers are subject to individual assessment:

- **Individuals**: exposure of more than AOA 100 million, or more than AOA 50 million if the loan is more than 30 days past due
- **Companies**: exposure of more than AOA 50 million, or more than AOA 25 million if the loan is more than 30 days past due
- All customers with restructured or reclassified loans
- Companies or individuals indicated by the DGR or the Risk Committee that do not meet the above criteria for individual assessment but that the Bank nevertheless considers should be assessed individually, irrespective of the segment to which they belong.

Collective assessment

In 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)**: calculation of 12-month expected credit losses (ECLs) for Stage 1 loans and lifetime ECLs for Stage 2 loans. Under IFRS 9, all PD estimates must be adjusted to include forward-looking information and the final estimates used to calculate ECLs are forward-looking lifetime PDs;
- **Loss given default (LGD)**: calculation of ECLs of loans in Stages 1, 2 and 3, including a "collateral" component (amounts expected to be recovered through enforcement of collateral) and a "cash" component (amounts expected to be recovered by other means);
- **Credit conversion factors (CCF)**: calculation of the percentage of an off-balance-sheet exposure that is likely to be converted into an on-balance-sheet exposure in the event of default;
- **Probability of prepayment in full (PPIF)**: probability that a loan will be settled in full before its contractual maturity date;
- **Behavioural maturity (BM)**: period of time for which the institution is exposed to the credit risk, a measure applicable only to loans with no specified maturity.

What were the main developments in 2019?

Impairment loss calculation model

In recent years, the impairment loss model has been tightened up to bring it into line with new legislation published by the BNA (Instruction 08/2019 of 27 August - Impairment losses in the Credit Portfolio and Directive No. 13 DSB DRO 2019 - 2019 Guide for Implementation of AQA Methodologies) and international best practice.

Several changes were made to the Bank's impairment loss model during 2019, namely:

- The materiality threshold for default definition was set at AOA 5 million;
- Overdrafts are moved to Stage 2 when they are more than 15 days past due;
- Calculation of impairment on Securities in local currency;
- Calculation of impairment for Deposits and balances in accordance with the counterparty's credit rating.

The DGR's Credit Risk Area was also involved in a number of other activities, including:

- Process of converting home loans to individuals from USD to AOA;
- Adoption of methodologies and implementation of adjustments that help consolidate the Bank's IFRS 9 model;
- Management of training for and implementation of renewed risk assessment and monitoring practices for loans to companies in concession areas.

Assessment of collateral and other securities

In 2019, in relation to BFA's impairment loss calculation model and BNA Notice 10/14, work continued on the action plan launched in 2014 by the Monitoring, Recovery and Litigation Department, so that property received as collateral became subject to reappraisal by expert valuers in the following circumstances:

- When the associated loan is more than 90 days past due and the last appraisal was more than two years ago;
- At least every two years where the exposure is more than 1% of the total loan portfolio at the previous year-end or more than AOA 100 million;
- When there is other evidence of impairment, such as market events or disruptions that could directly affect the value of real estate assets in general, depending on geographical location, loan purpose and, in some cases, proximity.

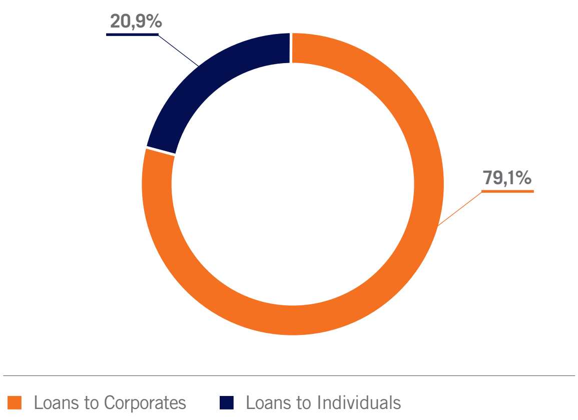
It is intended that this work by the DCG's Collateral Team should continue in 2019, with the aim of developing and launching a new database specifically for data on real estate collateral and other collateral posted in credit transactions.

Structure of the loan portfolio

In 2019, the overall loan portfolio grew by 17.6% compared to 2018, an increase driven by the Corporate segment.

The credit exposure in local currency increased by 23.7%, while the exposure in foreign currency decreased by 8.8%, due to the conversion of mortgage loans in foreign currency to local currency, as required by BNA Instruction 18/2018 of 28 November on the conversion of loans granted to individuals in foreign currency.

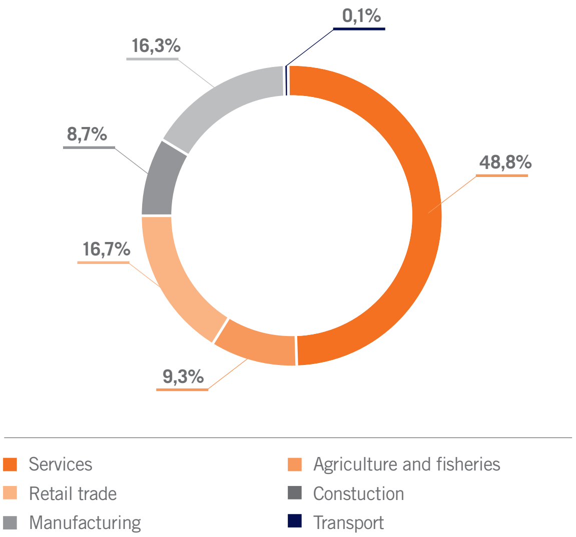
Loan portfolio by customer type



The share of corporate customers in the total loan portfolio increased by nearly 5 percentage points compared to 2018.

In 2019, the best represented sectors were Services and Trade, which accounted for 65.6% of total loans to corporate customers in the portfolio.

Diversification of the corporate loan portfolio by economic sector



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

Loans by risk class

As in previous years, the loan portfolio is concentrated in the lower risk classes defined in BNA Notice 11/2014 and Instruction 9/2015.

Nearly 88.5% 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) increased by 5.9 percentage points during the year.

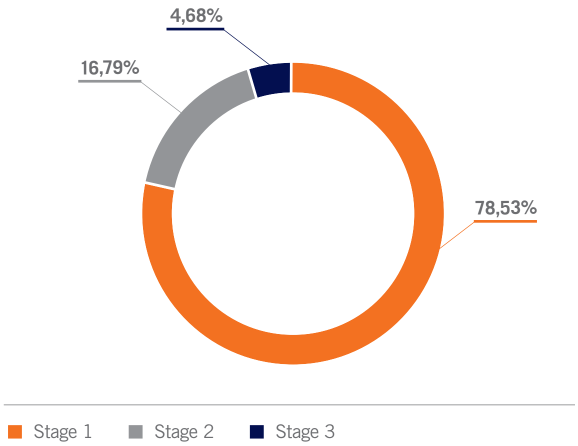
LOANS BY RISK CLASS

Total credit transactions

Classe	2017	2018	2019
A - Risk-free	34,70%	40,5%	29,2%
B – Very low risk	49,20%	46,2%	59,0%
C - Low risk	7,50%	7,8%	0,3%
D - Moderate risk	0,70%	0,2%	6,2%
E - High risk	1,20%	0,7%	0,4%
F – Very high risk	1,00%	0,4%	0,3%
G - Loss	5,70%	4,4%	4,6%
Total	**100%**	**100%**	**100%**

The exposures in the portfolio are divided between the three stages of impairment as follows:

Stages

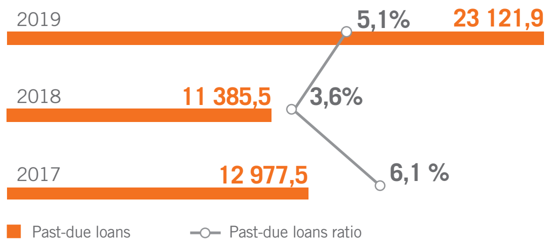


Note: Total loans includes performing and non-performing loans and does not exclude guarantees and letters of credit.

Past-due loans ratio

The volume of past-due loans and the past-due loans ratio decreased in 2019 as a result of the risk analysis and management policies implemented by BFA with a view to continuously improving the quality of its credit portfolio. In volume, past-due loans increased by 1.5 percentage points compared to the previous year.

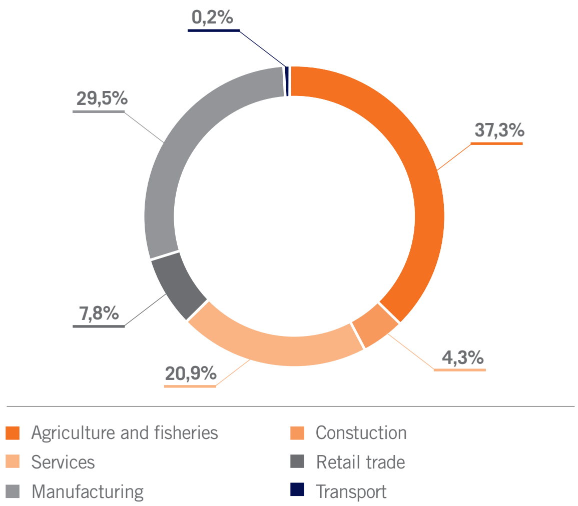
Past-due loans (as % of total loans and in AOA million)



Note: Past-due loans ratio = Past-due loans/ Total loans

By sector, agriculture and fisheries accounted for the largest proportion of past-due loans (37.3%), followed by manufacturing (29.5%). Transport has the smallest proportion of past-due loans (just 0.2% of the total).

Concentration of past-due loans by sector



Impairment provisions and coverage ratio (AOA million)

At December 2019, the provision coverage ratio was a comfortable 138%, reflecting a particularly prudent risk management policy.

AOA million

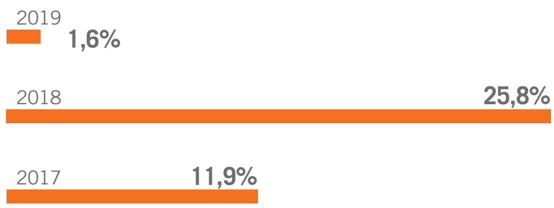
Class	2019
Impairment provisions	31 585,1
Provision coverage, total loans	6,7%
Provision coverage, past-due loans	138,0%

In the last four years, the Bank has kept the volume of write-offs low compared to earlier years, demonstrating the emphasis on loan recovery by appropriate legal means, especially through the courts.

In 2019, the volume of write-offs fell significantly, by USD 24.2 million, to USD 1.6 million.

Write-offs

USD millions



Recovery of past-due loans through the courts

As of year-end 2019, a total of 1 194 legal proceedings had been started to recover past-due loans totalling USD 293.4 million. In some cases, claims brought in the courts result in settlements (partial or total).

In 2019, property was attached in a total of four proceedings (two against individuals and two against companies). Approximately AOA 2 293 million relating to written-off and past-due loans was recovered.

NUMBER OF CASES BEFORE THE COURTS

USD thousands

	2012 to 2016		2017 to 2018		2019		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
Individuals	476	24 422	445	37 991	76	2 519	**997**	**64 932**
Companies	132	205 705	61	21 567	4	1 169	**197**	**228 441**
Total	608	230 127	506	59 558	80	3 688	**1.194**	**293 373**

Liquidity Risk

WHAT IS LIQUIDITY RISK AND HOW DOES IT ARISE?

Liquidity risk is the risk that the Bank will suffer adverse impacts as a result of inability to obtain sufficient liquid funds to meet its financial obligations.

HOW IS LIQUIDITY RISK MANAGED?

Liquidity risk is managed, in the first line of defence, by the Financial and International Department (DFI) and, in the second line of defence, by the Risk Management Department's Balance Sheet Risk Area (DGR-ARB).

Thanks to its extremely prudent approach to liquidity management, BFA is in a privileged position as regards the funding of its activities. By ensuring a stable, safe and sufficient liquidity position based on an adequate reserve level, the Bank maintains high liquidity and liquidity compliance ratios.

The DFI is responsible for ensuring compliance with the daily liquidity gap limit in local currency. The daily liquidity gap is the difference between inflows and outflows of funds in local currency on any given day, while maintaining compliance with mandatory reserves.

The DGR-ARB is responsible for implementing the methodologies, processes and activities for monitoring and controlling balance sheet risk, assessing the main liquidity risk indicators, overseeing stress tests and carrying out the internal liquidity adequacy assessment process (ILAAP).

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

- **Daily report**, summarising information on domestic and international markets and the day's most important movements and transactions;
- **Documentation for the Finance Committee**, with a retrospective weekly summary of the main national and international markets;
- **Daily report on the regulatory foreign exchange position**, indicating the accumulated gap by foreign currency, sent to the directors with responsibility for finance and risks;
- **Integrated Risk Management Report**, with the monthly analysis of the main liquidity risk indicators and limits, used by the Risks Committee and the Board of Directors.

The Bank is governed by an organisational and decision-making model made up of five bodies:

Board of Directors	Takes the key decisions on transactions in Angolan sovereign debt, counterparty limits and interest rates on loans and deposits after considering proposals from the Risk Committee, the Executive Committee and the Assets and Liabilities Committee.
Risk Committee	Supports and advises the Board of Directors in risk management matters, including liquidity risk.
Executive Committee	Performs daily and weekly market analyses and continuously monitors compliance with the Board of Directors' decisions and all regulatory and internal limits.
Assets and Liabilities Committee	Assists and advises the Board of Directors on the Bank's asset and liability management strategy and policy, especially as regards balance sheet risks (market, liquidity, interest rate and exchange rate risk).
Financial Committee	Aggregates and operationalises the Board of Directors' decisions at weekly intervals and submits proposals to the Assets and Liabilities Committee when necessary.

Main developments in 2019

On 30 August 2016, BNA published Instruction 19/2016, which gave specific instructions for submitting liquidity risk management information. Financial institutions thus began to submit bi-weekly liquidity statements, taking into account any cash flows in local and foreign currency that are material for the institution. At monthly intervals they are also required to submit a liquidity statement showing the cash flows in all currencies on an aggregate basis. Financial institutions must also ensure that, from 31 August 2019, their liquidity ratios and, until 31 August 2020, their compliance ratios are above 100% for local currency and the aggregate of all currencies, or 150% for material foreign currencies. At 31 December 2019, BFA reported the following ratios:

All currencies

Unit: AOA million	Dec-18	Dec-19
Liquid assets	977 554	1 158 317
Cash outflows	206 445	278 628
Cash inflows	36 112	26 398

	Dec-18	Dec-19
Liquidity ratio	574%	459%
Regulatory minimum[1]	75%	100%

[1] Regulatory minimum according to BNA Instruction 19 of 30 August 2016.

	Dec-18	Dec-19
Compliance ratio (1 to 3 months band)	1 230%	903%
Compliance ratio (3 to 6 months band)	1 787%	1 862%
Compliance ratio (6 to 12 months band)	4 852%	3 268%
Regulatory minimum[1, 2]	50%	75%

[1] Regulatory minimum according to BNA Instruction 19 of 30 August 2016.
[2] Applies only to the 1 to 3 months band.

Local currency

Unit: AOA million	Dec-18	Dec-19
Liquid assets	719 565	839 294
Cash outflows	138 924	173 198
Cash inflows	33 041	26 030

	Dec-18	Dec-19
Liquidity ratio	680%	570%
Regulatory minimum[1]	75%	100%

[1] Regulatory minimum according to BNA Instruction 19 of 30 August 2016.

	Dec-18	Dec-19
Compliance ratio (1 to 3 months band)	1 974%	1 628%
Compliance ratio (3 to 6 months band)	3 169%	5 968%
Compliance ratio (6 to 12 months band)	14 738%	25 570%
Regulatory minimum[1, 2]	50%	75%

[1] Regulatory minimum according to BNA Instruction 19 of 30 August 2016.
[2] Applies only to the 1 to 3 months band.

Material currencies

Unit: AOA million	Dec-18	Dec-19
Liquidity ratio	174 212	224 041
Regulatory minimum[1]	52 806	79 891
Cash inflows	386	28

	Dec-18	Dec-19
Liquidity ratio	332%	281%
Regulatory minimum[1]	100%	150%

[1] Regulatory minimum according to BNA Instruction 19 of 30 August 2016.

	Dec-18	Dec-19
Compliance ratio (1 to 3 months band)	487%	363%
Compliance ratio (3 to 6 months band)	501%	363%
Compliance ratio (6 to 12 months band)	858%	393%
Regulatory minimum[1, 2]	75%	113%

[1] Regulatory minimum according to BNA Instruction 19 of 30 August 2016.
[2] Applies only to the 1 to 3 months band.

MANDATORY RESERVES

Instruction 06/2017 on Mandatory Reserves, published on 1 December 2017 and effective on 4 December 2017, updates and streamlines the rules on the calculation of and compliance with mandatory reserves in view of the country's macroeconomic context.

The main changes to the mandatory reserve ratio to be applied to the reserve base are as follows:

- The ratio to be applied to the daily balances of items that make up the mandatory reserve base in local currency was lowered to from 30% to 21%;

- The possibility of covering 2/3 of the local currency reserve requirement with Angolan public debt was removed.

This change had a material impact on the Bank to the extent that the Bank met part of the local currency reserve requirement with Treasury bonds, with an effective rate of 10%, which in October 2019, after the abovementioned changes, increased to 22%.

Instruction 17/2019, published on 24 October 2019 and effective the same day, reinforced the change made on 30 November 2017 to the mechanism for establishing mandatory reserves in local currency by increasing the mandatory reserve ratio from 17% to 22%. This change had an impact of around 26.95% in week 45, compared to week 44, when the mandatory reserve ratio was 17%.

Following the change to the mechanism for establishing mandatory reserves in local currency made on 30 November 2017, on 24 October 2019 the BNA revised the mandatory reserve ratio in local currency, effective 24 October 2019, through Instruction 17/2019 on Mandatory Reserves, which updates and streamlines the rules on the calculation of and compliance with mandatory reserves in view of the country's macroeconomic context.

The main changes to the mandatory reserve ratio to be applied to the reserve base are as follows:

- The ratio to be applied to the daily balances of items that make up the mandatory reserve base in local currency is raised from 17% to 22%;

- The exclusion of the possibility of covering 2/3 of the local-currency reserve requirement with Angolan public debt is maintained.

This change has had a material impact on the Bank to the extent that it excludes the possibility of meeting any part of the mandatory reserve requirement in local currency with Treasury Bonds and increases the reserve ratio from 17% to 22%.

Foreign Exchange Risk

WHAT IS FOREIGN EXCHANGE RISK AND HOW DOES IT ARISE?

Foreign exchange risk results from adverse fluctuations in the exchange rates between currencies and arises from the difference between asset and liability positions in each foreign currency or positions linked to an exchange rate.

HOW IS FOREIGN EXCHANGE RISK MANAGED?

BFA seeks to control risk actively and very rigorously by keeping its asset and liability positions in each currency within the approved limits. Foreign exchange risk is managed by the Financial and International Department (DFI) and the Risk Management Department's Balance Sheet Risk Area (DGR-ARB). The DFI also ensures that the difference between assets and liabilities in each foreign currency (or indexed to a foreign currency) is residual, with the exception of positions in USD and EUR, for which a foreign exchange exposure limit is set. The task of DGR-ARB is to:

- Implement methodologies, processes and activities for monitoring and controlling balance sheet risks;
- Assess the main foreign exchange risk indicators;
- Ensure that stress tests are carried out for foreign exchange risk.

BFA's foreign exchange risk management is supported by a set of documentation, which is distributed to various management bodies, namely:

- **Daily report**: with a summary of key information from the domestic and international markets and the day's most important movements and transactions, specifically in the foreign exchange market;
- **Documentation for the Financial Committee**, with a weekly overview of the domestic foreign exchange market and the main internal markets;
- **Documentation for the Risks Committee and the Board of Directors**, with monthly analysis of the main indicators and limits for material risks, including foreign exchange risk, presented in the Integrated Risk Management Report (RGIR);
- **Documentation for the Board of Directors**, with the monthly foreign exchange market summary.

The Bank's organisational and decision-making model in this area comprises:

Board of Directors	Takes the most important decisions on transactions in Angolan sovereign debt, counterparty limits and interest rates on loans and deposits after considering proposals from the Executive Committee and the Assets and Liabilities Committee.
Executive Committee	Continuously monitors implementation of the Board of Directors' decisions and compliance with all regulatory and internal limits and performs daily and weekly market analyses.
Assets and Liabilities Committee	Collects action proposals based on documentation and information gathered at regular intervals, for submission to the Board of Directors.
Financial Committee	Meets at least once a month to put the Board of Directors' decisions into effect and, where necessary, submits proposals to the Assets and Liabilities Committee.

Main developments in 2019

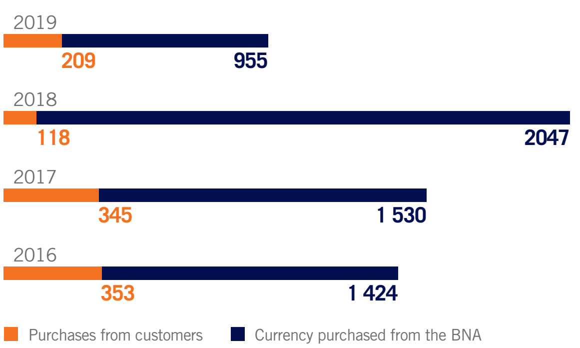
In August 2019, one year after it was created, the Foreign Exchange Control Department (DCC) had 12 employees spread across the three areas included in the organisation chart (Licensing, Control and Reporting). Each area's objectives were maintained, in compliance with applicable legislation.

In 2019, the department started to monitor the currency management system, which is up to date. Due to changes in legislation, the DCC faces daily challenges and must regularly amend internal procedures to comply with current legislation, which involves changes in regulations and circulars relating to foreign exchange policy.

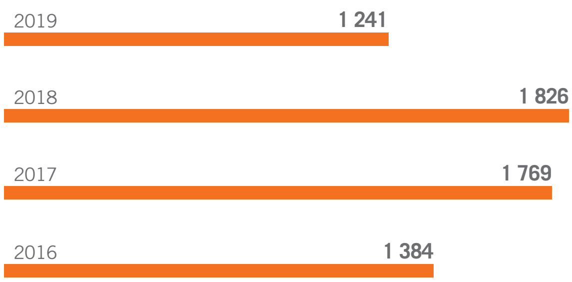
In 2019, the bank purchased nearly USD 954.9 million from the BNA, a decrease of 54% compared to 2018. In addition, 54,967 transactions were carried out in relation to those purchases in 2019.

Overall foreign exchange position (mUSD)

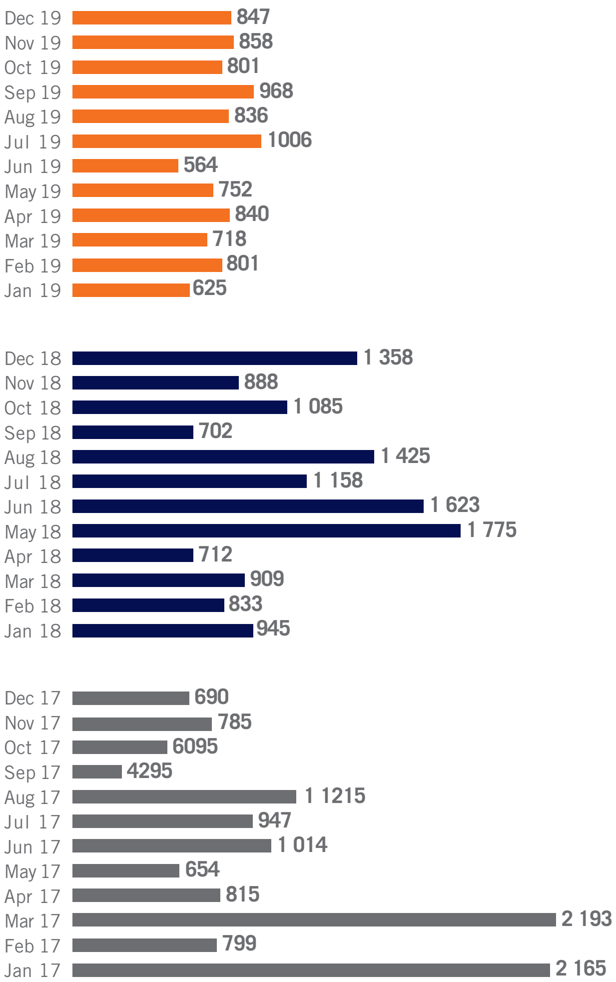
Purchases of foreign exchange (mUSD)



Sales of foreign exchange (mUSD)



Aggregate sales of foreign exchange by BNA to customers (mUSD)



TARGETS FOR 2020

The main goal for 2020 is to implement the new currency management system, improving and automating the controls.

New reports and improved internal procedures are also expected to be implemented to provide better control over the DCC's tasks.

Interest Rate Risk

WHAT IS INTEREST RATE RISK AND HOW DOES IT ARISE?

Interest rate risk stems from adverse movements in interest rates. It gives rise to mismatches in the amount, maturity or repricing dates of interest-bearing financial instruments.

HOW IS INTEREST RATE RISK MANAGED?

BFA manages interest rate risk through the recognition of interest-rate-sensitive assets, liabilities and off-balance-sheet items, seeking to actively control repricing mismatches between them. BFA acquires exposure to interest rate shocks and movements and the securities portfolio within set limits, with a view to reducing the variability of its revenue and capital base.

Management of interest rate risk on the balance sheet

- Achieved by controlling the aggregate interest rate risk on the balance sheet. The aggregate interest rate risk is the sum of the impact of a parallel shift in the yield curve of the different currencies on the value 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 limit set in relation to regulatory capital.

Management of interest rate risk in the securities portfolio

Consists of controlling the aggregate interest rate risk. The aggregate interest rate risk is the sum of the impact of a parallel shift in the yield curve on the value of the securities in the Bank's portfolio with a residual maturity of more than one year.

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

- **Daily report**, with a summary of key information from the domestic and international markets and the day's most important movements and transactions specifically in the foreign exchange market;
- **Documentation for the Finance Committee**, with a retrospective weekly summary of the main national and international markets;
- **Documentation for the Risks Committee and the Board of Directors**, with a monthly analysis of the Integrated Risk Management Report (RGIR), which covers the main indicators and limits for material risks, including foreign exchange risk.

The Bank's organisational and decision-making model in this area comprises:

Financial and International Department	• Ensures that interest rate risk is kept within the limit set in relation to regulatory capital
Board of Directors	• Approves the risk appetite and the limits for interest rate risk, at the proposal of the Risks Committee • Takes the most important decisions on transactions in Angolan sovereign debt, counterparty limits and interest rates on deposits and loans after considering proposals from the Executive Committee and the Assets and Liabilities Committee
Executive Committee	• Performs daily and weekly market analyses • Continuously monitors compliance with the Board of Directors' decisions and with all regulatory and internal limits
Assets and Liabilities Committee	• Aggregates documentation and information each month to produce its own dossier and submits action proposals to the Board of Directors
Financial Committee	• Implements the Board of Directors' decisions and, where necessary, prepares proposals for the Assets and Liabilities Committee

Interest rate risk analysis

On 22 June 2016, the BNA published Notice 8/2016, which specifies the analyses to be performed by financial institutions in relation to interest rate risk in the banking book.

Financial institutions are required to submit detailed information about interest rate risk exposure in the banking book to the BNA. They must measure the impact of an instantaneous 2% increase or decrease in interest rates, resulting from an equivalent parallel movement in the yield curve, to estimate the impact on the present value of cash flows and net interest income.

Banks must provide the BNA with information about the increases or decreases in interest rates implied by the most adverse scenario for their balance sheets.

Financial institutions must assess their exposure to interest rate risk in the banking book continuously. If scenario analysis indicates the possibility of a decrease in an institution's economic value equal to 20% or more of its regulatory capital, the institution must inform the BNA within one business day.

At 31 December 2018, BFA observed the following values for interest rate risk:

All currencies:

- Impact on economic value: 2.0%
- Impact on net interest income: -3.9%

Kwanzas:

- Impact on economic value: 0.9%
- Impact on net interest income: -2.1%

USD:

- Impact on economic value: 1.8%
- Impact on net interest income: -1.6%

The impact on economic value is within the regulatory limit, i.e., no more than 20% of Regulatory Capital.

Operational Risk

WHAT IS OPERATIONAL RISK AND HOW DOES IT ARISE?

Operational risk is the possibility of adverse impacts on earnings or capital arising from inadequate or failed (i) internal processes; (ii) people or (iii) systems, or from internal or external fraud or other external events.

Given that inadequate management of operational risk can cause irreparable damage to an institution's reputation, BFA recognises the importance of having a proper operational risk management system, which must be capable of identifying and mitigating possible failures.

HOW IS OPERATIONAL RISK MANAGED?

New method for managing operating risk

Operational risk management is the responsibility of the Risk Management Department's Operational Risk Area (DGR-ARO). By recording events and identifying the risks inherent in the Bank's activities, DGR-ARO promotes the assessment and classification of operational risks and the establishment of measures (action plans) aimed at eliminating or mitigating the most important ones. In addition, BFA's overall operational risk exposure is monitored through risk indicators and limits.

The chosen methodology ensures that operational risk management is in line with international best practice, the main goals being to:

- Establish a risk culture in BFA;
- Identify and assess the risks and controls associated with the Bank's processes;
- Promote centralised recording of operational risk events;
- Define and monitor key risk indicators (KRIs);
- Measure BFA's operational risk exposure and report at regular intervals to various stakeholders, including the Board of Directors, the Executive Committee and the Risk Committee;
- Develop and monitor action plans to mitigate operational risk.

Effective operational risk management also requires the collaboration of all the Bank's employees, who must support DGR-ARO in assessing the risks incurred in their activities and in identifying and promptly reporting any operational risk events they encounter.

Main developments in 2019

1. Implementation of the operational risk management system - Pilot project

The development of the plan for the implementation of the operational risk model covered the following components and contents:

Strategy, governance and policies	Identification & assessment of operational risks	Monitoring & reporting of operational risks
• Creation of the operational risk management and control model; • Definition of the operational risk management policy; • Preparation of the operational risk management process standard;	• Implementation of the operational risk management pilot; • Pilot testing and validation; • Implementation of a provisional OR event management tool and database; • Identification of risks & controls in Process Catalogue activities; • Definition and implementation of the Risk Catalogue; • Risk and control self-assessment.	• Implementation and monitoring of key risk indicators (KRIs); • Collaboration in the (monthly) preparation of the Integrated Risk Management Report (RGIR); • Preparation of the Operational Risk Report; • Collaboration in the preparation of the (annual) Risk Management System Report.

2. Workshops and awareness campaigns

During the second half of 2019, a number of classroom sessions were held, attended by approximately 54 employees of the Bank, mostly line managers and executives.

Several field exercises (awareness-raising and on-job training) were also carried out in 2019 in various areas of the Bank, as part of DGR-ARO's "Make ourselves known" initiative.

3. Provisions for general risks

In the last quarter of 2019, DGR-ARO took over responsibility for the preparation of the Report on Provisions for General Risks and so started to process data and prepare the internal regulation (Provisional Circular and Process Standard that will govern these activities).

4. Recording of operational risk events

On completion of the awareness-raising and training actions, the process of recording operational risk events began, with a view to ensuring effective implementation of the operational risk model.

5. Complaints handling – Efficiency and quality in service provision

In 2012, in response to the rules laid down by BNA Notice 2/11, the Bank created a Complaints Handling Area within the Organization and Training Department. 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 (DMK), giving rise to a new

Customer Support Area (DMK-SAC). This area is divided into two teams:

- DMK SAC Complaints – Dedicated complaints management team; and
- DMK SAC BackOffice – Team providing front-line support to the BFA helpline when required, coordinating contact with the rest of the Bank in order to answer questions about products and services and to examine suggestions and processes for continuous improvement.

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 2019, a total of 4,162 complaints were received, 197 fewer than in 2018, the most common reason for the complaint being ATMs (withdrawals charged without cash being dispensed).

The average response time was 17.9 days (compared to 17 days in 2018) and 81.7% of the complaints were dealt with in less than two weeks.

Compliance Risk

WHAT IS COMPLIANCE RISK AND HOW DOES IT ARISE?

Compliance risk is the risk that infringements or breaches of laws, rules, regulations, codes of conduct, established practices or ethical principles regulating the Bank's activity will lead to the imposition of legal or regulatory penalties and have an adverse impact on the institution's reputation, results or capital.

Compliance risk is inherent in any banking organisation and in the banking business itself, given that banking is governed by laws and regulations, oversight and supervisory bodies, and contracts entered into with business partners and customers.

Effective detection, management and mitigation of compliance risks are vital tools for the management of reputational risk, as they represent one of the main pillars guiding the Bank's activities.

In the face of growing demands from the BNA and regulatory bodies with regard to customer and transaction monitoring and control, BFA sees compliance as one of its top priorities. The focus has been on:

- **Developing appropriate processes and procedures**
- **Implementing tools to support the processes and procedures**
- **Training employees**

HOW IS COMPLIANCE RISK MANAGED?

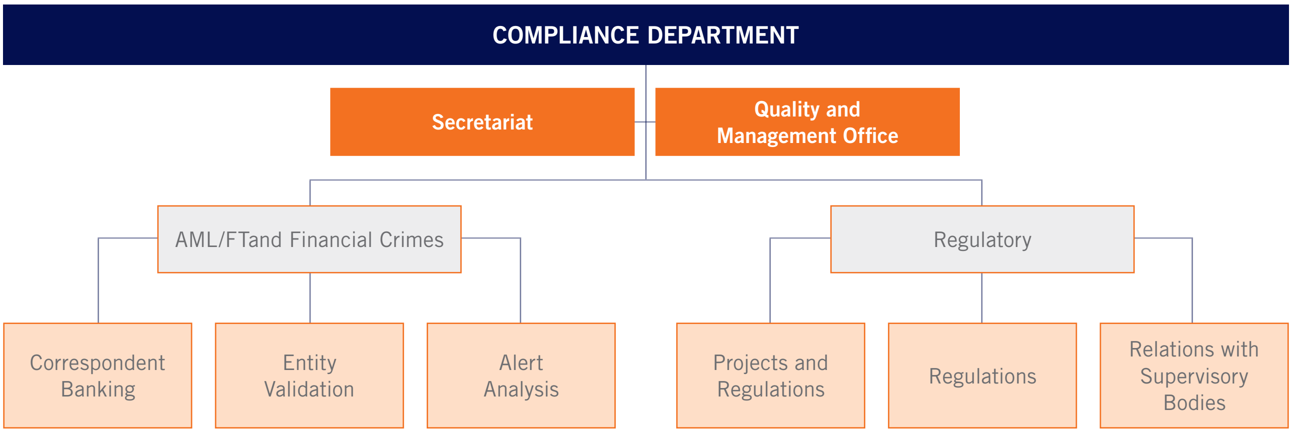
Strengthening of internal control in compliance risk detection and management

The Compliance Department was created in July 2012 and has been developing compliance practices and policies and actively creating processes and procedures to mitigate the risks of non-compliance. The department is also responsible for analysing and building awareness within the organisation of external regulations that affect the Bank's activities.

To continuously monitor and control compliance risk in BFA on all fronts, the Compliance Department:

- Defines compliance procedures and internal control mechanisms and monitors their implementation;
- Ensures the construction, assessment and control of the Bank's risk profile and risk matrix and the selection and creation of key risk indicators (KRIs) and key performance indicators (KPIs) for compliance risk;
- Ensures that compliance risk is identified and managed and that it is understood by the relevant decision-making bodies, particularly the Executive Committee, so as to minimise the risks incurred by the Bank;
- Cooperates with relevant external bodies and regulators on compliance issues, including compliance reporting;
- Supports the Board of Directors and the Executive Committee in risk assessment and in implementing their decisions;
- Requests the appearance of any Bank employee, whenever necessary or appropriate, to provide information or clarification;
- Reports to the relevant bodies any non-compliance arising from irregularities in internal processes or procedures;
- Supports the Bank in carrying out any corrective measures recommended by regulatory authorities or internal or external auditors;
- Assesses the processes in place for detecting and preventing criminal activities, including the prevention of money laundering and the financing of terrorism;
- Coordinates the department's workforce, in partnership with Human Resources, defining recruitment needs, career development, succession and retention plans, and training.

The Compliance Department is organised as follows:



Enterprise-wide policies, regulations and processes

To ensure the effectiveness required by law, the compliance function has a set of regulations, processes and policies for managing and mitigating compliance risk. The following deserve mention:

Compliance risk management model

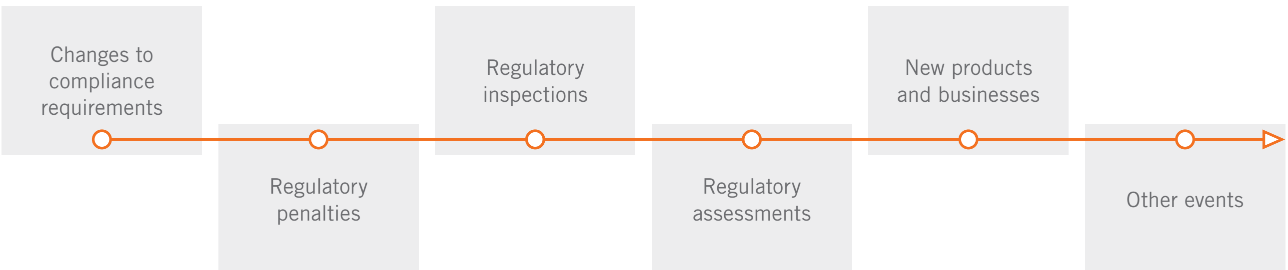
In order to ensure the implementation required by the law, the regulations, processes and policies of the Compliance Department are used to manage and mitigate compliance risk. The following in particular stand out:

Integrated process management	Proactive approach & initiative	Clear lines of responsibility
Effectively identify, assess, mitigate and report compliance risks to the various departments through a standardised compliance risk management process	Proactively identify and prevent compliance risks, integrate compliance risk control measures in the process perspective and organise compliance initiatives with the different departments	Proactively identify and prevent compliance risks, integrate compliance risk control measures in the process perspective and organise compliance initiatives with the different departments

The phases of the comprehensive compliance risk management model are as follows:

Identification	Measurement	Assessment	Monitoring	Reporting	Control and Mitigation

Compliance risk is managed through events, as follows:



Special compliance risks

Managing the risk of money laundering and financing of terrorism

Within the scope of the Anti-money laundering and financing of terrorism (AMLFT), Know your customer (KYC) and Know your transactions (KYT) policies, the Bank has acquired and/or developed mechanisms to ensure compliance with applicable laws and regulations. The following initiatives deserve mention:

Managing the risk of related party transactions

Related party transactions are identified, assessed, approved and monitored in order to:

- Safeguard the interests of the Bank and its shareholders, employees and customers, as well as the interests of supervisors and the stability of the financial system in the event of potential conflicts of interest;

- Ensure that the Bank's financial information accurately and fully reflects the Bank's economic and financial situation;

- Ensure compliance with applicable legal requirements.

Managing the risk of conflicts of interest

The rules governing dealings between the Bank or related companies and the Bank's economic group are designed to ensure that possible conflicts of interest are identified and managed.

Managing regulatory risk

The main goals of regulatory risk management are to:

- Provide assistance to each business unit in complying with specific regulatory requirements;

- Regularly update the Bank's internal control system in accordance with current requirements, regulations and legislation;

- Interact with regulatory bodies

Main developments in 2019

The compliance function has been a focus of attention at BFA, with three major projects carried out in recent years to deepen and enhance the work of the Compliance Department and thus ensure the Bank remains fully compliant with all legal and regulatory obligations, in line with current laws and regulations. In 2019, the Compliance Department was reinforced to support the significant growth of the Bank's activity.

At the same time, as the AMLFT controls already in place were considered robust, special attention was given to mitigating general regulatory risks, conflict of interest management, related party risk and relations with regulators/ supervisors.

Special attention was also paid to training the Bank's employees on specific compliance-related subjects, namely:

- **Compliance Department staff**

  Compliance Department staff took part in 12 types of training that are relevant to gaining certification through the African Certified Compliance Professionals Association (ACCPA). The aim was to train the department team in techniques for interpreting global AML regulations in the African context.

- **Training for the branch network**

  As the new regulatory package on foreign exchange control is important to the Bank and affects the Bank's internal procedures, the Compliance Department launched an awareness raising action on the theme "Analysis of Foreign Exchange Transactions - Goods", which was carried out in the second and third quarters. The AMLFT Brigade was launched in November.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FINANCIAL REVIEW

Financial Review[3]

Rigour, Commitment and Trust

Assets
AOA 2 195 058,0 million
+ 28,8%
vs. 2018

Customer funds
AOA 1 622 897,6 million
+ 31,7%
vs. 2018

Net operating revenue
AOA 209 869,2 million
- 25,1%
vs. 2018

Total loans
AOA 450 867,4 million
+ 17,6%
vs. 2018

Net profit
AOA 119 940,2 million
- 31,2%
vs. 2018

Regulatory capital adequacy ratio
58,5%
+ 4,7 p.p.
vs. 2018

BFA once again delivered robust asset growth of 28.8%, 10.7 percentage points more than the previous year, bringing the total to AOA 2 195 058 million. The growth in the Bank's assets reflects the consolidation and positioning of the BFA brand as a leading bank in Angola.

Thanks to efficient liquidity management, Customer funds also increased, climbing 31.7% compared to the previous period to reach AOA 1 622 897.6 million at the end of 2019. In fact, the growth of the deposit portfolio has scarcely been affected by the current Angolan monetary policy and the adverse macroeconomic environment.

In 2019, Net operating revenue fell 25.1% compared to the previous year, due to a decline in Net interest income, which dropped 71.2%, and a fall in Trading income and other income, which was down 82.0%.

BFA's total loan portfolio reached AOA 450 867.4 million in 2019, an increase of 17.6% compared to the previous period. As regards the composition of the loan portfolio, Loans in local currency grew 23.7%, reaching AOA 42 752.9 million, while Guarantees and letters of credit grew 35.1%, to AOA 23 803.2 million.

The Bank's activity during 2019 was severely affected by the depreciation of the local currency and the macroeconomic scenario, although Customer funds and Loans and advances to customers both posted an increase.

Because Customer deposits grew faster than Loans and advances to customers, the loan-to-deposit ratio decreased slightly, to 22.1%, compared to 25.6% in 2018.

Although the result before taxes is a profit of AOA 128 342.5 million, most of the Bank's income is subject to investment income tax (IAC) rather than tax on profit (Industrial Tax). At 31 December 2019, the Bank posted investment income tax expense of AOA 9 890.2 million, compared to AOA 8 148.2 million at 31 December 2018.

The regulatory capital adequacy ratio, calculated in accordance with BNA regulations, reached 58.5%, well above the required minimum of 10%. The figures presented here confirm BFA's financial strength and the peace of mind it offers its customers.

A sound and robust balance sheet

At 31 December 2019, BFA recorded year-on-year growth of AOA 491 330.2 million in its assets net of provisions, an increase of 28.8% compared to 2018, thanks to increases in Deposits with credit institutions, Investments in securities and Loans and advances to customers. Deposits with credit institutions grew by AOA 200 372.7 million. The largest component of assets, however, is Investments in securities, which accounts for 45.6% of total assets net of provisions, having grown to AOA 1 001 542 million, an increase of 24.3% compared to 2018. Loans and advances to customers grew 10.8% compared to the previous year, reaching a total of AOA 327 936.7 million, and account for nearly 14.9% of total assets.

Note: Given the close link between the Angolan market and the US dollar, the financial review is presented in both currencies: AOA and USD. It should be noted, however, that given the sharp depreciation of the local currency, an item may increase in value in AOA and yet decrease in value in USD. This occurs when the depreciation of the local currency against the USD outweighs the increase in the amount in local currency. The opposite may also occur.

BFA BALANCE SHEET FROM 2018 TO 2019

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Assets net of provisions						
Cash and balances	302 839,88	981,3	345 223,99	715,90	14,0%	(27,0)%
Total short-term deposits	1 358 151,05	4 400,91	1 786 225,77	3 704,12	31,5%	(15,8)%
Deposits with credit institutions	256 374,33	830,7	456 747,00	947,16	78,2%	14,0%
Loans and advances to customers	295 842,49	958,6	327 936,74	680,05	10,8%	(29,1)%
Investments in securities	805 934,23	2611,5	1 001 542,04	2 076,91	24,3%	(20,5)%
Net fixed assets	24 140,23	78,22	33 218,31	68,89	37,6%	(11,9)%
Other assets	18 596,65	60,26	30 389,96	63,02	63,4%	4,6%
Total assets	**1 703 727,82**	**5 520,70**	**2 195 058,04**	**4 551,92**	**28,8%**	**(17,5)%**
Liabilities	**1 325 226,90**	**4 291,54**	**1 732 852,13**	**3 593,44**	**30,8%**	**(16,3)%**
Funds from credit institutions	5 062,88	16,41	7 669,11	15,90	51,5%	(3,1)%
Customer deposits	1 232 128,25	3 992,55	1 622 897,64	3 365,42	31,7%	(15,7)%
Other liabilities	64 033,21	204,81	77 923,22	161,59	21,7%	(21,1)%
Provisions for risks and charges	24 002,56	77,78	24 362,16	50,52	1,5%	(35,0)%
Shareholders' equity and equivalents	378 500,92	1 226,48	462 205,90	958,48	22,1%	(21,9)%
Total liabilities and equity	**1 703 727,82**	**5 518,02**	**2 195 058,04**	**4 551,92**	**28,8%**	**(17,5)%**

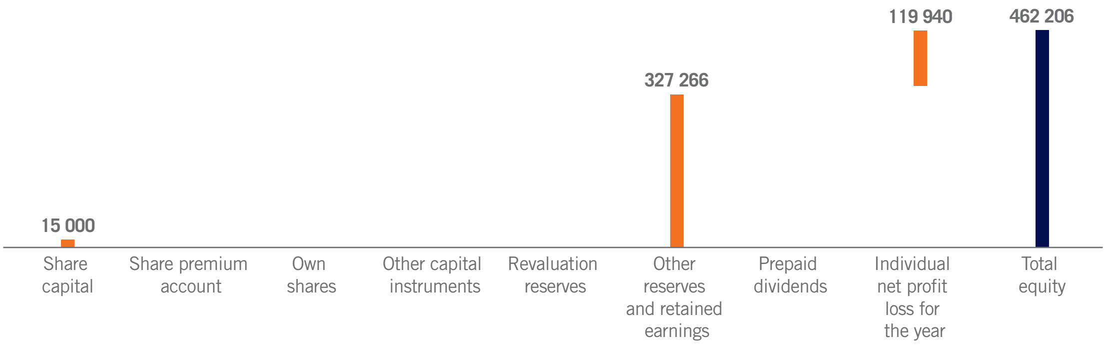
Meanwhile, the growth in liabilities is attributable mainly to Customer deposits, which account for nearly 73.9% of Total liabilities and equity.

Whereas in 2018 Funds from credit institutions decreased by 95.5%, in 2019 they grew 51.5%, reaching AOA 7 669.1 million.

Shareholders' equity and equivalents grew 22.1% compared to 2018, reaching a total of AOA 462 205.9 million at the end of 2019.

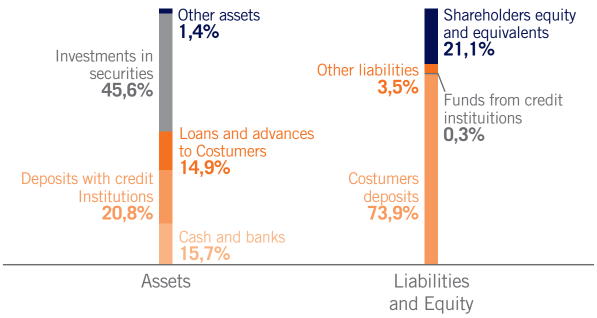
The totals for liabilities and assets in USD both decreased compared to 2018. The difference between the trends in local and foreign currency reflect the depreciation of the local currency during 2019.

Shareholders' equity (mAOA)



The structure of the Bank's balance sheet at 31 December 2019 shows an optimum level of liquidity, with shareholders' equity and customer deposits financing 94.9% of the assets.

BFA balance sheet structure in December 2019



Strengthening of the securities portfolio

The securities portfolio makes up a large part of BFA's assets (45.6%). During 2019, the total volume of securities held by the Bank increased by approximately 24.3%, reaching a total of AOA 1 001 542 million.

A decline in the trading book (5.5%) was offset by growth in the portfolio of held-to-maturity securities (33%). Within the held-to-maturity portfolio, Treasury bonds in dollars are up 66.5%, driven by the foreign exchange effect, while Treasury bonds in local currency are up 22.3%.

Impairment losses in 2019 were estimated at AOA 13 232.5 million.

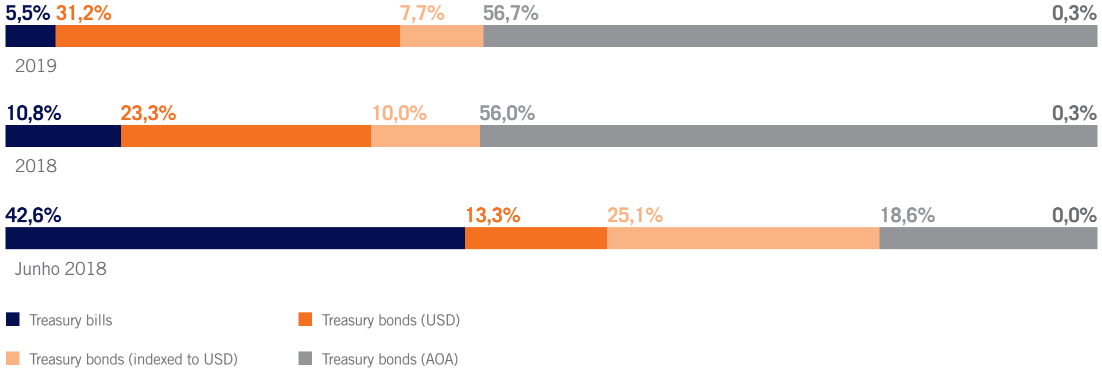
SECURITIES PORTFOLIO

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Trading Portfolio	**182 693,0**	**592,0**	**172 690,2**	**358,1**	**(5,5)%**	**-39,5%**
Treasury bills	86 856,2	281,4	55 027,2	114,1	(36,6)%	-59,5%
Treasury bonds (USD)	45,9	0,1	-	-	(100,0)%	(100,0)%
Treasury bonds (indexed to USD)	75 432,7	244,4	77 112,5	159,9	0,0%	0,0%
Treasury bonds (AOA)	18 323,3	59,4	37 560,4	77,9	105,0%	31,2%
Other	2 034,9	6,6	2 990,1	6,2	46,9%	(6,0)%
Impairment provisions (IFRS 9)	**(2 796,8)**	**(9,1)**	**-**	**-**	**(100,0)%**	**(100,0)%**
Held-to-maturity portfolio	623 241,2	2 019,5	828 851,8	1 718,8	33,0%	(14,9)%
Treasury bills	(0,0)	(0,0)	0,0	0,0	(108,3)%	(105,3)%
Treasury bonds (USD)	187 371,0	607,2	312 002,0	647,0	66,5%	6,6%
Treasury bonds (indexed to USD)	5 380,4	17,4	-	-	0,0%	0,0%
Treasury bonds (AOA)	433 286,6	1 404,0	530 082,3	1 099,2	22,3%	(21,7)%
Impairment provisions (IFRS 9)	**(2 796,8)**	**(9,1)**	**(13 232,5)**	**(27,4)**	**373,1%**	**202,8%**
Total	**805 934,2**	**2 611,5**	**1001 542,0**	**2 076,9**	**24,3%**	**(20,5)%**

In 2019, the proportion of Treasury bonds (USD) in the securities portfolio increased by 7.9 percentage points, while the proportion of dollar-indexed Treasury bonds fell 2.3 percentage points. At 31 December 2019, local-currency securities accounted for approximately 56.7% of BFA's securities portfolio.

Securities portfolio structure in December 2019



SECURITIES PORTFOLIO BY CONTRACTUAL MATURITY

[In millions]

	< 1 year		1 - 3 years		More than 3 years		Total	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
TBonds AOA[1]	-	-	-	-	77 112,47	159,91	77 112,47	159,91
TBonds AOA	-	-	99 175,26	205,66	468 469,15	971,47	567 644,41	1 177,13
TBonds USD	-	-	16 124,78	33,44	295 877,24	613,56	312 002,01	647,00
TBills	55 027,20	114,11	-	-	-	-	55 027,20	114,11
Other	-	-	-	-	-	-	(10 242,37)	(21,24)
Total	**55 027,2**	**114,1**	**115 300,0**	**239,1**	**841 458,9**	**1 744,9**	**1 001 543,7**	**2 076,9**

1 National currency bond indexed to foreign currecy (USD)

At 31 December 2019, 5.5% of the portfolio consists of securities maturing in less than one year and 11.5%, of securities maturing in one to three years. Securities maturing in more than three years account for 84.0% of the portfolio, a year-on-year increase of 67.1 percentage points.

Local currency loans as a proportion of total loans and advances to customers

In 2019, total loans and advances to customers increased by AOA 67 434.9 million, representing growth of 17.6% compared to 2018. Part of this growth is attributable to an increase of 23.7%, or AOA 42 752.9 million, in local currency loans. In contrast to 2018, foreign currency loans decreased by 8.8%, or AOA 10 857.5 million in absolute terms.

LOANS AND ADVANCES TO CUSTOMERS

[In millions]

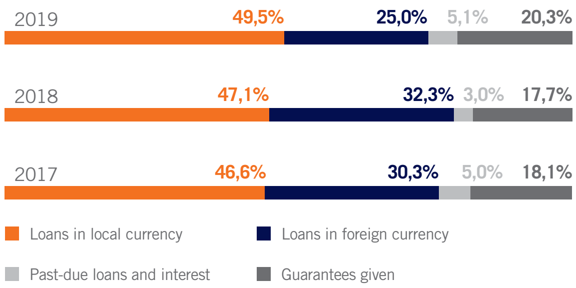
	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
1. Total loans	**383 432,5**	**1 242,5**	**450 867,38**	**934,97**	**17,6%**	**(24,7)%**
1.1 Loans and advances to customers	304 153,1	985,6	336 048,38	696,9	10,5%	(29,3)%
Loans in local currency	180 454,5	584,7	223 207,4	462,9	23,7%	(20,8)%
Loans in foreign currency	123 698,5	400,8	112 841,0	234,0	(8,8)%	(41,6)%
1.2 Past-due loans and interest	11 385,5	36,9	23 121,9	47,9	103,1%	30,0%
1.3 Guarantees given	67 893,9	220,0	91 697,10	190,15	35,1%	(13,6)%
2. Total loan loss provisions	**20 398,3**	**66,1**	**31 648,8**	**65,6**	**55,2%**	**(0,7)%**
2.1 Specific provisions	19 696,1	63,8	31 233,5	64,8	58,6%	1,5%
For past-due loans and interest	14 172,5	45,9	22 167,1	33,3	56,4%	(27,6)%
2.2 For general credit risks	702,3	2,3	415,3	0,9	(40,9)%	(62,2%)
3. Loans net of provisions	**295 842,5**	**958,6**	**327 936,7**	**680,0**	**10,8%**	**(29,1)%**
Of which: Past-due loans and interest	11 385,5	36,9	23 121,9	47,9	103,1%	30,0%
4. Loan quality						
Past-due loans (% Total loans)	3,6%	3,6%	5,1%	5,1%	42,1%	42,1%
Provision coverage ratio of past-due loans	173,0%	179,2%	136,9%	136,9%	-0,21	-0,24

Note: The method for calculating impairment provisions was changed in 2019 in accordance with IFRS 9

In foreign currency, however, the trend is the reverse: total loans are down 24.7% year-on-year, or USD 307.5 million, as a result of the depreciation of the local currency.

The growth in guarantees and letters of credit, continuing the previous year's trend, is clear evidence of BFA's firm commitment to financing the economy and supporting economic diversification in Angola.

Loan portfolio structure



BFA takes a conservative approach in implementing its internal lending policies. Given a macroeconomic environment conducive to high levels of default, it conducts an in-depth assessment of each customer's risk and any collateral received.

Past-due loans and interest increased by AOA 11 736.4 million in absolute terms, resulting in a slight increase of 2.1 percentage points in past-due loans as a percentage of the Bank's total loans. Given the current macroeconomic context, this level of past-due loans is still acceptable and is fully covered by impairment allowances (AOA 31 897.5 million).

The increase in past-due loans as a percentage of the loan portfolio, compared to the previous period, led to an increase of 1.5 percentage points in the ratio of loans more than 30 days past due (excluding guarantees and letters of credit), giving a non-performing loans ratio of 5.1%.

The past-due loans and interest coverage ratio fell 41.2 percentage points compared to the previous year.

Deposits with credit institutions

Deposits with credit institutions increased significantly during 2019, by approximately 78.2%, to reach a total of AOA 456 747 million (USD 947.2 million). This increase was supported by growth of 105.4% in Deposits with credit institutions abroad.

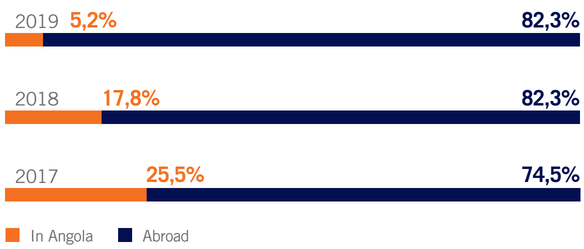
DEPOSITS WITH CREDIT INSTITUTIONS

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Deposits with credit institutions	**256 853,3**	**832,3**	**457 492,8**	**948,7**	**78,1%**	**14,0%**
In Angola	45 734,3	148,2	23 893,8	49,5	0,0%	0,0%
Abroad	211 119,1	684,1	433 599,0	899,2	105,4%	31,4%
Impairment provisions (IFRS 9)	**(479,0)**	**(1,55)**	**(745,8)**	**(1,5)**	**55,7%**	**(0,4)%**
Total	**256 374,3**	**830,7**	**456 747,0**	**947,2**	**78,2%**	**14,0%**

Note: Excludes investments in repos

Composition of deposits with credit institutions



Customer funds

Customer funds are BFA's main source of funding. In 2019, they grew 31.7% compared to 2018, reaching a total of AOA 1 622 897.6 million (USD 3 365.4 million).

CUSTOMER FUNDS

[In millions]

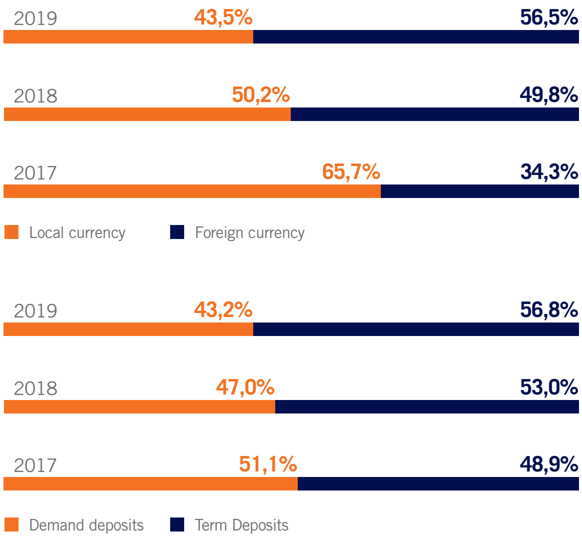
	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Demand deposits	**579 544,7**	**1 877,9**	**701 019,2**	**1 453,7**	**21,0%**	**(22,6)%**
Local currency	405 366,1	1 313,5	453 600,5	940,6	11,9%	(28,4)%
Foreign currency	174 178,6	564,4	247 418,7	513,1	42,0%	(9,1)%
Term Deposits	**652 583,5**	**2 114,6**	**921 878,5**	**1 911,7**	**41,3%**	**(9,6)%**
Local currency	213 313,7	691,2	252 990,7	524,6	18,6%	(24,1)%
Foreign currency	439 269,9	1 423,4	668 887,8	1 387,1	52,3%	(2,6)%
Total	**1232 128,2**	**3 992,5**	**1622 897,6**	**3 365,4**	**31,7%**	**(15,7)%**

The bulk of the growth is explained by the growth in local and foreign currency deposits (11.9% and 42.0%, respectively).

Term deposits, meanwhile, grew by nearly AOA 269 294.9 million year-on-year (18.6% in local currency and 52.3% in foreign currency).

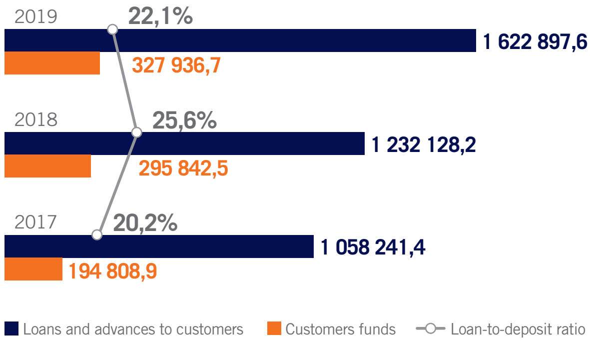
However, the increase in customer funds continued to be strongly influenced by the depreciation of the local currency, as both demand deposits and term deposits actually decreased when measured in US dollars.

Customer deposits by product and currency



In 2019, deposits in local currency decreased as a percentage of total deposits, falling to 43.5% of the total, a decline of 6.7 percentage points.

Loan-to-deposit ratio



The faster growth in deposits than in loans and advances to customers resulted in a decrease in the loan-to-deposit ratio, which fell to 22.1%, down 3.5 percentage points.

Income statement and gain in profitability

BFA's net profit for 2019 was AOA 119 940.2 million (USD 313.5 million), marking a decrease of 31.2% (55.9%) compared to 2018.

OPERATING STATEMENT

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Net interest income [NII]=[I-C]	117 733,0	457,7	153 475,7	418,4	30,4%	(8,6)%
Net non-interest income [NNII]	162 435,9	671,1	56 393,5	146,8	(65,3)%	(78,1)%
Operating revenue [OR]=[NII+NNII]	**280 168,9**	**1 128,8**	**209 869,2**	**565,2**	**(25,1)%**	**(49,9)%**
Administrative expenses [AE]	54 461,7	209,7	71 498,0	189,4	31,3%	(9,7)%
Operating cash flow [OR-AE]	**225 707,2**	**919,1**	**138 371,2**	**375,8**	**(38,7)%**	**(59,1)%**
Extraordinary profit/(loss) [XP/L]=[G-P']	-	-	-	-	0,0%	0,0%
Operating profit/(loss) [OP/L]=[OR-AE+XP/L]	225 707,2	919,1	138 371,2	375,8	(38,7)%	(59,1)%
Provisions and depreciation and amortization expense [PDA]	13 377,4	48,1	10 028,7	39,1	(25,0)%	(18,6)%
Profit before tax [PBT]=[OP/L-PDA]	212 329,8	871,0	128 342,5	336,6	(39,6)%	(61,4)%
Tax on profit [IT]	(38 071,0)	(160,8)	(8 402,3)	(23,2)	(77,9)%	(85,6)%
Net profit/(loss) for the year [NP/L]=[PBT-IT]	174 258,7	710,2	119 940,2	313,5	(31,2)%	(55,9)%
Cash flow for the year [CF]=[NP/L+PDA]	**187 636,2**	**758,3**	**129 968,9**	**352,6**	**(30,7)%**	**(53,5)%**

I - Income from financial instruments (assets) C - Costs of financial instruments Liabilities G - Other operating gains P'- Other operating losses

Net interest income rose 30.4% year-on-year. However, because of the decrease (65.3%) in non-interest income, net operating revenue at year-end was down 25.1%, at AOA 209 869.2 million (USD 565.2 million).

Administrative expenses, on the other hand, were up 31.3%, at AOA 71 498 million, at 31 December 2019. This is because they are denominated mainly in foreign currency. In 2019, in line with the previous period, Provisions, amortisation and depreciation fell 25%.

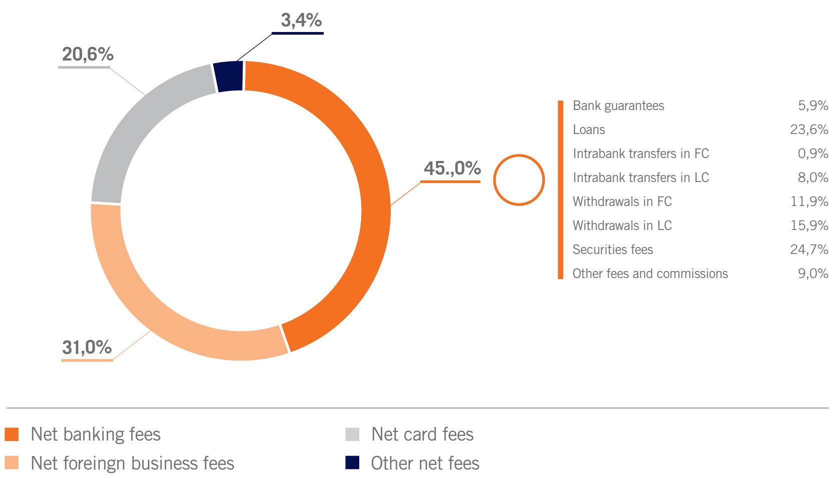
BREAKDOWN OF EARNINGS

(In % of average total assets)

ROA and ROE	2018	2019
Net interest income	6,7%	7,9%
Net trading income	8,2%	2,1%
Fee and commission income and other income	1,1%	0,8%
Net operating revenue	**16,1%**	**10,8%**
Administrative expenses	3,1%	3,7%
Operating profit	**12,9%**	**7,1%**
Provisions, amortisation and depreciation	0,8%	0,5%
Extraordinary income	0,0%	0,0%
Pre-tax profit	**12,2%**	**6,6%**
Tax on profit	(2,2)%	(0,4)%
ROA	**10,0%**	**6,2%**
Multiplier (ATA / AE)	5,7	4,9
Net profit (loss) attributable to shareholders (ROE)	**57,4%**	**30,0%**

In 2019 the Bank's return on equity (ROE) fell to 30.0%, down 27.4 percentage points compared to the previous year, mainly due to reduced trading income.

Breakdown of fee income and other income



Net banking fees (mainly securities fees, loan fees and withdrawal fees) account for 45.0% of total fee and other income, while Foreign exchange fees account for 31%.

NET INTEREST INCOME

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Income from financial instruments (assets) [I]	147 900,0	577,8	189 694,9	517,0	28%	(11)%
Costs of financial instruments (liabilities) [C]	30 167,0	120,1	36 219,2	98,6	20%	(18)%
Interest income	**117 733,0**	**457,7**	**153 475,7**	**418,4**	**30%**	**(9)%**

In 2019, BFA's net interest income increased to AOA 153 475.7 million, representing year-on-year growth of 30.4%. However, because of the depreciation of the local currency the amount in USD fell 8.6%, or USD 39.4 million in absolute terms.

The observed growth is the result of an increase of 28.3% in Income from financial instruments, especially Treasury bonds, which account for 65.6% of total income from financial instruments.

At the same time, interest expense increased by 20.1%, especially due to interest on customer deposits, which reached AOA 34 701.5 million, up 26.9% compared to the previous year.

The increase in BFA's net interest income is attributable both to an increase in business volume (volume effect) and an increase in spread (rate effect), both of which were significant. As in previous years, interest income from loans exceeded the interest expense of deposits.

BREAKDOWN OF NET INTEREST INCOME

[In millions]

	Volume Effect	Rate Effect	Δ
Interest-bearing assets	28 687,58	13 107,32	41 794,90
Interest-bearing liabilities	893,08	3 779,45	4 672,53
Interest income	**29 580,66**	**16 886,77**	**46 467,43**

Non-interest income

At 31 December 2019, BFA's net non-interest income came to AOA 56 393.5 million (USD 146.8 million), a year-on-year decrease of approximately 65.3%, compared to the year-on-year increase of 433.1% recorded in 2018. This change was driven by a significant increase in Trading income, which was up 71.2%. Meanwhile, Net fee and commission income grew 6% and Other net income fell 82%. Overall, Net non-interest income decreased as a percentage of total net operating revenue, from 58.0% in 2018 to 26.9% in 2019, thus accounting for a smaller proportion of the total than Net interest income.

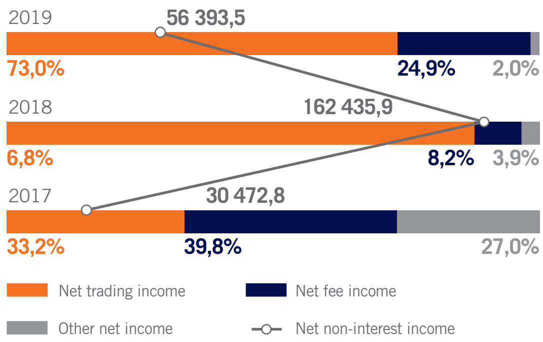
NET NON-INTEREST INCOME

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Trading income	142 816,7	603,2	41 188,1	99,5	(71,2)%	(83,5)%
Net fee income	13 264,1	52,3	14 063,1	38,3	6,0%	(26,7)%
Other net income	6 355,1	15,6	1 142,3	9,02	(82,0)%	(42,0)%
Non-interest income	**162 435,9**	**671,1**	**56 393,5**	**146,8**	**(65,3)%**	**(78,1)%**

The main component of non-interest income continues to be Trading income, which in 2019 accounted for approximately 73.0% of the total, a smaller proportion than in 2018. Net fee and commission income accounted for 24.9% of the total, up from 8.2% in 2018. Other net income lost share compared to 2018, accounting for only 2% of total non-interest income, down 1.9 percentage points.

Composition and trend of net non-interest income



Note: Net non-interest income in AOA millions and other items as a percentage of total net non-interest income

A large part of operating expenses are denominated in foreign currency. Operating expenses therefore remain high, especially after rising 32.4% compared to 2018, from AOA 58 197.2 million to AOA 77 075.3 million, partly due to the sharp depreciation of the local currency.

The largest component of operating expenses is Staff costs, which in 2019 account for 59.6% of the total, up 6.2 percentage points compared to 2018.

OPERATING EXPENSES

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Staff costs (I)	31 063,1	119,21	45 941,3	121,7	47,9%	2,1%
Third-party supplies and services (II)	23 398,6	90,51	25 556,7	67,7	9,2%	(25,1)%
Other general expenses (III)	-	0,00	-	-	0,0%	0,0%
Operating expenses before amortisation and depreciation (IV = I+II+III)	54 461,7	209,73	71 498,0	189,4	31,3%	(9,7)%
Amortisation and depreciation (V)	3 735,4	14,30	5 577,2	15,1	49,3%	5,8%
Total operating expenses (VI = IV+V)	**58 197,2**	**224,02**	**77 075,3**	**204,6**	**32,4%**	**(8,7)%**
Cost recovery (VII)	-	-	-	-	0,0%	0,0%
Administrative expenses (VI-V-VII)	**54 461,7**	**209,7**	**71 498,0**	**189,4**	**31,3%**	**(9,7)%**
Extraordinary profit (loss)	-	-	-	-	-	-
Cost-to-income ratio	**19,8%**	**19,8%**	**36,7%**	**36,7%**	**16,9 p.p**	**16,9 p.p**

Em 2018 registou-se uma deterioração do Rácio Cost-to-income, que aumentou de 19,8% para 36,7%, justificada pelo crescimento dos custos de estrutura do Banco (32,4%), em comparação com o produto bancário (-25,1%). No entanto, a optimização na gestão de gastos do BFA continuou a ser, em 2019, uma das principais áreas de foco através da preocupação contínua na manutenção do rácio de eficiência.

Growth and sustainability

At 31 December 2019, total shareholders' equity stood at AOA 462 205.9 million, an increase of AOA 100 297.4 million, or 27.7%, compared to the previous year. In foreign currency, however, it was down USD 214.2 million compared to the previous year, at USD 958.5 million. This result is attributable mainly to the increase in reserves, which grew 90.1% compared to 2018.

SHAREHOLDERS' EQUITY AND EQUIVALENTS

[In millions]

	2018		2019		Δ% 2018 - 2019	
	AOA	USD	AOA	USD	AOA	USD
Capital	15 450,7	50,1	15 000,0	31,1	(2,9)%	(37,9)%
Funds	-	-	-	-	0,0%	0,0%
Reserves and retained earnings	172 199,1	412,4	327 265,7	613,9	90,1%	48,9%
Profit/(loss) for the period	174 258,7	710,2	119 940,2	313,5	(31,2)%	(55,9)%
Total	**361 908,5**	**1 172,7**	**462 205,9**	**958,5**	**27,7%**	**(18,3)%**

CAPITAL ADEQUACY RATIO

	2018		2019	
	AOA	USD	AOA	USD
Core capital	327 404,1	1 060,9	414 979,8	860,5
Supplementary capital	-2 137,9	-6,9	0,0	0,0
Deductions from core and supplementary capital	**-50,4**	**-0,2**	**-50,2**	**-0,1**
Regulatory capital	**325 215,8**	**1 053,8**	**414 929,6**	**860,4**
Total capital requirements	60 408,5	195,7	70 982,0	147,2
Capital requirements for credit risk (CRCR)	28 157,3	91,2	32 959,4	68,3
Capital requirements for market risk (CRMR)	6 633,9	21,5	6 954,3	14,4
Capital requirements for operational risk (CROR)	**25 617,4**	**83,0**	**31 068,3**	**64,4**
Regulatory capital ratio	**53,8%**	**53,8%**	**58,5%**	**58,5%**
Regulatory minimum capital ratio	**10,0%**	**10,0%**	**10,0%**	**10,0%**

Proposed appropriation of profit

Considering that in financial year 2019 Banco de Fomento Angola, SA recorded a net profit of AOA 119 940 192 196 and material adjustments were made to Retained earnings that resulted in a net total of AOA 15 252 744 469, which therefore are available for distribution;

And considering that, as a consequence of the capital increase carried out on 4 October 2018 in the amount of AOA 15 000 000 000 and having regard to the provisions of Article 89(1) of the Financial Institutions Act, BFA's Legal Reserve needs strengthening;

The Board of Directors has resolved on the following proposal for the appropriation of net profit for the period of AOA 119 940 192 196, plus the adjustments of AOA 15 252 744 469 made during the period against Retained earnings, which together result in distributable profit of AOA 135 192 936 665, for submission to the shareholders:

- To the Legal Reserve: 10% of the net profit for the year, that is, AOA 11 994 019 220;
- To unrestricted reserves: 51% of profit (including retained earnings), that is, AOA 69 121 742 779;
- To dividends: 40% of profit (including retained earnings), that is, AOA 11 994 019 220.

The Board of Directors has also taken the impact on the regulatory capital adequacy ratio into account: after these movements, the ratio increases from 58.5%, as reported at 31 December 2019, to 60.32% at 31 March 2020.

The Board of Directors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FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND OF OTHER COMPREHENSIVE INCOME 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of kwanzas)

	Notes	31/12/2019	31/12/2018
Interest income and similar income	21	189 694 884	147 899 982
Interest expense and similar charges	21	36 219 167	30 166 995
Net interest income		**153 475 717**	**117 732 987**
Fee and commission income	22	18 793 658	16 480 300
Fee and commission expense	22	4 730 576	3 216 188
Net gains/(losses) on financial assets & liabilities at fair value through profit or loss	8	(1 751 138)	5 841 212
Net gains/(losses) on investments at amortised cost	-	-	30
Foreign exchange gains/(losses)	23	41 188 144	142 816 744
Net gains/(losses) on disposal of other assets	24	110 222	96 451
Other operating income/(expense)	25	2 783 184	417 368
Net operating revenue		**209 869 212**	**280 168 904**
Staff costs	26	45 941 262	31 063 077
Third-party supplies and services	27	25 556 741	23 398 637
Depreciation and amortisation for the period	13	5 577 250	3 735 442
Provisions net of cancellations	18	(9 498 088)	9 787 018
Impairment provision on loans and advances to customers net of reversals and recoveries	18	5 082 613	287 832
Impairment provision on other financial assets net of reversals and recoveries	18	8 294 331	(432 874)
Impairment provision on other assets net of reversals & recoveries		572 621	0
PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS		**128 342 482**	**212 329 772**
Tax on profit			
Current	14	(9 890 173)	(38 961 478)
Deferred	14	1 487 883	890 449
NET PROFIT/(LOSS) FOR THE PERIOD		**119 940 192**	**174 258 743**
PROFIT/(LOSS) RECOGNISED DIRECTLY IN EQUITY		-	-
COMPREHENSIVE INCOME FOR THE PERIOD		**119 940 192**	**174 258 743**
Average number of common shares issued	**20**	15 000 000	2 618 726
Basic earnings per share (in Kwanzas)	**20**	7,996	66,543

BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of kwanzas)

	Notes	31/12/2019			31/12/2018 (Restated)
		Gross Assets	Depr./ Amort. & Impairment	Assets net of provisions	
ASSETS					
Cash and balances at central banks	5	302 716 195	-	302 716 195	212 053 562
Balances at other credit institutions	6	42 522 475	(14 678)	42 507 797	90 786 322
Deposits with central banks and other credit institutions	7	457 492 832	(745 837)	456 746 995	256 374 333
Financial assets at fair value through profit or loss	8	172 690 202	-	172 690 202	182 693 035
Investments at amortised cost	9	842 084 352	(13 232 514)	828 851 838	623 241 191
Loans and advances to customers	10	359 170 275	(31 233 538)	327 936 737	295 842 494
Non-current assets held for sale	11	213 079	(128 291)	84 788	136 362
Investments in subsidiaries, associates and joint ventures	12	50 375	-	50 375	50 375
Other tangible assets	13	56 437 025	(23 848 935)	32 588 090	22 826 858
Intangible assets	13	5 350 186	(4 719 961)	630 225	1 313 373
Current tax assets	14	4 186	-	4 186	4 913
Deferred tax assets	14	7 887 478	-	7 887 478	5 921 900
Other assets	15	22 363 129	-	22 363 129	12 483 105
Total assets		**2 268 981 789**	**(73 923 754)**	**2 195 058 036**	**1 703 727 823**

	Notes	31/12/2019	31/12/2018 (Restated)
LIABILITIES AND EQUITY			
Funds of central banks and other credit institutions	16	7 669 106	5 062 879
Customer funds and other borrowings	17	1 622 897 644	1 232 128 249
Financial liabilities at fair value through profit or loss	8	12 675 871	3 234 284
Provisions	18	24 362 164	24 002 561
Current tax liabilities	14	4 628 099	32 416 796
Other liabilities	19	60 619 250	28 382 134
Total liabilities		**1 732 852 134**	**1 325 226 903**
Share capital	20	15 000 000	15 450 717
Revaluation reserves	20	0	1 253 828
Other reserves and retained earnings	20	327 265 709	187 537 632
Net profit/(loss) for the period	20	119 940 192	174 258 743
Total equity		**462 205 902**	**378 500 920**
Total liabilities and equity		**2 195 058 036**	**1 703 727 823**

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

(Amounts expressed in thousands of kwanzas)

	Notes	Share capital	Share capital monetary revaluation reserve	Revaluation reserves	Other reserves and retained earnings	Profit or loss for the period	Total
Balance at 31 December 2017		**3 521 996**	**450 717**	**1 253 828**	**143 110 167**	**69 085 024**	**217 421 732**
Impact of first-time adoption of IFRS 9	4	-	-	-	(2 137 945)	-	(2 137 945)
Balance at 1 January 2018		**3 521 996**	**450 717**	**1 253 828**	**140 972 222**	**69 085 024**	**215 283 787**
Impact of restatement	4	-	-	-	16 592 400	-	16 592 400
Balance at 1 January 2018 - restated		3 521 996	450 717	1 253 828	157 564 622	69 085 024	231 876 187
Appropriation of profit for 2017:							
Transfers to reserves and funds	20	-	-	-	41 451 014	(41 451 014)	-
Dividend distribution	20	-	-	-	-	(27 634 010)	(27 634 010)
Share capital increase		11 478 004	-	-	(11 478 004)	-	-
Net profit/(loss) for the period	20	-	-	-	-	174 258 743	174 258 743
Balance at 31 December 2018		**15 000 000**	**450 717**	**1 253 828**	**187 537 632**	**174 258 743**	**378 500 920**
Appropriation of profit for 2018:							
Transfers to reserves and funds	20	-	-	-	138 929 787	(138 929 787)	-
Dividend distribution	20	-	-	-	-	(35 328 956)	(35 328 956)
Correction to measurement criterion	20	-	(450 717)	(1 253 828)	798 290	-	(906 255)
Net profit/(loss) for the period	20	-	-	-	-	119 940 192	119 940 192
Balance at 31 December 2019		**15 000 000**	**-**	**-**	**327 265 709**	**119 940 192**	**462 205 902**

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

(Amounts expressed in thousands of kwanzas)

	31/12/2019	31/12/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest, fees and commissions and other similar income received	200 240 700	183 399 907
Interest, fees and commissions and other similar charges paid	(31 149 134)	(30 484 601)
Payments to employees and suppliers	(61 345 900)	(38 464 486)
Payments and contributions to pension funds and other benefits	(2 434 118)	(1 521 448)
Recovery of loans written off from assets	760 769	316 701
Other income received/(expenses paid)	983 932	1 626 431
Cash flows before change in operating assets and liabilities	**107 056 249**	**114 872 505**
Increases/Decreases in operating assets:		
Deposits with central banks and other credit institutions	(86 814 635)	58 435 476
Financial assets at fair value through profit or loss	10 760 272	464 908 124
Investments at amortised cost	(106 599 403)	(158 151 192)
Loans and advances to customers	31 796 998	(10 705 271)
Non-current assets held for sale	-	(8)
Other assets	5 421 863	3 610 718
Net cash flow from operating assets	**(145 434 905)**	**358 097 848**
Increases/Decreases in operating liabilities:		
Funds of central banks and other credit institutions	909 885	(115 627 571)
Customer funds and other borrowings	49 627 634	(334 234 156)
Other liabilities	21 672 851	(68 086)
Net cash flow from operating liabilities	**72 210 370**	**(449 929 813)**
Net cash flow from operating activities before income taxes	33 831 714	23 040 539
Income taxes paid	(37 678 870)	(11 709 470)
Net cash flow from operating activities	**(3 847 156)**	**11 331 069**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of other tangible assets, net of disposals	(5 775 362)	(6 571 723)
Acquisitions of intangible assets, net of disposals	(351 090)	(2 671 199)
Acquisitions of interests in subsidiaries, associates and joint ventures, net of disposals	-	-
Net cash flow from investing activities	**(6 126 451)**	**(9 242 922)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(35 328 956)	(38 270 844)
Net cash flow from financing activities	**(35 328 956)**	**(38 270 844)**
Change in cash & cash equivalents	(45 302 563)	(36 182 697)
Cash & cash equivalents at the beginning of the period	302 839 884	256 637 430
Effects of changes in foreign exchange rates on cash & cash equivalents	87 701 349	82 385 151
Cash & cash equivalents at the end of the period	**345 238 670**	**302 839 884**

Notes to the Financial Statements

1. INTRODUCTION

Banco de Fomento Angola, S.A. (hereinafter also the "Bank" or "BFA") was incorporated by public deed on 26 August 2002 as a result of the transformation of the Angolan branch of Banco BPI, S.A. into a bank under local law.

As indicated in Note 20, on 5 January 2017, in execution of an agreement for the purchase and sale of shares entered into in 2016, Banco BPI completed the sale of 2% of the share capital of BFA to Unitel. Thus, at 31 December 2019, BFA's majority shareholder was Unitel, S.A.

At the General Meeting of 4 October 2018, the shareholders resolved unanimously to increase BFA's capital through the capitalisation of "Other reserves" in the amount of mAOA 11 478 003. This capital increase was carried out pursuant to Banco Nacional de Angola Notice 02/2018, which sets the minimum amount of fully paid-up share capital in local currency at mAOA 7 500 000.

The Bank is engaged in taking funds from third parties in the form of deposits or otherwise, which it applies, along with its own funds, in granting loans, in deposits at Banco Nacional de Angola (BNA), in deposits at credit institutions and in the acquisition of securities or other assets for which it is duly authorised. The Bank also provides other banking services and carries out various types of transactions in foreign currency, for which purpose at 31 December 2019 it has a national network of 162 branches, 5 service points, 10 investment centres, 20 corporate centres and 1 private banking centre.

In the exercise of its supervisory role and in view of the challenges facing the Angolan financial system and the intention to continuously adopt international best practices, the BNA decided to carry out an Asset Quality Assessment (the "Exercise" or "AQA") of the banks operating in the Angolan market.

The main purpose of this Exercise, which covered Angola's main banks, was to carry out a comprehensive, independent assessment of the risks inherent in the banks' activities, including an analysis of the quality of their assets. The scope of the Exercise included an assessment of the banks' loan, securities and investment portfolios, balances and deposits held in other banks, tangible fixed assets, non-current assets held for sale, deferred tax assets and other assets with credit risk. The Exercise also included an assessment of the banks' financial risk governance model and capital requirements calculation and a validation of the parameters and methodologies used in carrying out stress tests. The reference date of this Exercise was 31 December 2018, but subsequent events up until 30 September 2019 were taken into account.

In the assessment of BFA, no significant deviations were identified, that is to say, no deviations with a material impact on the capital adequacy ratio, which remains above the level required by the regulator. Any methodologies defined by the regulator in the Exercise that do not contradict International Accounting Standards were adopted in financial year 2019.

2. BASIS OF PRESENTATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1 BASES OF PRESENTATION

As required by National Bank of Angola (BNA) Notice 6/2016 of 22 June, the Bank's financial statements were prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"). IFRS include the standards issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The Bank adopted IFRS for the first time in the period ended 31 December 2016.

The financial statements presented here relate to the year ended 31 December 2019.

The accounting policies used by the Bank in preparing its financial statements for the year ended 31 December 2019 are consistent with those used at 31 December 2018, with the exception of first-time adoption of IFRS 16, "Leases", on 1 January 2019, which sets out the new requirements regarding the scope, classification/ recognition and measurement of leases, as disclosed in Note 4.

As recommended under IFRS 16, the Bank applied this standard retrospectively, recognising the transition impacts at 1 January 2019. The comparative information has therefore not been restated.

IFRS 16 replaces IAS 17 and has a material impact on accounting by lessees, who now are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease agreements, except for certain short-term leases and leases of low-value assets. The definition of a lease has also been changed and is now based on the "right to control the use of an identified asset". As regards transitional arrangements, the new standard may be applied retrospectively or a modified retrospective approach may be adopted.

In 2019, the Bank retrospectively corrected the error relating to the recognition in 2017 of a provision for macroeconomic and financial stability risks, which had been created by the Board of Directors for reasons of prudence but which did not meet the recognition requirements under IAS 37 - "Provisions, contingent liabilities and contingent assets" (see Note 4).

The Bank's financial statements are expressed in thousands of kwanzas, rounded to the nearest thousand. Assets and liabilities in other currencies have been translated into kwanzas at the average indicative rate published by Banco Nacional de Angola at each reporting date. The financial statements have been prepared under the historical cost convention, modified to include the fair valuation of derivatives and financial assets and liabilities designated at fair value through profit or loss.

The financial statements for the year ended 31 December 2019 were approved by the Bank's Board of Directors on 29 April 2020 and are subject to approval by the General Meeting, which has the power to amend them. However, the Bank's Board of Directors believes they will be approved without significant amendments.

Recently issued accounting standards and interpretations that have not yet come into force and that the Bank has not yet applied in the preparation of its financial statements may be analysed in Note 32.

In spite of holding a 99.9% interest in the subsidiary BFA Gestão de Activos (see Note 12), which started operating in 2017, the Bank considers, in light of the basic principles and conceptual framework of IFRS, that at 31 December 2019 there is no need to prepare consolidated financial statements, given (i) the small volume of business done by the subsidiary since it was incorporated and (ii) the slight impact consolidating the subsidiary's financial statements would have on BFA's financial statements at that date, after consolidation adjustments.

2.2 TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are recorded in accordance with the principles of the multi-currency system, where each transaction is recorded in the accounts based on the currency in which it is denominated. Assets and liabilities expressed in foreign currency are translated to kwanzas at the average exchange rate published by Banco Nacional de Angola on the reporting date. Costs and income relating to realised and unrealised exchange differences are recognised in the income statement for the period in which they occur.

At 31 December 2019 and 2018, the kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) were as follows:

	31/12/2019	31/12/2018
1 USD	482,227	308,607
1 EUR	540,817	353,015

Forward currency position

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

Any difference between the equivalent value in kwanzas at the forward rates applied and the equivalent value at the contracted rates is recorded in assets or liabilities and is recognised as income or expense for the period.

2.3 FINANCIAL INSTRUMENTS

2.3.1 Classification of financial assets

The Bank classifies its financial assets in the following measurement categories:

a) Investments at amortised cost;
b) Financial assets at fair value through other comprehensive income;
c) Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are set out below.

Debt instruments

Debt instruments are instruments that meet the definition of a financial liability from the issuer's point of view, including borrowings, public and private bonds, and receivables acquired from customers under non-recourse factoring agreements.

The classification and subsequent measurement of these instruments in the above categories is based on the following two elements:

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

Based on these elements, the Bank classifies its debt instruments, for measurement purposes, in one of the following three categories:

a) Financial assets at amortised cost, when the following two conditions are met:

- the asset is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition to the debt instruments held within a business model whose objective is to collect the contractual cash flows, which are recorded under the heading of "Investments at amortised cost", the financial assets at amortised cost category also includes deposits with central banks and other credit institutions, and loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss, whenever a financial asset cannot be properly classified in either of the previous two categories, whether because of the Bank's business model or because of the characteristics of the asset's contractual cash flows.
At the transition date, in classifying financial assets in this category, the Bank also took into consideration whether it expected to recover the carrying amount of the asset through sale to a third party.

Also included in this portfolio are all the instruments for which any of the following conditions hold:

- they were originated or acquired for the purpose of selling them in the near term.
- They are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; and
- they are derivatives that do not meet the definition of financial guarantee agreements and have not been designated as hedging instruments.

Business model test

The business model refers to how the Bank manages its assets in order to generate cash flows. Therefore, it is important to determine whether the Bank's objective is achieved by holding assets in order to collect contractual cash flows or by both collecting contractual cash flows and selling financial assets. If neither of these situations applies (e.g. if the financial assets are held for trading), then the financial assets are classified as part of an "other" business model and are measured at fair value through profit or loss.

The factors the Bank takes into account in identifying the business model for a given set of assets include past experience as regards (i) how the cash flows are collected, (ii) how the performance of the assets is evaluated and reported to management, (iii) how the risks are assessed and managed and (iv) how managers are remunerated.

Securities held for trading are held essentially with the objective of selling them in the near term or are part of a portfolio of financial instruments that are managed together and for which there is clear evidence of a recent pattern of short-term profit-taking. These securities are classified in "other" business models and are measured at fair value through profit or loss.

The business model test does not depend on intentions with respect to an individual instrument but with respect to a set of instruments, taking into consideration the frequency, value and timing of sales in previous periods, the reasons for those sales and expectations about future sales activity. Sales may be consistent with a business model whose objective is to hold assets in order to collect contractual cash flows if those sales are infrequent or insignificant in value or are made close to the maturity of the assets or are due to an increase in the assets' credit risk or are made to manage credit concentration risk, among other reasons.

If a financial asset contains a contractual term that could change the timing or amount of contractual cash flows (for example, if the asset can be prepaid before maturity or its term can be extended), the Bank determines whether the contractual cash flows that could arise over the life of the instrument due to that contractual term are solely payments of principal and interest on the principal amount outstanding. If a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate (for example, the interest rate resets every three months), the Bank, at initial recognition, assesses that interest rate inconsistency to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Contractual terms which at initial recognition have only a de minimis effect on the cash flows or that depend on the occurrence of an event that is exceptional or highly unlikely to occur (such as liquidation of the issuer) do not prevent an asset being classified as measured at amortised cost or at fair value through other comprehensive income.

SPPI test

When the business model's objective is to hold assets in order to (i) collect the contractual cash flows or (ii) both collect the contractual cash flows and sell the assets, the Bank assesses whether the instrument's cash flows are solely payments of principal and interest on the principal amount outstanding (the "solely payments of principal and interest" test, or SPPI test). In making this assessment the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., whether the interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. When the contractual terms introduce exposure to risk or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, the financial instrument is classified and measured at fair value through profit or loss.

A financial asset that contains an embedded derivative is recognised in its entirety, at initial recognition, if the cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test).

Equity instruments

An equity instrument is an instrument that meets the definition of equity from the issuer's point of view, that is, an instrument that does not contain a contractual obligation to pay and that evidences a residual interest in the net assets of the issuer. A example of an equity instrument is an ordinary share.

Investments in equity instruments are an exception to the general measurement rules set out above. As a general rule, the Bank makes an irrevocable election at initial recognition to designate investments in equity instruments that do not qualify as held for trading as financial assets measured at fair value through other comprehensive income or otherwise as financial assets mandatorily measured at fair value through profit or loss. Impairment losses (and reversals of impairment losses) are not recorded separately from other changes in fair value.

2.3.2 Classification of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation to settle the liability through delivery of cash or another financial asset, irrespective of its legal form.

Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortised cost

This category includes funds of central banks and other credit institutions and customer funds and other borrowings.

(ii) Financial liabilities held for trading

This category includes derivative financial instruments with negative fair value.

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option)

The Bank designates, on initial recognition, certain financial liabilities at fair value through profit or loss (Fair Value Option) if at least one of the following requirements is met:

- the financial liabilities are managed, valued and analysed internally based on their fair value;
- derivatives transactions have been entered into with a view to hedging those liabilities, thus ensuring consistency in the valuation of the liabilities and the derivatives (accounting mismatch); and
- the financial liabilities contain embedded derivatives.

2.3.3 Recognition and initial measurement of financial instruments

At initial recognition all financial instruments are measured at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting any transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognised immediately in profit or loss.

Transaction costs are defined as any expenses directly attributable to the acquisition, issue or disposal of a financial asset or financial liability that would not have been incurred if the Bank had not entered into the transaction. They include, for example, fees and commissions paid to intermediaries (such as developers) or mortgage arrangement expenses.

The financial assets are recognised in the balance sheet on the transaction date, which is when the Bank undertakes to buy the assets, unless a contractual clause or applicable legal provision requires that the transfer of the rights take place on a later date.

If the fair value of a financial asset or financial liability at initial recognition differs from the transaction price, the Bank recognises the difference as follows:

- Where the fair value is evidenced by a quoted price in an active market for an equivalent asset or liability (i.e., a Level 1 input) or is based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or a loss;
- In all other cases, the difference is deferred and the moment of initial recognition of the gain or loss is determined individually. This difference may then be (i) amortised over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognised through realisation or settlement of the asset or liability.

2.3.4 Subsequent measurement of financial instruments

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

Trade receivables not containing a significant financing component and short-term commercial loans and debt instruments, which are measured initially at their transaction price or principal amount outstanding, respectively, are measured at that amount less any impairment losses.

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

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

2.3.5 Income and expenses of financial instruments

The income and expenses of financial instruments at amortised cost are recognised in accordance with the following criteria:

i. Interest revenue and expense is recognised in profit or loss under the heading of "Interest income and similar income" and "Interest expense and similar charges", applying the effective interest rate on the transaction to the transaction's gross carrying amount (except for impaired assets, where the interest rate is applied to the carrying amount net of impairment charges). and

ii. All other changes in value are recognised in profit or loss as income or expense – under the heading of “Gains or losses on investments carried at amortised cost” – when the financial instrument is derecognised or reclassified or, in the case of financial assets, when impairment losses or gains are recognised, which in the case of loans and advances to customers are recorded under the heading of “Impairment allowance for loans and advances to customers net of reversals and recoveries” and in the case of other financial assets, under “Impairment allowance for other financial assets net of reversals and recoveries”.

Treasury Bonds issued in local currency indexed to the US dollar exchange rate are subject to adjustment for exchange rate changes. The result of a currency update is reflected in the income statement for the period in which the update occurs. The result of the updating of the nominal value of the security is reflected in “Foreign exchange gains/(losses)” and the result of the updating of the discount and accrued interest is reflected in “Net interest income – Interest income and similar income”.

The income and expenses of financial instruments at fair value through profit or loss are recognised in accordance with the following criteria:

i. Changes in fair value are recognised directly in profit or loss, separating the part attributable to the revenue from the instrument, which is recorded as either interest or dividends, as the case may be, under the heading “Interest income and similar income” or “Income from equity instruments”, from the rest, which is recorded as trading income under the heading “Net gains or losses on financial assets and liabilities at fair value through profit or loss”. and

ii. Interest revenue from debt instruments is recognised in profit or loss under the heading “Interest income and similar income” and is calculated using the effective interest rate method.

The income and expenses of financial instruments at fair value through profit or loss are recognised in accordance with the following criteria:

i. The interest or dividend revenue, as the case may be, is recognised in profit or loss under “Interest income and similar income” or “Income from equity instruments”, as appropriate. For interest the procedure is the same as for assets at amortised cost.

ii. Exchange differences are recognised in profit or loss under the heading “Foreign exchange gains/(losses)” in the case of monetary assets and in other comprehensive income in the case of non-monetary assets.

iii. Impairment losses or gains on debt instruments are recognised in profit or loss under the heading “Impairment losses on other financial assets net of reversals and recoveries”. and

iv. All other changes in value are recognised in other comprehensive income.

Thus, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the period are the same as would be recognised if the instrument were measured at amortised cost.

When a debt instrument measured at fair value through other comprehensive income is derecognised, the gain or loss recorded in other comprehensive income is reclassified to profit or loss for the period. Conversely, when an equity instrument measured at fair value through other comprehensive income is derecognised, the gain or loss recorded in other comprehensive income is not reclassified to profit or loss for the period but is held in a reserve account.

2.3.6 Reclassifications between categories of financial instruments

Solely if the Bank decides to change its business model for managing financial assets, it would reclassify all the financial assets affected in accordance with the requirements of IFRS 9. Any such reclassification would be applied prospectively from the reclassification date. According to IFRS 9, changes in an entity’s business model are expected to be very infrequent. Financial liabilities must not be reclassified between portfolios.

2.3.7 Fair value

The Bank uses the following methods to estimate the fair value of securities:

i. Average trading price on the calculation date or, when this is not available, the average trading price on the preceding business day;

ii. Probable net realisable value obtained by 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 set by Banco Nacional de Angola.

2.3.8 Loan modification

Occasionally the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers. When that occurs, the Bank assesses whether the new terms of the contract are substantially different from the original terms. In performing this analysis the Bank takes the following factors, among others, into account:

- If the debtor is in financial difficulties, whether the modification only reduces the contractual cash flows to an amount the debtor is likely to be able to pay;
- Whether any significant new term was introduced, such as a participation in results (or equity-based return), that substantially affects the risk of the credit;
- Any significant extension of the maturity of the agreement, if the debtor is not in financial difficulties;
- Any significant change in the interest rate;
- Any change in the currency in which the credit was issued; and
- The inclusion of collateral, a guarantee or any other credit enhancement that significantly affects the credit risk associated with the loan.

If the terms of the loan are significantly different, the Bank derecognises the original financial asset and recognises the new asset at fair value, calculating its new effective interest rate. The date of renegotiation is considered to be the date of initial recognition for the purpose of the impairment calculation, including for the purpose of determining whether there has been a significant increase in credit risk. However, the Bank also assesses whether the newly recognised financial asset is impaired at initial recognition, especially when the renegotiation is related to the debtor's having failed to make the payments originally agreed. Any difference in the carrying amount is recognised in profit or loss as a derecognition gain or loss.

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

After the modification, the Bank may determine that the credit risk has improved significantly and that the asset should be transferred from Stage 3 to Stage 2 (lifetime ECL) or from Stage 2 to Stage 1 (12-month ECL). This can only occur, however, when the modified asset performs in accordance with the new contractual terms for a period of twelve consecutive months. Additionally, the Bank continues to monitor whether there has been a significant increase in the asset's credit risk, applying specific models for modified assets.

At 31 December 2019 and 2018, the Bank did not have any assets that met these requirements for the reporting period.

2.3.9 Derecognition not resulting from a modification

Financial assets granted are derecognised when the associated cash flows are extinguished, are collected or are sold to third parties and (i) the Bank transfers substantially all the risks and rewards of ownership of the asset or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the asset and does not retain control of the asset. Any gains or losses on final disposal of loans to customers are recognised in "Other operating income/(expense)". These gains or losses arise from the difference between the agreed selling price and the carrying amount of these assets, net of impairment losses.

The Bank participates in transactions in which it has a contractual right to collect the cash flows of an asset but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all the risks and rewards. Such transactions result in derecognition of the asset if the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is not permitted to sell or pledge the assets; and
- Has the obligation to remit any cash flow it collects from the assets without material delays.

Any guarantees given by the Bank (shares and bonds) through repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards, based on the agreed repurchase price, so the derecognition criteria are not met (see Note 2.4).

Financial liabilities are derecognised when the underlying obligation is discharged, expires or is cancelled.

2.3.10 Write-off policy

The Bank writes off a financial asset (or a portion thereof) when it concludes that there is no reasonable expectation of recovery. The indicators that there is no reasonable expectation of recovery are (i) the business has shut down, and (ii) where recovery depends on receipt of collateral, the value of the collateral is so small that there is no reasonable expectation of recovering the asset in its entirety.

The criteria for selecting loans that could be candidates for write-off are as follows:

- The loans are not protected by a risk-sharing agreement;
- The loans are more than 210 days past due; and
- The loans are not flagged as renegotiated past-due loans and are not covered by an active payment agreement.

2.3.11 Impairment of financial assets

The Bank performs impairment tests on debt instruments that are measured at amortised cost and at fair value through comprehensive income, as well as on other exposures that have credit risk associated with them, such as bank guarantees and commitments assumed.

The objective of the IFRS 9 requirements is to recognise lifetime expected credit losses on financial instruments — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

Impairment losses on debt instruments that are measured at amortised cost are recognised as an accumulated impairment amount in the balance sheet, which reduces the carrying amount of the assets, whereas impairment losses on assets measured at fair value through other comprehensive income are recognised in other comprehensive income.

Impairment losses for the year on loans and advances to customers are recognised in the income statement under the heading “Impairment losses on loans and advances to customers net of reversals and recoveries”, while impairment losses on other financial assets are recognised under the heading “Impairment losses on other financial assets net of reversals and recoveries”.

Impairment losses on exposures that have credit risk associated with them and that are not positions recorded in the assets are recorded as provisions under the heading “Provisions” on the liabilities side of the balance sheet. Charges and reversals are recorded, net of cancellations, under the heading “Provisions” in the income statement.

For the purpose of accounting for impairment losses on debt instruments, the following definitions must be taken into consideration:

a) **Credit losses**: a credit loss is the difference between all the cash flows that are due to the Bank under the contractual terms of the financial asset and all the cash flows the Bank expects to receive (i.e., the total cash shortfall), discounted at the original effective interest rate or, for purchased or originated credit-impaired financial assets with credit losses, at the credit-adjusted effective interest rate or, when the rate is variable, at the interest rate prevailing on the reporting date.

   In the case of loan commitments, the loss is calculated by comparing the contractual cash flows due to the Bank that the Bank expects to receive if the commitments are used with the cash flows it expects to receive at the time of recognition of the asset. In the case of bank guarantees, the loss is equal to the payments the Bank expects to make less the cash flows it expects to receive from the ordering party. The Bank estimates cash flows by considering all contractual terms of the financial instrument.

The cash flows that are considered include cash flows from the sale of collateral held, taking into account the proceeds received from sale, less costs to obtain, maintain and sell, and any other guarantees that are an integral part of the contractual terms, such as financial collateral.

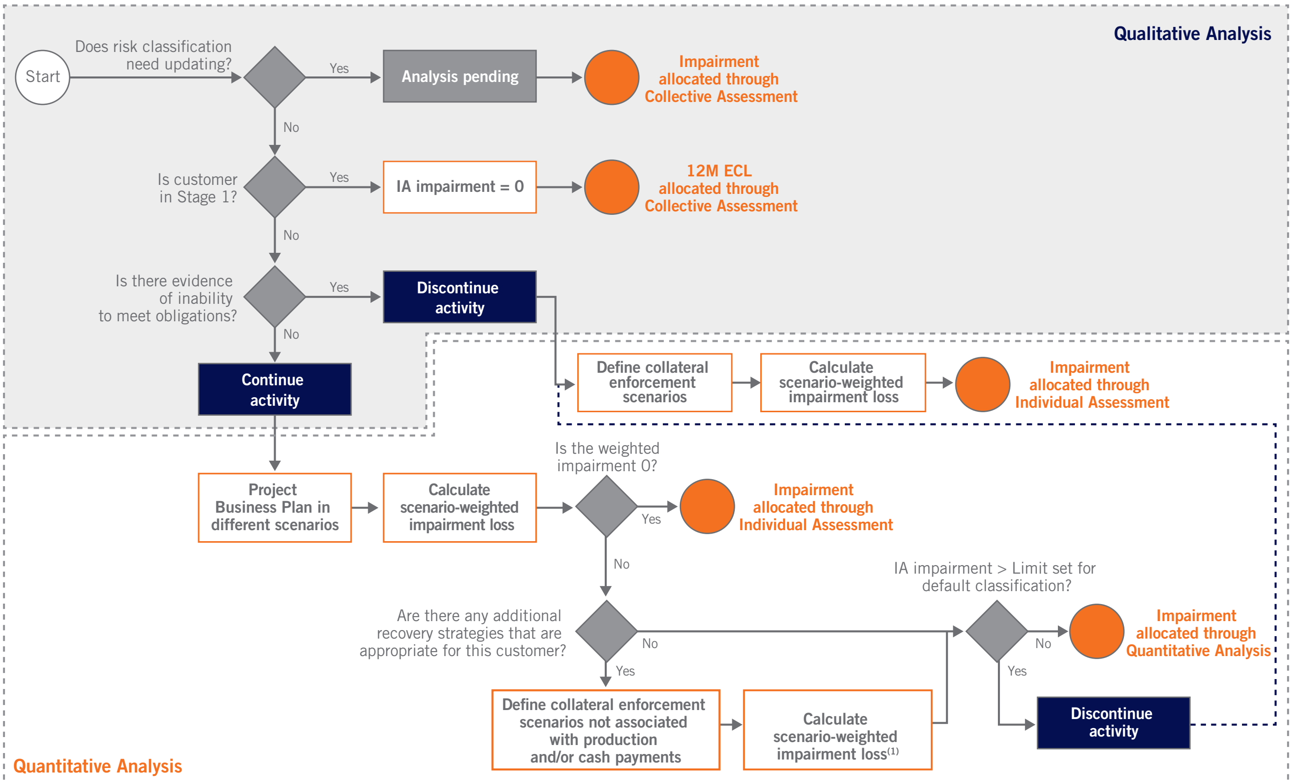
b) **Expected credit losses**: the weighted average of credit losses with the respective risks of a default occurring as the weights. The following distinction will be taken into account: (i) lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument; (ii) 12-month expected credit losses: The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Impairment model for loans and advances to customers

The methodology adopted by the Bank involves, first, identifying the economic groups (and individual customers) considered individually significant. These groups are assessed individually and the rest are assessed collectively in homogeneous risk groups. The following criteria are used to select the groups (and individual customers) that are individually significant:

- Corporate customers with exposure of more than AOA 50 million;
- Individual customers with exposure of more than AOA 100 million;
- Corporate customers with past-due loans (more than 30 days), exposure of more than AOA 25 million and arrears of more than AOA 1 million;
- Individual customers with past-due loans (more than 30 days), exposure of more than AOA 50 million and arrears of more than AOA 1 million;
- Customers with restructured transactions due to financial difficulties of the debtor; and
- Ad hoc customers (individuals or companies) which are not subject to individual assessment under the above criteria but which the Bank considers should nevertheless be assessed individually.

The individual assessment involves the following steps:



In the collective assessment, the Bank groups customers in homogeneous risk segments as follows:

- Consumer loans
- Overdrafts
- Credit cards
- Car loans
- Home loans
- Small companies
- Large companies
- Government
- Financial Institutions

The loss allowance for a financial instrument is determined according to whether the credit risk on the instrument has increased significantly since initial recognition and whether or not an event of default has occurred. The Bank therefore classifies financial instruments in three stages of impairment, as described below:

Stage I	Stage II	Stage III
Classification to be applied at **initial recognition** of financial instruments or where none of the criteria for classification in any other stage of impairment are met.	Classification to be applied to financial instruments where there has been a **significant increase in credit risk** (SICR) since initial recognition.	All financial instruments that are in **default** as defined in BNA Instruction no. 5/2016 are classified in this stage.

The criteria for classification in Stage 2 are as follows:

Classification
- Contracts with payments more than 30 days past due
- Customers with at least one credit facility that has been restructured due to financial difficulties in the last 12 months
- Customers with a credit facility from another credit institution with payments more than 90 days past due, capital or interest written off or subject to litigation
- Customers with a credit facility in litigation within the last five years
- Customers with cheques returned for insufficient funds or prohibited from using cheques, according to the information available from the central credit register (CIRC)
- Customers with unauthorised overdrafts >15 days or revolving credit limits used permanently >=95% in the last 12 months
- Credit with a material decrease (greater than 20%) in the value of the collateral and with an LTV ratio > 80%
- Customers subject to Special Recovery Programmes
- Customers with debts to the Tax Authority or Social Security
- Bank pledges or likelihood of insolvency or subject to a recovery or financial or operational reorganisation process
- Significant change in the (corporate) customer's operating results, for customers subject to individual assessment
- Change in (lifetime) PD since origination

Propagation
- Propagation of all transactions to Stage 2 if the total exposure of the Stage 2 transaction was equal to 20% of more of the customer's exposure

The criteria for classification as defaulted are as follows, provided they have materiality >= AOA 5 million:

Classification
- Contracts with payments more than 90 days past due
- Customers in bankruptcy or insolvency proceedings or expected to enter bankruptcy or insolvency
- Restructured transactions with a material loss or a grace period for principal
- Restructured contracts with payments more than 30 days past due

Propagation
- Defaulted status is propagated when the defaulted exposure is equal to 20% or more of the customer's total exposure

Reclassification to non-defaulted
- For contracts with payments more than 90 days past due, a probation period (of at least 3 months) without any trigger of default is applied.
- For restructured loans, a probation period (of at least 12 months) with settlement of principal and interest and no exposure more than 30 days past due is applied

In measuring collective impairment, the Bank considers the following credit risk parameters:

a) Exposure: The exposure (EAD or exposure at default) is the estimated amount outstanding when default occurs. This component is important for financial instruments that have a repayment structure which varies depending on how much the customer uses the facility (current account credit lines, credit cards or any revolving product in general). EAD is calculated based on historical default behaviour, relating the exposure at the time of default to the exposure observed over the previous 12 months. Future exposure levels are estimated based on the product type, the current exposure and the credit limit.

b) Probability of default: the Bank uses a method that forecasts the probability of default (PD) of each borrower for all credit portfolios and for each risk segment. The results of the PD calculation are used in credit approval and monitoring processes and were developed and calibrated based on the Bank's historical default experience. This parameter is used directly to calculate the expected credit losses (ECLs) of Stage 1 and Stage 2 loans. For Stage 1 the time horizon is 12 months and for Stage 2, the remaining life of the loan (lifetime ECLs).

c) Loss given default: the loss given default (LGD) is the percent of the debt that will not be recovered if a customer defaults. The LGD is calculated based on internal historical information, considering the cash flows associated with the exposures from the time of default until either they are brought current or no expectation of recovering any material amount remains. The estimated credit recovery costs are also included in the calculation.

The models used to measure impairment are generally based on the Bank's own historical experience of defaults and recoveries. The models are updated from time to time to reflect the economic situation and at all times represent the current economic context.

The models also include forward-looking estimates of economic performance to determine the expected loss, taking macroeconomic factors related to the probability of default and/or the Bank's recoverability indicators into account, specifically:

- Real GDP
- Rate of growth of non-oil GDP
- End-of-period USD/ AOA exchange rate (parallel)
- Luanda Consumer Price Index
- Real Effective Exchange Rate (REER)
- End-of-period EUR/ AOA exchange rate

When the models are reviewed, any improvements detected through backtesting are also implemented.

During the reporting period, there was no material change in the estimation method or the assumptions used.

Impairment model for other financial instruments

The Bank classifies exposures in stages of impairment. Stage 1 classification is given to sovereign exposures rated as investment grade by recognised rating agencies and exposures in which the return is adjusted to the risk of the issuer and that risk is within the limits set in the Bank's risk profile. These exposures qualify for measurement of 12-month ECLs.

The risk factors applied are those associated with each counterparty rating level defined by the external provider.

In the years ended 31 December 2019 and 2018, the Bank did not apply the low credit risk exemption to any financial asset.

2.4 TRANSACTIONS WITH A REPURCHASE OR RESALE AGREEMENT

Securities ceded under an agreement to repurchase them (repos) at a fixed price or at a price equal to the selling price plus interest for the term of the agreement are not derecognised from the balance sheet. The corresponding liability is recognised in amounts payable to other credit institutions or to customers, as the case may be. The difference between the selling price and the repurchase price is treated as interest and is deferred over the life of the agreement, using the effective interest rate method.

Securities purchased under an agreement to resell them (reverse repos) for a fixed price or for a price equal to the purchase price plus interest for the term of the agreement are not recognised in the balance sheet but the purchase price is recorded as a loan to other credit institutions or to customers, as the case may be. The difference between the purchase price and the resale price is treated as interest and is deferred over the life of the agreement, using the effective interest rate method.

2.5 DERIVATIVE FINANCIAL INSTRUMENTS

As part of its business the Bank may carry out transactions in derivative financial instruments, managing its own positions based on expectations of market trends or to meet the needs of its customers.

All derivatives are recognised on the trade date at fair value and any changes in fair value are recognised in profit or loss, unless they qualify as cash flow hedges or as net investments in foreign transactions. Derivatives are also recorded in off-balance sheet accounts at their notional amount.

Derivatives are classified, according to their purpose, as either hedging derivatives (once the requirements to be designated as such are met) or as speculative and arbitrage derivatives.

Hedging derivatives

On first-time adoption of IFRS 9, the Bank opted to continue to apply the hedge accounting requirements of IAS 39, as permitted under IFRS 9.

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

Hedging derivatives are stated at fair value and any gains or losses resulting from revaluation are recognised according to the hedge accounting model adopted.

A hedging relationship exists when:

- at inception of the hedge there is formal documentation of the hedge relationship;
- the hedge is expected to be highly effective;
- the hedge effectiveness can be reliably measured;
- the hedge is assessed continuously and is determined to be highly effective throughout the reporting period; and
- in relation to a hedge of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Under IFRS 9, all of the following hedge effectiveness requirements must be met:

a) there is an economic relationship between the hedged item and the hedging instrument,
b) the effect of credit risk does not dominate the value changes that result from that economic relationship, and
c) the hedge ratio of the hedging relationship, understood as the quantity of the hedged item covered by the hedging instrument, is the same as the hedge ratio used for management purposes.

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

i. Fair value hedge

Changes in the fair value of derivatives that are designated and that qualify as fair value hedges are recorded with the corresponding entries in the income statement, together with changes in the fair value of the hedged assets, liabilities or group of assets or liabilities. If the hedging relationship ceases to meet the requirements for hedge accounting, the derivative financial instrument is transferred to the held-for-trading category and hedge accounting is subsequently discontinued (the adjustment made to the carrying amount of a hedging instrument, using the effective interest rate method, is amortised through profit or loss for the period until maturity and is recognised in net interest income). Where the hedged asset or liability corresponds to a fixed-income instrument, any accumulated gains or losses due to changes in the interest rate risk associated with the hedged item until the date on which the hedge is discontinued are amortised to profit or loss for the remaining period of the hedged item.

ii. Cash flow hedge

The effective portion of any changes in the fair value of derivatives that qualify as cash flow hedges is recognised in equity (cash flow hedge reserves). The ineffective portion of changes in the fair value of the hedging relationships is recognised in profit or loss when the changes occur.

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

When a hedging instrument is derecognised or when the hedging relationship ceases to meet the requirements for hedge accounting or is revoked, the hedging relationship is discontinued prospectively. Thus, any changes in fair value accumulated in equity until the date of discontinuation of the hedge may be:

- deferred for the remaining term of the hedged instrument; and
- recognised immediately in profit or loss for the period, if the hedged instrument has been extinguished.

Where a hedge of a future transaction is discontinued, any changes in the fair value of the derivative recognised in equity remain in equity until the future transaction is recognised in profit or loss. When it is no longer likely that the transaction will occur, any accumulated gains or losses recognised with corresponding entries in equity are recognised immediately in the income statement.

At 31 December 2019 and 2018, the Bank had no hedging derivatives.

Derivatives held for trading

Derivatives that are not designated in a hedging relationship are treated as other financial instruments at fair value through profit or loss. When the fair value of the instruments is positive, they are presented as assets, and when their fair value is negative, they are classified as liabilities, in both cases under the heading of "Financial assets or liabilities at fair value through profit or loss".

Embedded derivatives

A financial instrument traded by the Bank contains an embedded derivative when it contains a derivative and a non-derivative component. The derivative component is referred to as the "embedded derivative" and the rest of the contract, as the "host contract".

A derivative embedded in a financial instrument is separated for accounting purposes whenever:

- the economic risks and benefits of the derivative are unrelated to those of the host contract;
- a separate instrument with the same terms as the embedded derivate would meet the definition of a derivative; and
- the hybrid contract (as a whole) is not, in principle, measured at fair value through profit or loss.

Embedded derivatives are presented as financial assets or liabilities at fair value through profit or loss, measured at fair value with changes in fair value recognised in profit or loss.

2.6 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries are entities (including investment funds and securitisation vehicles) that are controlled by the Bank. The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the investee (de facto control).

Associate companies are entities in which the Bank has significant influence but not control over their financial and operating policies. It is assumed that the Bank has significant influence when it holds more than 20% of the voting rights. If the Bank directly or indirectly holds less than 20% of the voting rights, it is assumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent supervisory or management body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of managerial personnel; and
- provision of essential technical information.

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

Impairment

The recoverable amount of investments in subsidiaries and associates is assessed whenever there is evidence of impairment. Impairment losses on these investments are calculated based on the difference between their recoverable amount and their carrying amount. Impairment losses are recognised in profit or loss and are subsequently reversed through profit or loss if the estimated amount of the impairment loss decreases in a later period. The recoverable amount is the greater of an asset's fair value less costs to sell or its value in use, which is calculated using valuation methods based on discounted cash flow techniques, taking market conditions, the time value of money and business risks into account.

2.7 EQUITY INSTRUMENTS

A financial instrument is classified as an equity instrument when there is no contractual obligation to settle by delivery of cash or any other financial asset to third parties, irrespective of its legal form, and the instrument evidences a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to the issuance of equity instruments are recognised in equity as a deduction from the value of the issue. Amounts paid and received for purchases and sales of equity instruments are recognised in equity, net of transaction costs.

The return on equity instruments (dividends) is recognised when the right to receive payment is established and is deducted from equity.

2.8 REVALUATION RESERVE IN EQUITY

Under Banco Nacional de Angola Notice 2/2009 of 8 May on monetary revaluation, in inflationary conditions financial institutions must measure the effects of the change in the purchasing power of the local currency at monthly intervals by applying the consumer price index to capital, reserves and retained earnings.

The financial statements of an entity whose working currency is the currency of a hyperinflationary economy must be expressed in terms of the measuring unit current at the reporting date. Under IAS 29, hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following situations:

i. The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

ii. The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

iii. Credit sales and purchases take place at prices that compensate for the expected loss of purchasing power during the life of the credit, even if the period is short;

iv. During the life of the credit, even if the period is short;

v. Interest rates, wages and prices are linked to a price index; and

vi. The cumulative inflation rate over three years is approaching, or exceeds, 100%.

The amount resulting from revaluation must be recorded each month in the income statement, with a corresponding increase in the components of equity, except for “Share capital”, where the increase must be classified in a specific reserve (“Revaluation reserve”), which can only be used for subsequent share capital increases.

The Bank has not revalued its share capital, reserves or retained earnings since 2004.

2.9 INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS

An intangible asset is recognised only when: i) it is identifiable; ii) it is probable that future economic benefits from the asset will flow to the Bank; and iii) the cost of the asset can be measured reliably.

The cost of an acquired intangible asset comprises: i) its purchase price, including the cost of intellectual property rights and taxes after deducting discounts; and ii) any directly attributable cost of preparing the asset for its intended use.

After initial recognition, BFA measures its intangible assets using the cost model.

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

Other property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses. Cost includes: (a) the “assessed cost” determined at the date of transition to IFRS, which is the net value transferred from the previous standard, including lawful revaluations; and (b) the cost of acquisition of assets acquired or built after that date.

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

The cost of acquisition of other property, plant and equipment includes the purchase price of the assets, any costs directly attributable to the acquisition and any costs incurred in bringing the assets to the location and condition of use. The finance costs of loans used for the construction of eligible items of property, plant and equipment are recognised as part of the cost of construction of the assets.

As provided by Banco Nacional de Angola Notice 2/2009 of May 8 on monetary revaluation, if there is hyperinflation, financial institutions must restate their intangible assets and other tangible assets every month in accordance with the consumer price index.

The amount resulting from the revaluation must be taken to profit or loss each month, reflecting the changes in gross value and accumulated depreciation and amortisation.

An amount equivalent to 30% of the increase in depreciation and amortisation expense resulting from the revaluations performed is not accepted as an expense for tax purposes. Land is not depreciated. Depreciation is calculated on a straight-line basis at the maximum rates allowed for tax purposes, in conformity with the Industrial Tax Code (Código do Imposto Industrial), based on estimated years of useful life:

	Years of useful life
Property in use (Buildings)	50
Leasehold improvements	10
Equipment:	
Furniture and fixtures	10
IT equipment	3
Interior installations	10
Transport equipment	3
Machinery and tools	6 and 7

2.10 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as non-current assets held for sale when their carrying amount is intended to be realised mainly through sale rather than their continued use in the Bank's activities.

The heading "Non-current assets held for sale" records assets received in satisfaction of debt, after recovery of non-performing loans, that are available for immediate sale and whose sale is highly probable. When the condition stipulated in IFRS 5 is no longer met, assets received in satisfaction of debt are reclassified to "Other assets".

When impairment losses have been recognised, they may be reversed up to the limit of the carrying amount of the assets net of amortisation or depreciation.
Assets received in satisfaction of debt are measured initially at the lower of fair value less costs to sell and the carrying amount of the loan at the date the asset is received and are not subsequently depreciated.

When the outstanding debt is greater than its carrying amount (net of provisions), the difference is recorded as income for the period, up to the amount determined in the valuation of the assets. When the value of the assets is less than the carrying amount, the difference is recognised as an expense for the period.

When these assets consist of property and are measured at fair value less estimated costs to sell, they are classified at Level 3 of the fair value hierarchy.

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

When there is evidence that an asset may be impaired, IAS 36 requires that the Bank estimate the asset's recoverable amount and recognise an impairment loss whenever the net value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement and may be reversed in subsequent reporting periods when the reasons for their initial recognition cease to exist. For that purpose, the new depreciated amount must not be greater than the amount that would have been recorded (net of depreciation or amortisation) if no impairment losses had been recorded.

The recoverable amount of an asset is determined as the greater of fair value less costs to sell and value in use, this latter being calculated based on the present value of the estimated future cash flows that are expected to be obtained from continued use of the asset and its disposal at the end of its useful life.

Any gain or loss on derecognition of a tangible asset, calculated as the difference between the fair value less costs to sell and the net carrying amount, is recognised in profit or loss under the heading "Gains/(losses) on disposal of other assets".

2.12 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents comprise short-term highly liquid investments with original maturities of three months or less at the balance sheet date and with no material risk of a change in fair value, including cash and balances at other credit institutions.

2.13 DIVIDENDS

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

2.14 FEES AND COMMISSIONS

Fee and commission income is recognised in accordance with the following criteria:

- Where the income accrues as the services are provided, it is recognised in profit or loss for the period in which it accrues; and
- Where the income is the result of the provision of a service, it is recognised when the service provision is complete.

Where it is an integral part of the effective interest rate of a financial instrument, fee and commission income is included in net interest income.

2.15 EMPLOYEE BENEFITS

Short-term benefits are reflected under "Staff costs" in the period to which they relate, in accordance with the principle of accrual accounting.

BFA employees are covered by Law 7/04 of October 15, governing Angola's Social Security system, which determines the grant of retirement pensions to all Angolan employees registered with Social Security. The amount of these pensions is calculated on the basis of a table proportional to the number of years of work, applied to the average gross monthly salary received during the periods immediately prior to the date on which the employee stops working. Under Decree 38/08 of June 9, the contribution rates to this system are set at 8% for the employer and 3% for employees.

Under Article 262 of Law 2/00 of February 11 (General Labour Act), BFA has set aside provisions to cover liabilities in the matter of "Retirement Compensation", which are determined by multiplying 25% of the monthly base salary earned at the date on which the employee reaches the legal retirement age by the number of years of seniority at that date. The total value of these liabilities is determined by actuaries using the Projected Unit Credit method for the liabilities for past services.

On 15 September 2015, Law 7/15 of June 15 (New General Labour Act) came into force, which repealed Law 2/00 of 11 February. The New General Labour Act makes no reference to the need to set aside provisions to cover liabilities relating to "Retirement Compensation". In 2018, the Bank reversed the provisions for "Retirement benefits" recognised in previous years (Note 18).

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 1 January 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 10% of the base 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.

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 in 2018 as the initial contribution to the BFA Pension Plan (Note 18). The amounts corresponding to the vested rights in the Complementary Pension Plan were transferred to the current pension plan and converted into contributions of the participant. BFA's contributions to the BFA Pension Fund consist of a fixed percentage of 10% of the salary liable to deductions for Angolan Social Security, applied to fourteen salary payments. The income earned on the investments made (net of any taxes) was added to the amount of the contributions.

Termination benefits

This type of benefit is recognised when the Bank terminates an employee's contract before the normal retirement date or when an employee accepts termination in exchange for these benefits. The Bank recognises the liability for termination benefits on the earlier of the following dates: when BFA can no longer withdraw the offer of the benefits or when BFA recognises costs for a restructuring that is within the scope of the recognition of restructuring provisions Benefits are that expected to be settled more than 12 months after the end of the reporting period are discounted to their present value.

2.16 INCOME TAX AND OTHER TAXES

Corporate income tax

The total corporate income tax recorded in profit or loss includes current tax and deferred tax.

Current tax

Current tax is calculated based on taxable income for the year, which differs from accounting income due to adjustments made to the taxable amount resulting from income or expenses that are irrelevant for tax purposes or that will only be taken into consideration in future periods under applicable tax laws (Industrial Tax Code).

Deferred tax

Deferred tax reflects the impact on tax recoverable/ payable in future periods as a result of deductible or taxable temporary differences between the carrying amounts of assets and liabilities and their tax base, used in the determination of taxable profit. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply on the date when the deferred tax assets are recovered or the deferred tax liabilities are settled.

As a rule, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax-loss carryforwards can be utilised. Additionally, deferred tax assets are not recognised where their recoverability may be called into question due to other circumstances, including issues regarding the interpretation of tax laws.

Industrial Tax

The Bank is subject to Industrial Tax and, for taxation purposes, is considered a Group A taxpayer, subject to a tax rate of 30%. On 1 January 2015, the new Industrial Tax Code came into force, enacted by Law 19/2014 of 22 October, which stipulated the Industrial Tax rate of 30%.

Under the new Industrial Tax Code, income subject to Investment Income Tax (“IAC”) is deducted in determining taxable profit for Industrial Tax purposes and IAC is not a tax-deductible expense.

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

Income subject to IAC is excluded from Industrial Tax.

Investment Income Tax (IAC)

The new IAC Code, approved by Presidential Legislative Decree 2/2015 of 20 October, came into force on 19 November 2014.

IAC is payable, in general, on income from the Bank’s investments. The rate varies between 5% (in the case of interest received on public debt securities admitted to trading on a regulated market and having a maturity of three years or more) and 10%. The foregoing notwithstanding, according to the understanding of the tax authorities and of Banco Nacional de Angola (Banco Nacional de Angola letter dated 26 September 2013), income from public debt securities is subject to IAC only if the securities were issued on or after 1 January 2013.

On 1 August 2013, the National bank of Angola started to automate the withholding by BFA of IAC at source, as provided in Presidential Legislative Decree 5/11 of 30 December.

Since 1 January 2015, IAC is no longer treated as a payment on account of Industrial Tax; instead, income subject to IAC is deducted from taxable income for Industrial Tax purposes.

Value added tax (VAT)

Law 7/19 introduced VAT, which has been in force since 1 October 2019. It also repealed the Excise Duty Regulation and introduced important amendments to the Stamp Duty Code, establishing an exemption from stamp duty for customs, financing, insurance and reinsurance transactions that are subject to VAT. Stamp duty on receipts is also abolished.

The VAT rate is 14%.

The Angolan VAT system has certain special features, such as the collection scheme: Under this scheme, the Bank collects 50% of the VAT paid by its suppliers, with a few exceptions.

As regards services provided, the Bank must pay VAT on fees and commissions charged to customers and is exempt from paying VAT on certain transactions, including interest.

Because it carries out both taxed transactions not subject to VAT that give it the right to deduct and exempt transactions that restrict the right to deduct, the Bank is only able to deduct input VAT on purchases of goods and services in proportion to those transactions that give the right to deduct.

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

Other taxes

Property Tax

Urban Property Tax is levied at the rate of 0.5% on the carrying amount of owner-occupied properties intended for use in the normal course of the Bank's business, where their value is greater than mAOA 5 000.

Other taxes

The Bank is also subject to indirect taxes, namely, customs duties, stamp duty, consumption tax and other taxes.

2.17 PROVISIONS AND CONTINGENT LIABILITIES

A provision is set aside where there is a present (legal or constructive) obligation resulting from past events in respect of which there will be a probable outflow of funds that can be determined reliably. Provisions are measured at the best estimate of the expenditure required to settle the current obligation at the reporting date. Provisions are measured at the present value of the estimated expenditure required to settle the obligation, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the liability.

If a future outflow of resources is unlikely, the obligation is a contingent liability, which must be disclosed in accordance with the requirements of IAS 37 - "Provisions, contingent liabilities and contingent assets".

Provisions for litigation between BFA and other institutions are recorded based on internal risk assessments made by the Board of Directors, with the support and advice of legal consultants.

2.18 FINANCIAL AND PERFORMANCE GUARANTEES

Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment of principal or interest when due under the original or modified terms of a debt instrument.

Financial guarantees given are recognised initially at fair value. Subsequent to initial recognition they are measured at the greater of (i) the fair value recognised initially, and (ii) the amount of any obligation arising as a result of the guarantee contract, measured at the balance sheet date. Any change in the value of the obligation associated with financial guarantees given is recognised in profit or loss.

The financial guarantees given by the Bank normally have a specified maturity and a periodic fee, payable in advance, which varies depending on the counterparty risk and the amount and term of the guarantee. On this basis, the fair value of guarantees at the date of initial recognition is approximately equivalent to the value of the initial fee received, given that the contracts are entered into on market terms and conditions. The value recognised at the date of the contract is equal to the amount of the initial fee received, which is recognised in profit or loss for the period in which it accrues. Subsequent fee income is recognised in the period in which it accrues.

Performance guarantees

Performance guarantees are contracts under which compensation is paid to one of the parties if the other does not fulfil its contractual obligation. Performance guarantees are recognised initially at fair value, which normally is evidenced by the amount of the fees received over the term of the contract. In the event of a breach of contract, the Bank has the right to cancel the guarantee, the amounts being recognised in "Loans and advances to customers" after the transfer of the compensation for losses to the beneficiary of the guarantee.

2.19 LEASES (IFRS 16)

As described in Note 2.1, the Bank adopted IFRS 16 - Leases on 1 January 2019 in place of IAS 17 - Leases, which was effective until 31 December 2018. The Bank did not early-adopt any of the requirements of IFRS 16.

IFRS 16 establishes new requirements regarding the scope, classification/ recognition and measurement of leases:

- from the lessor's perspective, leases continue to be classified as either finance leases or operating leases;
- from the lessee's perspective, the standard defines a single lessee accounting model that results in the recognition of a right-of-use asset and a lease liability for all leases, with the exception of leases with a term of less than 12 months and leases of low-value assets, where the lessee may opt for exemption from recognition under IFRS 16, in which case the lessee must recognise the lease payments associated with such contracts as expenses.

The Bank has opted not to apply IFRS 16 to leases with a term of one year or less or to leases where the underlying asset has a low value, and has also opted not to apply this standard to leases of intangible assets.

Lease definition

The new definition of a lease entails a focus on the control of the identified asset: a contract is, or contains, a lease if it conveys the right to control the use of an identified asset-that is, if the lessee has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use-for a period of time in exchange for consideration.

Impacts from the lessee's perspective

For all leases, except for those with a lease term of less than 12 months and those involving assets that have a low unit value, the Bank recognises:

- a right-of-use asset, measured initially at cost, taking into account the Net Present Value (NPV) of the lease liability, plus any (fixed or variable) payments made, less any lease incentives received, any termination penalties (if reasonably certain) and any estimated costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the site on which it is located. Subsequently, the asset is measured using a cost model (subject to depreciation based on the lease term of each contract and impairment testing);
- a lease liability, recorded initially at the present value (NPV) of the lease's future cash flows, including:
- fixed payments, less lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

Since the interest rate implicit in the lease cannot be readily determined (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental borrowing rate, which incorporates the risk-free interest rate curve (swap curve), plus a risk spread for the Bank, applied over the weighted average term of each lease. For fixed-term leases, the lease term is determined using the end date of the lease; for leases without a specified term, the lease term is the non-cancellable period of the lease.

After the commencement date, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments or changes to the lease term.

The Bank revalues a lease liability and calculates the related adjustment to the right-of-use asset where:

- there is a change in the lease term or in the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured, discounting the revised lease payments using a revised discount rate;
- there is a change in the amounts payable under a residual value guarantee, or in future lease payments resulting from the change in an index or rate used to determine those payments, in which case the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate must be used); and

- a lease is modified, but the modification is not accounted for as a separate lease, in which case the lease liability is remeasured, discounting the revised lease payments using a revised discount rate.

The Bank did not make any adjustments in 2019.

A right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset and the end of the lease term. If a lease transfers ownership of the underlying asset or if the cost of the right-of-use asset reflects that the Bank will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Depreciation starts on the commencement date of the lease.

The adoption of IFRS 16 entails changes in the Bank's financial statements, as mentioned in Note 4, namely:

In the income statement:

(i) inclusion of interest expense relating to lease liabilities in Net interest income;

(ii) inclusion of amounts relating to short-term leases and leases of low-value assets in Other administrative expenses; and

(iii) inclusion of the amortisation expense of right-of-use assets in Depreciation and amortisation expense.

In the balance sheet:

(i) recognition of right-of-use assets; and

(ii) inclusion of the value of recognised lease liabilities under the heading of Lease liabilities.

Impacts from the lessor's perspective

Under IFRS 16, lessors will continue to classify leases as either finance leases or operating leases, with no significant changes compared to IAS 17.

2.20 LEASES (IAS 17)

Until 31 December 2018, under IAS 17, a lease was classified as a finance lease when substantially all the risks and rewards associated with ownership of the asset were transferred to the lessee. All other leases were classified as operating leases. Leases were classified based on the substance rather than the form of the contract.

Finance leases:

From the point of view of the lessee, at commencement of the lease term, finance leases should be recorded as both an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

From the point of view of the lessor, at commencement of the lease term, the lessor should record a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease. The lease income is made up of the finance income and repayments of principal. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding.

Operating leases

As lessee, the Bank had several operating lease agreements for properties and cars. The payments made under these leases were recognised under the heading of General administrative expenses over the useful life of the contracts and neither the assets nor the liabilities associated with the contracts were carried on the balance sheet.

2.21 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the Bank's shareholders by the weighted average number of ordinary shares outstanding, not including the average number of own shares held by the Bank.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares. Contingently issuable and potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share.

If earnings per share are altered as a result of an issue at a premium or discount or any other event that alters the potential number of ordinary shares or as a result of changes in accounting policies, the calculation of earnings per share for all periods presented is adjusted retrospectively (Note 20).

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

IFRS establish a set of accounting treatments which require that the Board of Directors make judgements and prepare the necessary estimates in order to decide what is the most appropriate accounting treatment. The main estimates and judgements used by the Bank in applying the accounting principles are presented in this note, with the aim of facilitating an understanding of how their application affects the results reported by the Bank and improving disclosure. An extended description of the main accounting policies used by the Bank is given in Note 2 to the financial statements.

Given that in many situations there are alternatives to the accounting treatment adopted by the Bank, the reported results could be different if a different treatment were chosen. The Board of Directors considers that the choices made are appropriate and that in all material respects the financial statements present the Bank's financial position and result of operations fairly and appropriately.

3.1 INCOME TAX AND DEFERRED TAXES

Determining the overall amount of income taxes (Industrial Tax) requires the use of certain interpretations and estimates.

At 31 December 2019, the Industrial Tax was determined based on the tax legislation in force for Group A taxpayers.

Different interpretations of tax legislation may influence the amount of Industrial Tax and deferred taxes recognised in the period and presented in Note 14. Consequently, the amounts recorded, which are based on the Bank's management bodies' best understanding, may be subject to changes due to different interpretations by the tax authorities.

The Bank's assessment of its taxable income is open to review by the General Tax Authority for a period of five years.

The Board of Directors considers that the impacts arising from the adoption of IFRS recognised directly in profit or loss may give rise to the recognition of deferred tax assets.

3.2 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Determining the impairment losses on financial instruments involves judgements and estimates relating to, among other things:

a) Significant increase in credit risk:

For Stage 1 assets, impairment losses are the losses expected to be incurred in the event of default over a 12-month time horizon (12-month ECLs). For Stage 2 and Stage 3 assets, they are the losses expected to be incurred in the event of default at any time up to the maturity of the financial instrument (lifetime ECLs). An asset is classified in Stage 2 when it is determined that there has been a significant increase in its credit risk since initial recognition. When assessing whether there has been a significant increase in credit risk, the Bank takes qualitative and quantitative, reasonable and sustainable information into account.

b) Grouping of assets on the basis of shared credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the credit risk characteristics regularly to assess whether they continue to be shared. This procedure is needed to ensure that the asset segmentation is reviewed if there is a change in the credit risk characteristics. The review may result in the creation of new portfolios or the transfer of assets to other existing portfolios that better reflect the assets' credit risk characteristics.

c) Probability of default:

Probability of default is a determining factor in the measurement of expected credit losses. It is an estimate of the probability of default within a specified time period, calculated on the basis of historical data, assumptions, and expectations about future conditions.

d) d) Loss given default:
This is an estimate of the loss that will actually be incurred in a default scenario. It is based on the difference between the contractual cash flows and the cash flows the Bank expects to receive from the customer's business or loan collateral. Loss given default is calculated on the basis of, among other things, the different recovery scenarios, historical information, recovery costs, and the estimated value of any loan collateral.

The use of alternative methodologies and different assumptions and estimates could result in levels of impairment losses different from those recognised and presented in Notes 7, 9 and 10, which would have an impact on the Bank's results.

3.3 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value is based on quoted market prices, where available. When there are no price quotes, it is based on the prices of recent, similar transactions carried out under market conditions, or else using valuation methodologies based on discounted cash flow techniques, taking market conditions, the time value of money, yield curves and volatility factors into account. These methodologies may require the use of assumptions and judgements in estimating fair value.

The use of different methodologies or different assumptions or judgements when applying a given model may therefore give rise to different financial results than those reported in Note 8.

3.4 PROVISIONS

Provisions are measured having regard to the principles set out in IAS 37 concerning the best estimate of the likely cost and the most likely outcome of ongoing actions, and taking the risks and uncertainties inherent in the process into account. The use of different assumptions and judgements would have an impact on the determination of the amount of the provisions, which are presented in Note 18.

4. RESTATED COMPARATIVE FIGURES AND FIRST-TIME ADOPTION OF IFRS 16

4.1. RESTATEMENT OF COMPARATIVE FIGURES AS A RESULT OF THE REVERSAL OF THE PROVISION FOR MACROECONOMIC AND FINANCIAL STABILITY RISKS

In 2017, the Bank created a provision in the amount of mAOA 16 592 400 for macroeconomic and financial stability risks, based on principles of prudence defined by the Bank's directors. This provision was recognised under the heading "Provisions".

However, because it was considered that the requirements for recognition of such provisions under IAS 37 - "Provisions, contingent liabilities and contingent assets" were not met, the audit opinions on the financial statements for the years ended 31 December 2017 and 2018 were qualified in that respect, insofar as the auditors considered the "Provisions" item to be overvalued by mAOA 16 592 400 and "Other reserves and retained earnings" to be undervalued by the same amount.

In 2019, the Bank's Board of Directors reviewed the situation in light of trends in the Angolan economy over the previous two years and corrected this error retrospectively, in accordance with IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)", with effect from 1 January 2018.

The published balance sheet as at 31 December 2018 was restated accordingly and the Bank reversed the provision for macroeconomic and financial stability risks recognised in liabilities at that date against "Retained earnings", as follows:

	31/12/2018	Adjustments	Restated 31/12/2018
Cash and balances at central banks	212 053 562		212 053 562
Balances at other credit institutions	90 786 322		90 786 322
Deposits with central banks and other credit institutions	256 374 333		256 374 333
Financial assets at fair value through profit or loss	182 693 035		182 693 035
Investments at amortised cost	623 241 191		623 241 191
Loans and advances to customers	295 842 494		295 842 494
Non-current assets held for sale	136 362		136 362
Investments in subsidiaries, associates and joint ventures	50 375		50 375
Other tangible assets	22 826 858		22 826 858
Intangible assets	1 313 373		1 313 373
Current tax assets	4 913		4 913
Deferred tax assets	5 921 900		5 921 900
Other assets	12 483 105		12 483 105
Total assets	**1 703 727 823**		**1 703 727 823**
Funds of central banks and other credit	5 062 879	-	5 062 879
institutions	1 232 128 249	-	1 232 128 249
Customer funds and other borrowings	3 234 284	-	3 234 284
Financial liabilities at fair value through profit or loss	40 594 961	(16 592 400)	24 002 561
Provisions	32 416 796	-	32 416 796
Current tax liabilities	28 382 134	-	28 382 134
Total liabilities	**1 341 819 303**	**(16 592 400)**	**1 325 226 903**
Share capital	15 450 717	-	15 450 717
Revaluation reserves	1 253 828	-	1 253 828
Other reserves and retained earnings	170 945.232	16 592 400	170 945.232
Net profit/(loss) for the period	174 258 743	-	174 258 743
Total equity	**361 908 520**	**16 592 400**	**378 500 920**
Total liabilities and equity	**1 703 727 823**	**0**	**1 703 727 823**

The statement of changes in equity for 2018 was also restated to reflect the impact on "Other reserves and retained earnings" at 1 January 2018, as follows:

	Notes	Share capital	Share capital monetary revaluation reserve	Revaluation reserves	Other reserves and retained earnings	profit or loss for the period	Total
Balance at 31 December 2017		**3 521 996**	**450 717**	**1 253 828**	**143 110 167**	**69 085 024**	**217 421 732**
Impact of first-time adoption of IFRS 9	4	-	-	-	(2 137 945)	-	(2 137 945)
Balance at 1 January 2018		3 521 996	450 717	1 253 828	140 972 222	69 085 024	215 283 787
Impact of restatement	4	-	-	-	16 592 400	-	16 592 400
Balance at 1 January 2018 - restated		3 521 996	450 717	1 253 828	157 564 622	69 085 024	231 876 187
Appropriation of profit for 2017:							
Transfers to reserves and funds	20	-	-	-	41 451 014	(41 451 014)	-
Dividend distribution	20	-	-	-	-	(27 634 010)	(27 634 010)
Share capital increase		11 478 004	-	-	(11 478 004)	-	-
Net profit/(loss) for the period	20	-	-	-	-	174 258 743	174 258 743
Balance at 31 December 2018		15 000 000	450 717	1 253 828	187 537 632	174 258 743	378 500 920
Appropriation of profit for 2018:							
Transfers to reserves and funds	20	-	-	-	138 929 787	(138 929 787)	-
Dividend distribution	20	-	-	-	-	(35 328 956)	(35 328 956)
Correction to measurement criterion	20	-	(450 717)	(1 253 828)	798 290	-	(906 255)
Net profit/(loss) for the period	20	-	-	-	-	119 940 192	119 940 192
Balance at 31 December 2019		**15 000 000**	**-**	**-**	**327 265 709**	**119 940 192**	**462 205 902**

As the adjustment was made entirely against "Retained earnings" at 1 January 2018, no changes were made to the income statement, statement of other comprehensive income or statement of cash flows for the year ended 31 December 2018.

We also note that although the Bank increased this provision by mAOA 6 805 440 in the first half of 2019, the increase was correctly reversed in the second half of 2019 through profit or loss for the period, so that the correction had no impact on the restatement described above.

4.2. FIRST-TIME ADOPTION OF IFRS 16 - LEASES

Effective for periods beginning on or after 1 January 2019, IFRS 16 eliminates the distinction established by IAS 17 between operating leases and finance leases for lessees. In its place, it introduces a new single accounting model for all leases which resembles the accounting model for finance leases under IAS 17.

This single model requires the lessee to recognise an asset and a liability (a right-of-use asset and a lease liability) for every lease with an identifiable underlying asset. The amortisation charge for the right-of-use asset and the interest expense on the lease liability are recognised separately in the income statement, while the monthly rental or service costs for operating leases recorded under IAS 17 are derecognised.

The Bank adopted this new standard from 1 January 2019, opting for the modified retrospective method, with assets equal to liabilities (adjusted for any prepayments in the assets), and so did not restate the comparative data for 2018 nor recognise any impact on prior year retained earnings.

The Bank's operating leases consist mainly of leases of branches, central services facilities and employee apartments.

On 1 January 2019, implementation of the new standard resulted in the recognition of right-of-use assets totalling mAOA 9 077 and lease liabilities totalling mAOA 8 521, as well as an adjustment in deferred income under the heading of "Other assets" equal to the difference between the aforementioned assets and liabilities, namely mAOA 556.

In measuring lease liabilities, BFA used incremental interest rates to discount future lease payments to be made under most of the contracts covered by the standard.

The average incremental interest rate applied is chosen taking the uniform asset type (real estate) and the Bank's risk profile into account.

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

- It excluded any initial direct costs in measuring right-of-use assets at the date of initial application; and
- It recognised all assets with a contractual term ending within 12 months of the date of application of the standard as short-term leases.

The Bank's policy is to:

- exclude short-term leases from the scope of the standard; and
- exclude low-value assets, the threshold for low value being set at the equivalent of USD 5 000 at the commencement of the lease.

The impact of the adoption of IFRS 16 on the opening balances at 1 January 2019 is as follows:

	IAS 17 31/12/2018	Impact of IFRS 16	IFRS 16 01/01/2019
Rights of use	31/12/2018		01/01/2019
Other assents	12 483 105	(555 783)	11 927 322
Total assents	**1 703 727 823**	**8 521 459**	**1 712 249 282**
Lease liabilities	-	8 521 459	8 521 459
Total liabilities	**1 341 819 303**	**8 521 459**	**1 350 340 762**

5. CASH & BALANCES AT CENTRAL BANKS

As at 31 December 2019 and 2018, the breakdown of "Cash and balances at central banks" is as follows:

	31/12/19	31/12/18
Cash		
Domestic currency notes and coins	20 809 566	25 089 384
Foreign currency notes and coins		
In United States dollars	5 190 201	4 509 226
In other currencies	4 688 655	7 787 110
	30 688 422	**37 385 720**
Balance at the central bank		
Demand deposits at the National Bank of Angola (BNA)		
In domestic currency	162 609 318	114 021 290
In United States dollars	47 954 603	30 940 340
In other currencies	61 463 852	29 706 212
	272 027 773	**174 667 842**
	302 716 195	**212 053 562**

The demand deposits at BNA in local and foreign currency are held to meet mandatory reserve requirements and earn no interest.

At 31 December 2018, mandatory reserves are calculated in accordance with the provisions of BNA Instruction 10/2018 of 19 July 2018 and BNA Directive 04/2018 of 19 July 2018.

At 31 December 2019, mandatory reserves are calculated in accordance with the provisions of BNA Instruction 17/2019 of 24 October 2019 and BNA Directive 08/2019 of 24 October 2019.

At 31 December 2019, the mandatory reserve requirement is calculated by applying a rate of 22% to the arithmetic average of eligible liabilities in local currency, and a 15% rate to the arithmetic average of eligible liabilities denominated in foreign currency.

Under BNA Directive 08/2019, the following assets are eligible to meet mandatory reserve requirements in foreign currency:

i. Balance of the foreign-currency deposit account held by the Bank at Banco Nacional de Angola; and

ii. Foreign currency Treasury Bonds, held in the proprietary portfolio, registered in SIGMA and issued from 2015 (80%).

The assets eligible to meet mandatory reserve requirements in local currency are the daily closing balances of the local-currency demand deposit account held at Banco Nacional de Angola.

6. BALANCES AT OTHER CREDIT INSTITUTIONS

At 31 December 2019 and 2018, the amount recorded under "Balances at other credit institutions" is made up entirely of demand deposits at institutions abroad.

	31/12/19	31/12/18
Demand deposits	42 522 475	91 035 833
Accumulated impairment provisions	(14 678)	(249 511)
	42 507 797	**90 786 322**

7. DEPOSITS WITH CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The line item "Deposits with central banks and other credit institutions" at 31 December 2019 and 2018 breaks down as follows:

	31/12/2019	31/12/2018
Deposits with credit institutions:		
Deposits with credit institutions abroad:		
In United States dollars	376 137 060	184 546 986
In Euros	50 782 716	18 282 794
In Pounds sterling	6 422 570	7 801 580
Other currencies		
	433 342 346	**210 631 360**
Deposits with credit institutions in Angola:		
Other credit institutions in Angola	-	-
In Kwanzas	23 751 700	45 500 000
	23 751 700	**45 500 000**
Income receivable	398 786	721 967
	457 492 832	**256 853 327**
Accumulated Impairment provision	**(745 837)**	**(478 994)**
	456 746 995	**256 374 333**

At 31 December 2019 and 2018, the deposits with credit institutions had residual maturities of less than three months.

At 31 December 2019 and 2018, the deposits with credit institutions earned interest at the following average rates:

	31/12/2019	31/12/2018
In United States dollars	1,80%	2,57%
In Pounds sterling	0,56%	0,62%
In Euros	0,05%	0,00%
In Kwanzas	14,24%	9,56%

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At 31 December 2019 and 2018, the Bank only had financial assets held for trading and did not have any financial assets designated on initial recognition at fair value through profit or loss (Fair Value Option).

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

	31/12/2019	31/12/2018
Debt securities:		
Treasury bills	55 027 196	86 856 210
Treasury bonds	114 672 863	93 801 881
	169 700 059	**180 658 091**
Derivatives:		
Forwards cambiais	208 633	377 035
Equity instruments:		
Visa Incl. - Class C (Série I)	1 259 123	566 069
EMIS	1 412 746	999 603
IMC - Instituto de mercado de capitais	337	337
SWIFT	27 752	-
Participation units:		
BFA Oportunidades II	-	91 900
BFA Oportunidades III	74 540	-
BFA Protecção	7 012	-
	172 690 202	**182 693 035**

Debt securities

At 31 December 2019 and 2018, the Bank held Treasury Bills and Treasury Bonds issued by the Angolan government for trading on the secondary market with other banks or with its customers.

Equity securities

At 31 December 2019, the portfolio of equity securities carried at fair value through profit or loss consists of:

i. 13 896 Class C (Series I) shares in Visa Inc.;

ii. an interest in EMIS - Empresa Interbancária de Serviços, S.A.R.L. (EMIS);

iii. an interest in IMC – Instituto de Mercado de Capitais (2%).

iv. 11 SWIFT shares;

v. units in the BFA Oportunidades III fund; and

vi. units in the BFA Proteção fund;

EMIS

The interest in EMIS amounts to 17.26% of EMIS's share capital. In 2004 and 2003 the Bank provided shareholder loans to EMIS which have no maturity date and no specified repayment term. EMIS was incorporated in Angola to manage electronic payment systems and supplementary services.

During 2007, pursuant to the resolution approved at EMIS's general meeting on 16 November 2007, the Bank provided USD 250 500 of quasi-capital loans, which since 1 January 2008, have been earning half-yearly interest at the Libor rate plus a spread of 3% and have no specified repayment term.

By resolution of the EMIS extraordinary general meeting on 16 January 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 16 December 2010. In 2010, the Bank made the total payment of USD 108 000.

In 2010, pursuant to the decision of the General Meeting held on 16 July 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. The General Meeting also resolved to denominate the share capital in kwanzas and to terminate the parity between shareholders, so that the respective holdings would take into account the extent to which each shareholder uses EMIS's services.

The share capital increase was paid in by the shareholders during 2012, with BFA contributing mAOA 53 099. Interest-bearing quasi-capital loans were likewise made by the shareholders during 2012, BFA's contribution amounting to mAOA 193 189. In accordance with the EMIS general meeting resolutions, these loans earn interest at Banco Nacional de Angola's benchmark rate.

In 2013, pursuant to the resolution adopted at the General Meeting held on 9 December 2011, the shareholders of EMIS resolved to increase the non-interest-bearing quasi-capital loans by USD 1 400 000, to which BFA's contribution would be USD 73 684.

The change in the fair value of the interest in EMIS in 2019 and 2018 results from the depreciation of the kwanza against the US dollar.

SWIFT

In 2019, BFA acquired 11 shares of SWIFT for a total of EUR 51 315 (equivalent to mAOA 27 752 at 31 December 2019).

During 2019 and 2018, the above companies did not pay dividends.

At 31 December 2019 and 2018, the changes in the value of debt securities carried at fair value through profit or loss and the capital gains realised by the Bank as a result of transactions in these securities are recorded in the income statement under the heading of "Net gains/(losses) on financial assets and liabilities measured at fair value through profit or loss".

Derivatives

At 31 December 2019 and 2018, the breakdown of "Derivative transactions – Currency forwards" is as follows:

	31/12/2019	31/12/2018
Financial assets at fair value through profit or loss		
Derivative financial instruments		
Positive fair value (assets)	208 633	377 035
	208 633	**377 035**
Financial liabilities at fair value through profit or loss		
Derivative financial instruments		
Negative fair value (liabilities)	(12 675 871)	(3 234 284)
	(12 675 871)	**(3 234 284)**
	(12 467 238)	**(2 857 249)**

At 31 December 2019 and 2018, the derivatives consist of currency forward contracts with non-financial companies, maturing between January and March 2020 and between January and March 2019, respectively.

The notional amount of the forwards at 31 December 2019 and 2018 is recognised in off-balance sheet accounts in the amount of mAOA 40 559 456 and mAOA 58 579 176, respectively.

At 31 December 2019 and 2018, the gains/(losses) on financial assets and liabilities at fair value through profit or loss amounted to net gains of mAOA 1 751 138 and mAOA 5 841 212, respectively, and relate mainly to (i) fair value gains/(losses) on these assets and liabilities, and (ii) gains/(losses) on sales of securities.

9. INVESTMENTS AT AMORTISED COST

At 31 December 2019 and 2018, the breakdown of "Investments at amortised cost" is as follows:

	31/12/2019										
	Risk level	Country	Currency	Nominal value	Acquisition cost	Premium/ accrued discount	Accrued interest	Carrying amount	Impairment	Net book value	Average interest rate
DEBT SECURITIES											
Treasury bonds in local currency:											
Indexed to the US dollar exchange rate	A	Angola	AKZ	-	-	-	-	-	-	-	-
Not indexed	A	Angola	AKZ	587 225 700	463 500 379	50 077 186	16 504 776	530 082 341	(8 329 714)	521 752 627	12,62%
Treasury bonds in foreign currency	A	Angola	USD	309 310 042	309 310 042	-	2 691 969	312 002 011	(4 902 800)	307 099 211	4,85%
				896 535 742	**772 810 421**	**50 077 186**	**19 196 745**	**842 084 352**	**(13 232 514)**	**828 851 838**	

	31/12/2018										
	Risk level	Country	Currency	Nominal value	Acquisition cost	Premium/ accrued discount	Accrued interest	Carrying amount	Impairment	Net book value	Average interest rate
DEBT SECURITIES											
Treasury bonds in local currency:											
Indexed to the US dollar exchange rate	A	Angola	AKZ	5 365 353	5 313 370	21 009	45 989	5 380 368	-	5 380 368	6,38%
Not indexed	A	Angola	AKZ	510 721 200	397 739 696	22 151 516	13 395 422	433 286 634	-	433 286 634	11,63%
Treasury bonds in foreign currency	A	Angola	USD	185 651 799	185 651 799	-	1 719 168	187 370 967	(2 796 778)	184 574 189	5,39%
				701 738 352	**588 704 865**	**22 172 525**	**15 160 579**	**626 037 969**	**(2 796 778)**	**623 241 191**	

The distribution of the investments at amortised cost by residual maturity is presented in Note 31.2.

The fair value and the breakdown by fair value hierarchy of the portfolio of investments at amortised cost is presented in Note 31.4.

The Bank tested the portfolio of investments at amortised cost for objective evidence of impairment and has recorded an impairment allowance totalling mAOA 13 232 514 at 31 December 2019 (mAOA 2 796 778 at 31 December 2018).

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10. LOANS & ADVANCES TO CUSTOMERS

	31/12/2019	31/12/2018
Lending to domestic borrowers		
Overdrafts on demand deposits:		
In domestic currency	4 650 417	9 540 664
In foreign currency	2 327 413	7 465 260
	6 977 830	**17 005 924**
Other credit		
In domestic currency	99 880 807	87 771 040
In foreign currency	6 902 308	26 164 138
	106 783 115	**113 935 178**
Loans		
In domestic currency	118 594 594	75 384 377
In foreign currency	99 398 324	88 567 682
	217 992 918	**163 952 059**
Lending to foreign borrowers	-	-
Total performing loans	**331 753 863**	**294 893 161**
Past-due loans and interest		
Principal and interest	17 420 651	11 385 517
Total loans and advances	**349 174 514**	**306 278 678**
Income receivable from loans and advances	9 995 761	9 259 906
	359 170 275	**315 538 584**
Loan loss provisions	(31 233 538)	(19 696 090)
	327 936 737	**295 842 494**

At 31 December 2019, loans and advances to customers earned interest at an average annual rate of 18.53% for loans in local currency and 9.33% for loans in foreign currency (17.90% in local currency and 9.32% in foreign currency at 31 December 2018).

The distribution of the loan portfolio by segment is as follows:

31/12/2019	Exposure					
Segment	Total exposure	Stage 1 loans	Of which cured	Of which restructured	Stage 2 Loans	Of which cured
Credit cards	546 839	539 635	7 778	-	6 135	96 142
General consumer loans	58 453 712	55 820 609	31 443	-	273 990	1 831 058
Car loans	103 091	101 576	266	-	-	-
Home loans	31 186 375	21 739 873	-	-	925 708	-
Overdrafts	3 884 157	1 055 511	33	-	2 502 812	30 214
Companies - less significant exposures	1 422 348	1 025 752	6 672	2 717	144 686	155 312
Companies - significant exposures	146 561 761	63 652 473	67 613	4 136 482	71 098 628	680 655 971
Public sector	117 011 992	117 011 992	-	-	-	-
Exposure of assets and liabilities	**359 170 275**	**260 947 421**	**113 805**	**4 139 199**	**74 951 959**	**682 768 697**
Letters of credit and guarantees given (Note 28)	91 697 103	88 912 501	-	-	2 783 155	102 196
Total exposure	**450 867 378**	**349 859 922**	**113 805**	**4 139 199**	**77 735 114**	**682 870 893**

31/12/2018	Exposure				
Segment	Total exposure	Performing loans	Of which restructured	Non-performing loans	Of which restructured
Credit cards	1 866 668	1 866 668	-	-	-
General consumer loans	48 232 129	46 276 916	312 114	1 955 213	3 201
Car loans	149 042	146 718	-	2 324	-
Home loans	28 474 086	23 913 396	63 049	4 560 690	-
Overdrafts	541 726	481 971	-	59 755	-
Companies - less significant exposures	1 763 435	1 506 286	84 662	257 149	21 913
Companies - significant exposures	134 237 554	103 082 181	947 028	31 155 373	1 788 825
Public sector	100 273 944	100 273 944	-	-	-
Exposure of assets and liabilities	**315 538 584**	**277 548 080**	**1 406 853**	**37 990 504**	**1 813 939**
Letters of credit and guarantees given (Note 28)	67 893 881	67 893 881	-	-	-
Total exposure	**383 432 465**	**345 441 961**	**1 406 853**	**37 990 504**	**1 813 939**

						Impairment provisions			
Of which restructured	Of which purchased or originated credit-impaired	Stage 3 Loans	Of which cured	Of which restructured	Of which purchased or originated credit-impaired	Total impairment (Note 18)	Stage 1 Loans	Stage 2 Loans	Stage 3 Loans
-	-	1 069	-	-	-	644	124	1	519
16 316	-	2 359 113	-	-	-	2 265 719	358 157	41 537	1 866 025
-	-	1 515	-	-	-	1 330	408	-	922
255 704	-	8 520 794	-	3 340 007	-	6 575 892	176 755	150 933	6 248 204
-	-	325 834	-	-	-	481 098	67 036	177 641	236 421
22 887	-	251 910	-	-	-	227 365	44 844	37 771	144 750
2 870 708	-	11 810 660	156 300	67 753	-	19 842 764	1 326 214	8 605 720	9 910 830
-	-	-	-	-	-	1 838 726	1 838 726	-	-
3 165 615	**-**	**23 270 895**	**156 300**	**3 407 760**	**-**	**31 233 538**	**3 812 264**	**9 013 603**	**18 407 671**
-	-	1 447	1 447	-	-	663 952	506 851	150 720	6 381
3 165 615	**-**	**23 272 342**	**157 747**	**3 407 760**	**-**	**31 897 490**	**4 319 115**	**9 164 323**	**18 414 052**

Impairment provisions		
Total impairment (Note 18)	Performing loans	Non-performing loans
645	645	-
1 943 353	535 077	1 408 276
2 140	828	1 312
3 633 196	698 623	2 934 573
124 060	77 950	46 110
274 777	107 373	167 404
12 724 807	3 233 170	9 491 637
993 112	993 112	-
19 696 090	**5 646 778**	**14 049 312**
702 250	702 250	-
20 398 340	**6 349 028**	**14 049 312**

The distribution of the loan portfolio by number of days past due is as follows:

31/12/2019	Exposure								
	Exposures without a significant increase in credit risk since initial recognition (Stage 1)			Exposures with a significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Exposures with credit impairment (Stage 3)		
Segment	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Credit cards	539 257	378	-	6 135	-	-	1 069	-	-
General consumer loans	55 773 858	46 751	-	37 218	234 440	2 332	28 758	5 485	2 324 870
Car loans	101 576	-	-	-	-	-	-	-	1 515
Home loans	21 739 874	-	-	309 173	596 583	19 951	3 867 931	398 790	4 254 073
Overdrafts	1 055 512	-	-	94 446	133 578	2 274 787	4 896	3 075	317 863
Companies - less significant exposures	991 429	27 623	6 699	78 222	64 504	1 960	11 741	2 913	237 257
Companies - significant exposures	63 358 943	190 650	102 879	35 187 337	6 405 835	29 505 458	73 933	156 300	11 580 426
Public sector	117 011 992	-	-	-	-	-	-	-	-
Exposure of assets and liabilities	**260 572 441**	**265 402**	**109 578**	**35 712 531**	**7 434 940**	**31 804 488**	**3 988 328**	**566 563**	**18 716 004**
Letters of credit and guarantees given (Note 28)	88 912 501	-	-	2 783 155	-	-	1 447	-	-
Total exposure	**349 484 942**	**265 402**	**109 578**	**38 495 686**	**7 434 940**	**31 804 488**	**3 989 775**	**566 563**	**18 716 004**

31/12/2019	Exposure								
	Exposures without a significant increase in credit risk since initial recognition (Stage 1)			Exposures with a significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Exposures with credit impairment (Stage 3)		
Segment	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Credit cards	126	-	-	1	-	-	517	-	-
General consumer loans	357 864	292	-	910	39 560	1 067	20 224	2 509	1 843 293
Car loans	408	-	-	-	-	-	-	-	922
Home loans	176 755	-	-	7 913	133 568	9 452	3 007 365	308 615	2 932 224
Overdrafts	67 034	-	-	4 706	69 910	103 026	2 962	2 487	230 973
Companies - less significant exposures	31 233	9 566	4 044	13 112	24 041	619	3 734	1 685	139 331
Companies - significant exposures	1 266 468	5 633	54 115	1 289 861	433 338	6 882 519	1 461	78 980	9 830 389
Public sector	1 838 726	-	-	-	-	-	-	-	-
Exposure of assets and liabilities	**3 738 614**	**15 491**	**58 159**	**1 316 503**	**700 417**	**6 996 683**	**3 036 263**	**394 276**	**14 977 132**
Letters of credit and guarantees given (Note 28)	504 896	-	1 955	147 352	461	2 907	500	133	5 748
Total exposure	**4 243 510**	**15 491**	**60 114**	**1 463 855**	**700 878**	**6 999 590**	**3 036 763**	**394 409**	**14 982 880**

The following table give details of the exposure and impairment losses of performing and non-performing loans by business segment at 31 December 2018. In this table, non-performing loans and provisions for non-performing loans include only loans more than 90 days past due, whereas loans less than 90 days past due are reported as performing loans:

31/12/2018	Exposure						Impairment provision			
		Performing loans				Non-performing loans		Performing loans		Non-performing loans
		< 30 days past due								
Segment	Total exposure	Without evidence	With evidence	Subtotal	30-90 days past due	> 90 days past due	Total impairment (Note 18)	< 30 days past due	30-90 days past due	> 90 days past due
Credit cards	1 866 668	1 845 700	20 590	1 866 290	378	-	645	645	-	-
General consumer loans	48 232 129	45 631 031	390 223	46 021 254	255 661	1 955 213	1 943 353	475 882	59 195	1 408 276
Car loans	149 042	146 439	279	146 718	-	2 324	2 140	828	-	1 312
Home loans	28 474 086	22 637 665	367 109	23 004 774	908 622	4 560 690	3 633 196	576 891	121 732	2 934 573
Overdrafts	541 726	260 355	200 202	460 557	21 414	59 755	124 060	67 670	10 280	46 110
Companies - less significant exposures	1 763 435	1 290 732	131 317	1 422 049	84 237	257 149	274 777	80 641	26 732	167 404
Companies - significant exposures	134 237 554	81 736 138	18 214 390	99 950 528	3 131 653	31 155 373	12 724 807	2 626 074	607 096	9 491 637
Public sector	100 273 944	100 273 944		100 273 944	-	-	993 112	993 112	-	-
Exposure of assets and liabilities	**315 538 584**	**253 822 004**	**19 324 110**	**273 146 114**	**4 401 965**	**37 990 504**	**19 696 090**	**4 821 743**	**825 035**	**14 049 312**
Letters of credit and guarantees given (Note 28)	67 893 881	61 055 188	6 838 693	39 760 811	-	-	702 250	702 250	-	-
Total exposure	**383 432 465**	**314 877 192**	**26 162 803**	**312 906 925**	**4 401 965**	**37 990 504**	**20 398 340**	**5 523 993**	**825 035**	**14 049 312**

The distribution of the loan portfolio by segment and year of the loan is as follows:

Segment	31/12/2019														
	Credit cards			General consumer loans			Car loans			Home loans			Overdrafts		
	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2014 and previous	11 957	277 933	500	3 667	1 643 708	1 454 271	78	1 514	857	358	7 675 476	2 931 922	5 919	905 924	120 004
2015	6 403	188 601	126	1 188	257 514	35 971	49	19 761	111	41	787 430	86 256	700	42 688	19 125
2016	663	33 620	8	3 053	1 547 943	100 249	8	12 889	34	10	288 596	41 520	1 208	62 772	22 971
2017	379	8 150	2	7 539	5 750 680	175 278	6	15 546	64	15	487 750	2 948	1 206	101 414	37 239
2018	72	1 718	-	11 592	17 596 005	254 755	3	7 404	33	14	300 099	28 168	1 139	2 393 512	144 065
2019	1 814	36 817	8	13 064	31 657 862	245 195	6	45 977	231	719	21 647 024	3 485 078	969	377 847	137 694
Total	**21 288**	**546 839**	**644**	**40 103**	**58 453 712**	**2 265 719**	**150**	**103 091**	**1 330**	**1 157**	**31 186 375**	**6 575 892**	**11 141**	**3 884 157**	**481 098**

Segment	31/12/2019											
	Companies - less significant exposures			Companies - significant exposures			Public sector			Letters of credit and guarantees given		
	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2014 and previous	726	277 849	56 705	129	65 259 024	16 283 289	4	75 869 610	1 192 215	19	2 274 517	83 337
2015	106	148 992	37 619	25	10 070 859	720 936	0	-	-	8	3 465 118	74 605
2016	144	111 956	24 055	27	10 972 141	332 543	-	-	-	3	308 364	8 757
2017	257	216 577	55 449	34	11 546 160	922 103	0	-	-	29	4 372 991	25 596
2018	344	328 795	32 272	39	16 516 260	649 380	1	31 529 659	495 457	22	1 082 634	22 096
2019	182	338 179	21 265	93	32 197 317	934 513	1	9 612 723	151 054	657	79 929 025	444 475
Total	**1 759**	**1 422 348**	**227 365**	**347**	**146 561 761**	**19 842 764**	**6**	**117 011 992**	**1 838 726**	**739**	**91 697 103**	**663 952**

Segment	31/12/2018														
	Credit cards			General consumer loans			Car loans			Home loans			Overdrafts		
	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2014 and previous	12 328	1 018 510	580	4 348	1 987 306	1 055 737	154	27 699	1 218	1 107	25 814 183	3 470 954	5 234	204 799	37 355
2015	6 625	670 850	2	2 899	1 352 997	144 986	59	62 566	666	68	1 378 062	13 932	618	18 197	5 118
2016	683	129 667	-	7 590	5 820 491	183 701	12	29 516	117	12	426 377	113 730	1 043	34 577	6 640
2017	388	45 789	63	9 039	11 601 315	227 347	6	20 456	96	15	503 849	4 721	1 072	45 124	9 396
2018	72	1 852	-	12 492	27 470 020	331 582	3	8 805	43	14	351 615	29 859	1 095	239 028	65 551
Total	**20 096**	**1 866 668**	**645**	**36 368**	**48 232 129**	**1 943 353**	**234**	**149 042**	**2 140**	**1 216**	**28 474 086**	**3 633 196**	**9 062**	**541 725**	**124 060**

Segment	31/12/2018											
	Companies - less significant exposures			Companies - significant exposures			Public sector			Letters of credit and guarantees given		
	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised	No. of transactions	Amount	Impairment recognised
2014 and previous	634	377 563	69 285	184	65 258 017	9 734 523	3	67 798 664	993 112	30	5 040 292	88 975
2015	95	228 550	47 410	39	16 168 112	629 337	0	-	-	12	5 133 602	119 705
2016	130	264 606	44 829	58	15 214 865	480 535	1	8 841 419	-	14	5 039 026	16 005
2017	213	354 305	80 249	61	13 383 018	1 029 670	0	-	-	51	9 036 081	48 578
2018	210	538 412	33 004	87	24 213 542	850 742	1	23 633 861	-	450	43 644 880	428 987
Total	**1 282**	**1 763 436**	**274 777**	**429**	**134 237 554**	**12 724 807**	**5**	**100 273 944**	**993 112**	**557**	**67 893 881**	**702 250**

The breakdown by segment of the amount of gross loan exposure and the impairment amount recorded for the exposures, assessed individually and collectively, is as follows:

By segment: 31/12/2019	Credit cards		General consumer loans		Car loans		Home loans		Overdrafts	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	546 213	190	56 994 324	806 331	102 719	958	24 918 566	1 070 156	1 603 687	374 347
Individually assessed impairment	626	454	1 459 388	1 459 388	372	372	6 267 809	5 505 736	2 280 470	106 751
Total	**546 839**	**644**	**58 453 712**	**2 265 719**	**103 091**	**1 330**	**31 186 375**	**6 575 892**	**3 884 157**	**481 098**

By segment: 31/12/2019	Companies - less significant exposures		Companies - significant exposures		Public sector		Letters of credit and guarantees given	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	1 336 600	180 324	69 843 901	2 068 878	117 011 992	1 838 726	89 174 809	518 512
Individually assessed impairment	85 748	47 041	76 717 860	17 773 886	-	-	2 522 294	145 440
Total	**1 422 348**	**227 365**	**146 561 761**	**19 842 764**	**117 011 992**	**1 838 726**	**91 697 103**	**663 952**

By segment: 31/12/2018	Credit cards		General consumer loans		Car loans		Home loans		Overdrafts	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	1 865 726	-	46 903 267	892 999	148 670	1 769	25 157 654	887 173	541 670	124 004
Individually assessed impairment	942	645	1 328 862	1 050 355	372	372	3 316 432	2 746 023	55	55
Total	**1 866 668**	**645**	**48 232 129**	**1 943 354**	**149 042**	**2 141**	**28 474 086**	**3 633 196**	**541 725**	**124 059**

By segment: 31/12/2018	Companies - less significant exposures		Companies - significant exposures		Public sector		Letters of credit and guarantees given	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	1 662 400	199 945	98 037 745	2 393 186	100 273 944	993 112	66 502 058	652 169
Individually assessed impairment	101 035	74 832	36 199 808	10 331 621	-	-	1 391 823	50 081
Total	**1 763 435**	**274 777**	**134 237 553**	**12 724 807**	**100 273 944**	**993 112**	**67 893 881**	**702 250**

The breakdown by sector of activity of the amount of the gross loan exposure and the impairment amount recorded for the exposures, assessed individually and collectively, is as follows:

By business sector: 31/12/2019	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 provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	52 536	2 089	919 315	44 269	117 014 857	1 838 934	2 394 214	223 083	6 957 823	386 221
Individually assessed impairment	7 548	7 548	25 610	8 664	-	-	29 494 641	6 848 977	174 857	156 023
Total	**60 084**	**9 637**	**944 925**	**52 933**	**117 014 857**	**1 838 934**	**31 888 855**	**7 072 060**	**7 132 680**	**542 244**

By business sector: 31/12/2019	Banks and insurance		Wholesale and retail trade		Construction		Education		Extractive industries	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	10 159 265	14 253	45 181 493	535 148	29 424 464	721 104	1 718 189	62 701	734 008	19 992
Individually assessed impairment	2 274 496	102 807	1 839 800	1 213 158	15 290 185	1 396 509	156 357	79 009	5 377 113	5 377 113
Total	**12 433 761**	**117 060**	**47 021 293**	**1 748 306**	**44 714 649**	**2 117 613**	**1 874 546**	**141 710**	**6 111 121**	**5 397 105**

By business sector: 31/12/2019	Processing industries		Other service companies		Individuals		Production and distribution of electricity, gas and water		Health and social action		Transport, storage and communications	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	17 550 956	143 862	18 407 618	308 844	85 748 535	2 284 341	1 642 334	24 612	271 302	8 142	23 355 904	240 827
Individually assessed impairment	5 986 475	270 589	17 913 733	1 088 398	7 754 822	6 990 868	334 436	109 244	-	-	2 704 492	1 390 161
Total	**23 537 431**	**414 451**	**36 321 351**	**1 397 242**	**93 503 357**	**9 275 209**	**1 976 770**	**133 856**	**271 302**	**8 142**	**26 060 396**	**1 630 988**

By business sector: 31/12/2018	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 provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	39 312	2 305	2 234 235	81 233	100 374 123	993 126	3 573 856	102 236	6 880 990	199 832
Individually assessed impairment	7 652	7 652	23 371	9 348	5 527	5 527	23 556 100	2 269 362	442 153	246 909
Total	**46 964**	**9 957**	**2 257 606**	**90 581**	**100 379 650**	**998 653**	**27 129 956**	**2 371 598**	**7 323 143**	**446 741**

By business sector: 31/12/2018	Banks and insurance		Wholesale and retail trade		Construction		Education		Extractive industries	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	7 660 306	729	32 000 099	709 456	38 649 290	957 786	230 077	15 491	693 796	27 881
Individually assessed impairment	-	-	2 185 306	1 683 021	3 460 986	1 132 885	306 274	95 917	3 429 348	3 429 348
Total	**7 660 306**	**729**	**34 185 405**	**2 392 477**	**42 110 276**	**2 090 671**	**536 351**	**111 408**	**4 123 144**	**3 457 229**

By business sector: 31/12/2018	Processing industries		Other service companies		Individuals		Production and distribution of electricity, gas and water		Health and social action		Transport, storage and communications	
	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions	Total exposure	Impairment provisions
Collectively assessed impairment	12 708 454	155 427	29 578 890	574 563	76 643 205	1 950 961	1 943 205	33 943	1 809 300	18 290	26 073 998	321 101
Individually assessed impairment	-	-	1 572 292	415 638	5 352 011	3 820 228	1 062 820	218 347	52 331	54 671	883 158	865 127
Total	**12 708 454**	**155 427**	**31 151 182**	**990 201**	**81 995 216**	**5 771 189**	**3 006 025**	**252 290**	**1 861 631**	**72 961**	**26 957 156**	**1 186 228**

The breakdown of the restructured loan portfolio by restructuring measure applied is as follows:

	31/12/2019								
	Performing loans			Non-performing loans			Total		
	No. of transactions	Exposure	Impairment provision	No. of transactions	Exposure	Impairment provision	No. of transactions	Exposure	Impairment provision
New loan	33	4 537 423	432 780	14	1 206 523	1 025 793	47	5 743 946	1 458 574
Loan extension	6	1 584 151	223 744	6	654 107	248 922	12	2 238 258	472 666
Total	**39**	**6 121 574**	**656 524**	**20**	**1 860 630**	**1 274 715**	**59**	**7 982 204**	**1 931 240**

	31/12/2018								
	Performing loans			Non-performing loans			Total		
	No. of transactions	Exposure	Impairment provision	No. of transactions	Exposure	Impairment provision	No. of transactions	Exposure	Impairment provision
New loan	10	181 733	44 621	2	269 203	88 496	12	450 936	133 117
Loan extension	23	479 089	77 201	16	2 290 768	1 361 791	39	2 769 857	1 438 992
Total	**33**	**660 822**	**121 822**	**18**	**2 559 971**	**1 450 287**	**51**	**3 220 793**	**1 572 109**

Inward and outward movements in the restructured-loan portfolio are as follows:

	31/12/2019	31/12/2018
Opening balance of the restructured loans portfolio (gross of impairment)	**3 220 793**	**4 837 242**
Loans restructured during the period	10 653 522	379 092
Accrued interest on the restructured loan portfolio	59 050	0
Settlement of restructured loans (partial or total)	(591 268)	(1 995 541)
Loans reclassified from "restructured" to "normal"	(2 943 526)	0
Other	314 001	0
Closing balance of the restructured loans portfolio (gross of impairment)	**10 712 572**	**3 220 793**

The breakdown of the fair value of the collateral underlying the loan portfolio in the Companies, Construction and real estate development, and Residential segments is as follows:

	31/12/2019											
	Companies				Construction and real estate development				Housing			
	Real estate assets		Other collateral		Real estate assets		Other collateral		Real estate assets		Other collateral	
30/06/2019	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
< 50mAKZ	9	171 914	28	709 228	1	47 100	3	59 793	110	3 748 681	1	38 271
>=50MAOA e < 100 MAOA	12	862 731	9	605 100	2	139 212	2	133 039	144	10 506 351	3	208 612
>= 100 MAOA e < 500 MAOA	42	11 268 427	23	5 520 189	1	499 105	4	1 255 172	165	28 768 272	2	530 450
>= 500 MAOA e < 1000 MAOA	8	5 896 669	8	5 156 876	1	925 719	3	2 446 614	3	2 227 889	-	-
>= 1000 MAOA e < 2000 MAOA	12	15 046 982	4	5 646 256	-	-	3	3 837 998	2	2 438 562	-	-
>= 2000 MAOA e < 5000 MAOA	6	23 946 126	2	7 467 656	1	2 170 890	3	6 538 431	1	2 121 799	-	-
>= 5.000 MAOA	6	60 608 250	1	16 969 534	1	200 544 344	-	-	-	-	-	-
Total	**95**	**117 801 099**	**75**	**42 074 839**	**7**	**204 326 370**	**18**	**14 271 047**	**425**	**49 811 554**	**6**	**777 333**

	31/12/2018											
	Companies				Construction and real estate development				Housing			
	Real estate assets		Other collateral		Real estate assets		Other collateral		Real estate assets		Other collateral	
31/12/2018	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
< 50mAKZ	22	430 679	95	1 537 478	1	47 100	10	260 112	478	14 226 492	7	111 354
>=50MAOA e < 100 MAOA	22	1 610 603	22	1 482 040	1	50 000	5	339 465	302	21 836 597	1	92 582
>= 100 MAOA e < 500 MAOA	38	9 403 384	35	8 380 594	2	462 911	8	1 530 197	120	18 625 634	4	742 200
>= 500 MAOA e < 1000 MAOA	20	14 760 950	7	4 256 743	-	-	5	3 653 264	5	3 537 215	-	-
>= 1000 MAOA e < 2000 MAOA	2	2 715 371	3	4 557 376	1	1 389 287	4	5 287 998	1	1 357 871	-	-
>= 2000 MAOA e < 5000 MAOA	5	16 273 001	-	-	1	2 527 260	3	6 798 563	-	-	-	-
>= 5.000 MAOA	5	150 843 733	2	19 850 005	-	-	-	-	-	-	-	-
Total	**114**	**196 037 721**	**164**	**40 064 236**	**6**	**4 476 558**	**35**	**17 869 599**	**906**	**59 583 809**	**12**	**946 136**

The distribution of loans to the Companies, Construction and real-estate development, and Residential segments by collateral coverage ratio is as follows:

	31/12/2019					
	No. of assets	No. of items of other collateral	Stage 1 loans	Stage 2 loans	Stage 3 loans	Impairment provision
Companies						
Without collateral	0	0	199 899 310	3 164 098	2 094 202	4 363 767
< 50%	0	1	4 012 273	-	275 783	343 972
>= 50% and < 75%	0	0	672 258	-	-	11 065
>= 75% and < 100%	2	9	8 557 790	18 139 147	195 000	964 347
>= 100%	93	65	28 875 646	38 417 672	8 346 222	14 821 527
Construction and real estate development						
Without collateral	0	0	7 790 564	3 590 197	9 836	298 235
< 50%	0	1	1 597 068	-	-	46 030
>= 50% and < 75%	0	0	-	-	-	-
>= 75% and < 100%	0	9	10 669 584	3 102 718	9 945	441 289
>= 100%	7	8	6 934 730	9 887 290	1 122 690	1 332 049
Housing						
Without collateral	0	0	1 907 299	98 108	1 030 461	900 582
< 50%	4	0	94 997	-	-	1 212
> = 50% and < 75%	0	0	-	-	34 260	34 260
> = 75% and < 100%	6	0	252 604	101 065	74 090	58 693
> = 100%	415	6	19 484 973	726 535	7 381 983	5 581 145
	527	**99**	**290 749 095**	**77 226 829**	**20 574 472**	**29 198 173**

	31/12/2018				
	No. of assets	No. of items of other collateral	Performing loans	Non-performing loans	Impairment provisions
Companies					
Without collateral	0	-	117 873 501	1 031 784	2 617 189
< 50%	1	3	6 980 084	75 000	377 113
>= 50% and < 75%	1	7	663 019	-	7 839
>= 75% and < 100%	1	26	40 612 735	1 916 269	2 991 486
>= 100%	110	128	30 979 355	5 101 135	6 531 292
Construction and real estate development					
Without collateral	-	-	4 264 830	2 864	117 891
< 50%	-	2	1 377 212	-	46 294
>= 50% and < 75%	-	-	-	-	-
>= 75% and < 100%	-	11	12 446 492	-	597 186
>= 100%	7	22	10 078 801	866 149	1 318 037
Housing					
Without collateral	-	-	1 990 736	10 992	220 664
< 50%	3	-	90 451	491	16 791
> = 50% e < 75%	6	-	173 337	1 094	84 729
> = 75% e < 100%	8	1	358 815	-	5 081
> = 100%	889	11	25 067 456	780 714	3 305 931
	1 026	**211**	**252 956 824**	**9 786 492**	**18 237 523**

The breakdown of the fair value and net carrying amount of the property received in satisfaction of debt, by type of property, is as follows:

	31/12/2019		
	No. of assets	Fair value of the asset	Net book value
Land			
Rural	1	84 788	84 788
Total	**1**	**84 788**	**84 788**

The breakdown of the fair value and net carrying amount of property received in satisfaction of debt, by seniority, is as follows:

	31/12/2019				
	<1 year	>= 1 year and <2,5 years	>= 2,5 year and <5 years	>= 5 years	Total
Land					
Rural	0	0	0	84 788	84 788
Total	**0**	**0**	**0**	**84 788**	**84 788**

The distribution of the loan portfolio by internal risk level is as follows:

Segment	Exposure at 31/12/2019							
	Risk class A	Risk class B	Risk class C	Risk class D	Risk class E	Risk class F	Risk class G	Total
Credit cards	-	544 726	932	244	52	-	885	546 839
General consumer loans	-	55 829 933	164 779	76 506	128 063	55 475	2 198 956	58 453 712
Car loans	-	101 576	-	-	132	-	1 383	103 091
Home loans	-	22 550 055	612 068	75 447	224 811	121 828	7 602 166	31 186 375
Overdrafts	-	1 156 920	76 405	57 749	71 080	62 663	2 459 340	3 884 157
Companies - less significant exposures	623	1 056 215	50 836	46 498	45 371	25 044	197 761	1 422 348
Companies - significant exposures	11 462 500	92 856 640	656 202	29 318 914	1 542 607	1 136 801	9 588 097	146 561 761
Public sector	117 011 992	-	-	-	-	-	-	117 011 992
Exposure of assets and liabilities	**128 475 115**	**174 096 065**	**1 561 222**	**29 575 358**	**2 012 116**	**1 401 811**	**22 048 588**	**359 170 275**
Letters of credit and guarantees given (Note 28)	4 958 191	86 737 465	-	-	-	-	1 447	91 697 103
Total	**133 433 306**	**260 833 530**	**1 561 222**	**29 575 358**	**2 012 116**	**1 401 811**	**22 050 035**	**450 867 378**

Segment	Impairment at 31/12/2019							
	Risk class A	Risk class B	Risk class C	Risk class D	Risk class E	Risk class F	Risk class G	Total
Credit cards	-	577	1	8	36	-	22	644
General consumer loans	-	366 104	22 600	15 083	54 314	31 583	1 776 035	2 265 719
Car loans	-	408	-	-	64	-	858	1 330
Home loans	-	563 673	252 143	20 312	104 249	115 077	5 520 438	6 575 892
Overdrafts	-	74 869	40 696	31 294	53 840	37 339	243 060	481 098
Companies - less significant exposures	-	44 319	21 761	20 659	15 115	15 077	110 434	227 365
Companies - significant exposures	300 769	2 763 117	178 930	6 784 397	1 060 565	370 726	8 384 260	19 842 764
Public sector	1 838 726	-	-	-	-	-	-	1 838 726
Exposure of assets and liabilities	**2 139 495**	**3 813 067**	**516 131**	**6 871 753**	**1 288 183**	**569 802**	**16 035 107**	**31 233 538**
Letters of credit and guarantees given (Note 28)	5 895	646 627	126	294	2 917	1 850	6 243	663 952
Total	**2 145 390**	**4 459 694**	**516 257**	**6 872 047**	**1 291 100**	**571 652**	**16 041 350**	**31 897 490**

Segment	Exposure at 31/12/2018							
	Risk class A	Risk class B	Risk class C	Risk class D	Risk class E	Risk class F	Risk class G	Total
Credit cards	-	1 864 544	721	176	745	28	454	1 866 668
General consumer loans	2 323 068	43 597 244	158 971	74 995	188 220	83 404	1 806 227	48 232 129
Car loans	1 629	145 089	-	-	653	-	1 671	149 042
Home loans	41 145	22 903 308	649 343	173 987	601 718	650 781	3 453 804	28 474 086
Overdrafts	-	460 390	10 011	11 155	24 698	8 807	26 664	541 725
Companies - less significant exposures	230 054	1 170 449	54 996	19 103	40 594	14 835	233 405	1 763 436
Companies - significant exposures	24 948 079	72 049 277	27 153 169	228 457	1 200 865	503 798	8 153 909	134 237 554
Public sector	100 273 944	-	-	-	-	-	-	100 273 944
Exposure of assets and liabilities	**127 817 919**	**142 190 301**	**28 027 211**	**507 873**	**2 057 493**	**1 261 653**	**13 676 134**	**315 538 584**
Letters of credit and guarantees given (Note 28)	12 308 187	55 483 175	-	101 593	-	-	926	67 893 881
Total	**140 126 106**	**197 673 476**	**28 027 211**	**609 466**	**2 057 493**	**1 261 653**	**13 677 060**	**383 432 465**

At 31 December 2019 and 2018, the risk levels provided in the above table are in accordance with the classification specified in BNA Instruction 9/2015 on the methodology for setting aside provisions (Instruction still applicable for prudential ratio purposes).

At 31 December 2019 and 2018, the breakdown of loans and advances to customers by credit risk category (Stage 1, Stage 2 and Stage 3) is as follows:

31/12/2019	Exposure				Impairment provision			
Segment	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit cards	539 635	6 135	1 069	546 839	124	1	519	644
General consumer loans	55 820 609	273 990	2 359 113	58 453 712	358 157	41 537	1 866 025	2 265 719
Car loans	101 576	0	1 515	103 091	408	0	922	1 330
Home loans	21 739 873	925 708	8 520 794	31 186 375	176 755	150 933	6 248 204	6 575 892
Overdrafts	1 055 511	2 502 812	325 834	3 884 157	67 036	177 641	236 421	481 098
Companies - less significant exposures	1 025 752	144 686	251 910	1 422 348	44 844	37 771	144 750	227 365
Companies - significant exposures	63 652 473	71 098 628	11 810 660	146 561 761	1 326 214	8 605 720	9 910 830	19 842 764
Public sector	117 011 992	0	0	117 011 992	1 838 726	0	0	1 838 726
Exposure of assets and liabilities	**260 947 421**	**74 951 959**	**23 270 895**	**359 170 275**	**3 812 264**	**9 013 603**	**18 407 671**	**31 233 538**
Letters of credit and guarantees given	88 912 501	2 783 155	1 447	91 697 103	506 851	150 720	6 381	663 952
Total exposure	**349 859 922**	**77 735 114**	**23 272 342**	**450 867 378**	**4 319 115**	**9 164 323**	**18 414 052**	**31 897 490**

31/12/2018	Exposure				Impairment provision			
Segment	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit cards	1 846 078	15 955	4 635	1 866 668	110	-	535	645
General consumer loans	45 655 035	589 460	1 987 634	48 232 129	456 655	58 529	1 428 169	1 943 353
Car loans	146 438	-	2 604	149 042	694	-	1 446	2 140
Home loans	22 667 881	1 041 135	4 765 070	28 474 086	373 116	142 861	3 117 219	3 633 196
Overdrafts	260 355	220 965	60 405	541 725	63 197	14 257	46 606	124 060
Companies - less significant exposures	1 307 060	155 842	300 534	1 763 436	50 923	36 781	187 073	274 777
Companies - significant exposures	83 545 055	17 692 220	33 000 279	134 237 554	2 296 019	468 744	9 960 044	12 724 807
Public sector	100 273 944	-	-	100 273 944	993 112	-	-	993 112
Exposure of assets and liabilities	**255 701 846**	**19 715 577**	**40 121 161**	**315 538 584**	**4 233 826**	**721 172**	**14 741 092**	**19 696 090**
Letters of credit and guarantees given	61 055 188	6 735 571	103 122	67 893 881	619 742	82 508	-	702 250
Total exposure	**316 757 034**	**26 451 148**	**40 224 283**	**383 432 465**	**4 853 568**	**803 680**	**14 741 092**	**20 398 340**

The movements in Loans and advances to customers in 2019 and 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross book value at 31 December 2017	**612 040 122**	**30 624 609**	**21 883 642**	**664 548 373**
Balances at other credit institutions (Note 6)	34 998 048	-	-	34 998 048
Deposits with central banks and other credit institutions (Note 7)	133 348 784	-	-	133 348 784
Investments at amortised cost (Note 9)	282 661 928	-	-	282 661 928
Loans and advances to customers (Note 10)	161 031 362	30 624 609	21 883 642	213 539 613
Balances at other credit institutions (Note 6)				
New financial assets purchased or originated	17 046 547	-	-	17 046 547
Other changes	38 991 238	-	-	38 991 238
Deposits with central banks and other credit institutions (Note 7)				
New financial assets purchased or originated	256 853 327	-	-	256 853 327
Other changes	(133 348 784)	-	-	(133 348 784)
Investments at amortised cost (Note 9)				
New financial assets purchased or originated	369 007 721	-	-	369 007 721
Other changes	(25 631 680)	-	-	(25 631 680)
Loans and advances to customers (Note 10)				
Transfers to Stage 1	19 121 067	(17 039 015)	(2 082 052)	-
Transfers to Stage 2	(2 930 924)	3 304 816	(373 892)	-
Transfers to Stage 3	(10 877 923)	(3 124 191)	14 002 114	-
New financial assets purchased or originated	77 791 021	14 664 328	360 199	92 815 548
Financial assets that have been derecognised	(35 546 874)	(8 981 256)	(10 712 252)	(55 240 382)
Loans written off	-	-	(8 105 230)	(8 105 230)
Other changes	47 114 117	266 286	25 148 632	72 529 035
Gross book value at 31 December 2018	**1 229 628 975**	**19 715 577**	**40 121 161**	**1 289 465 713**
Balances at other credit institutions (Note 6)	91 035 833	-	-	91 035 833
Deposits with central banks and other credit institutions (Note 7)	256 853 327	-	-	256 853 327
Investments at amortised cost (Note 9)	626 037 969	-	-	626 037 969
Loans and advances to customers (Note 10)	255 701 846	19 715 577	40 121 161	315 538 584
Balances at other credit institutions (Note 6)				
New financial assets purchased or originated	70 303	-	-	70 303
Other changes	(48 583 661)	-	-	(48 583 661)
Deposits with central banks and other credit institutions (Note 7)				
New financial assets purchased or originated	457 492 832	-	-	457 492 832
Other changes	(256 853 327)	-	-	(256 853 327)
Investments at amortised cost (Note 9)				
New financial assets purchased or originated	148 346 962	-	-	148 346 962
Other changes	67 699 421	-	-	67 699 421
Loans and advances to customers (Note 10)				
Transfers to Stage 1	1 709 075	(1 560 905)	(148 170)	-
Transfers to Stage 2	(24 397 714)	47 944 012	(23 546 298)	-
Transfers to Stage 3	(1 301 829)	(1 093 860)	2 395 689	-
New financial assets purchased or originated	77 349 366	16 218 840	4 539 361	98 107 567
Financial assets that have been derecognised	(48 133 425)	(16 027 704)	(3 130 806)	(67 291 935)
Loans written off	-	-	(910 991)	(910 991)
Other changes	20 102	9 755 999	3 950 949	13 727 050
Gross book value at 31 December 2019	**1 603 047 080**	**74 951 959**	**23 270 895**	**1 701 269 934**
Balances at other credit institutions (Note 6)	42 522 475	-	-	42 522 475
Deposits with central banks and other credit institutions (Note 7)	457 492 832	-	-	457 492 832
Investments at amortised cost (Note 9)	842 084 352	-	-	842 084 352
Loans and advances to customers (Note 10)	260 947 421	74 951 959	23 270 895	359 170 275

The movements in the Impairment allowance for expected credit losses in 2019 and 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Total
Expected loss at 31 December 2017 - IAS 39	**2 189 312**	**1 843 522**	**14 697 911**		**18 730 745**
Balances at other credit institutions (Note 6)	-	-	-	-	-
Deposits with central banks and other credit institutions (Note 7)	-	-	-	-	-
Investments at amortised cost (Note 9)	-	-	-	-	-
Loans and advances to customers (Note 10)	2 189 312	1 843 522	14 697 911	-	18 730 745
Transition adjustments for IFRS 9	**2 876 569**	**1 024 103**	**-878 298**	**-**	**3 022 374**
Balances at other credit institutions (Note 6)	126 993	-	-	-	126 993
Deposits with central banks and other credit institutions (Note 7)	320 303	-	-	-	320 303
Investments at amortised cost (Note 9)	1 694 072	-	-	-	1 694 072
Loans and advances to customers (Note 10)	735 201	1 024 103	-878 298	-	881 006
Expected loss at 1 January 2018 - IFRS 9	**5 065 881**	**2 867 625**	**13 819 613**	**-**	**21 753 119**
Balances at other credit institutions (Note 6)	126 993	-	-	-	126 993
Deposits with central banks and other credit institutions (Note 7)	320 303	-	-	-	320 303
Investments at amortised cost (Note 9)	1 694 072	-	-	-	1 694 072
Loans and advances to customers (Note 10)	2 924 513	2 867 625	13 819 613	-	19 611 751
Balances at other credit institutions (Note 6)					
New financial assets purchased or originated	33 406	-	-	-	33 406
Other changes	89 112	-	-	-	89 112
Deposits with central banks and other credit institutions (Note 7)					
New financial assets purchased or originated	478 994	-	-	-	478 994
Other changes	(320 303)	-	-	-	(320 303)
Investments at amortised cost (Note 9)					
New financial assets purchased or originated	1 074 588	-	-	-	1 074 588
Other changes	28 118	-	-	-	28 118
Loans and advances to customers (Note 10)					
Transfers to Stage 1	941 865	-190 755	-751 110	-	-
Transfers to Stage 2	-58 953	152 087	(93 134)	-	-
Transfers to Stage 3	-289 195	(1 832 457)	2 121 652	-	-
New financial assets purchased or originated	715 596	-	175 025	-	890 621
Financial assets that have been derecognised	-	(275 328)	-	-	(275 328)
Loans written off	-	-	(8 105 230)	-	(8 105 230)
Exchange rate and other movements	-	-	7 574 276	-	7 574 276

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Total
Expected loss at 31 December 2018	**7 759 109**	**721 172**	**14 741 092**		**23 221 373**
Balances at other credit institutions (Note 6)	249 511	-	-	-	249 511
Deposits with central banks and other credit institutions (Note 7)	478 994	-	-	-	478 994
Investments at amortised cost (Note 9)	2 796 778	-	-	-	2 796 778
Loans and advances to customers (Note 10)	4 233 826	721 172	14 741 092	-	19 696 090
Balances at other credit institutions (Note 6)					
New financial assets purchased or originated	2	-	-	-	2
Other changes	(234 835)	-	-	-	(234 835)
Deposits with central banks and other credit institutions (Note 7)					
New financial assets purchased or originated	745 837	-	-	-	745 837
Other changes	(478 994)	-	-	-	(478 994)
Investments at amortised cost (Note 9)					
New financial assets purchased or originated	2 332 014	-	-	-	2 332 014
Other changes	8 103 722	-	-	-	8 103 722
Loans and advances to customers (Note 10)					
Transfers to Stage 1	118 537	(47 814)	(70 723)	-	-
Transfers to Stage 2	1 530 436	3 066 027	(2 264 449)	-	-
Transfers to Stage 3	(51 561)	(351 401)	402 962	-	-
New financial assets purchased or originated	903 507	801 369	3 477 575	-	5 182 451
Financial assets that have been derecognised	(635 648)	(283 695)	(1 805 955)	-	(2 725 298)
Loans written off	-	-	(910 991)	-	(910 991)
Exchange rate and other movements	45 181	5 107 945	4 838 160	-	9 991 286
Expected loss at 31 December 2019	**17 805 293**	**9 013 603**	**18 407 671**		**45 226 567**
Balances at other credit institutions (Note 6)	14 678	-	-	-	14 678
Deposits with central banks and other credit institutions (Note 7)	745 837	-	-	-	745 837
Investments at amortised cost (Note 9)	13 232 514	-	-	-	13 232 514
Loans and advances to customers (Note 10)	3 812 264	9 013 603	18 407 671	-	31 233 538

The risk factors associated with the impairment model by segment are as follows:

	Impairment December 2019 - Average parameters			
	PD		LGD	
Segment	Stage 1	Stage 2	Stage 1 e 2	Stage 3
Credit cards	0,1%	31,5%	38,9%	78,5%
General consumer loans	3,2%	59,5%	29,4%	45,5%
Car loans	1,3%	n.a	46,1%	61.0%
Home loans	3,2%	45,3%	32,5%	36,4%
Overdrafts	15,8%	61,8%	56,3%	61,9%
Companies - less significant exposures	14,8%	50,3%	42,6%	59,6%
Companies - significant exposures	7,0%	28,4%	41.5%	49,9%

	Impairment December 2018 - Average parameters			
	PD		LGD	
Segment	Stage 1	Stage 2	Stage 1 e 2	Stage 3
Credit cards	0,3%	0,4%	38,9%	68,2%
General consumer loans	3,4%	25,8%	29,4%	60,1%
Car loans	1,0%	15,5%	46,1%	50,8%
Home loans	4,0%	65,2%	28,4%	29,1%
Overdrafts	0,9%	13,8%	53,7%	77,2%
Companies - less significant exposures	9,0%	28,1%	42,7%	59,9%
Companies - significant exposures	6,1%	5,1%	41,6%	52,2%

At 31 December 2019 and 2018, the 10 largest debtors accounted for 55.31% and 52.86%, respectively, of the total loan portfolio (excluding guarantees given and letters of credit).

In 2019, loans totalling mAOA 910 991 were written off. In 2018, the Bank wrote off mAOA 7 984 053 of loans classified at risk level G.

During 2019 and 2018, recoveries of loans and interest previously cancelled or written off from assets totalled mAOA 760 769 and mAOA 316 701, respectively (Note 25).

11. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2019 and 2018, this item is made up entirely of property received in satisfaction of debt.

	31/12/2019	31/12/2018
Property not for own use		
Real estate property	213 079	136 362
Accumulated impairment provision	(128 291)	-
	84 788	**136 362**

At 31 December 2019 and 2018, the balance of this item relates exclusively to one property received in satisfaction of debt.

Although events or circumstances beyond the Bank's control have extended the period for completion of the sale of this property beyond one year, the Bank remains committed to its plan of sale.

12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The breakdown of investments in affiliates, associates and joint ventures at 31 December 2019 and 2018 is as follows:

	31/12/2019				
	Country	Year of acquisition	Number of shares	% ownership	Cost of acquisition
HOLDINGS IN SUBSIDIARIES					
SOFHA - Sociedade de Fomento Habitacional	Angola	2008	n.a	50%	375
BFA - Gestão de Activos	Angola	2017	n.a	100%	50 000
Total investments in subsidiaries, associates and joint ventures					**50 375**

	31/12/2018				
	Country	Year of acquisition	Number of shares	% ownership	Cost of acquisition
HOLDINGS IN SUBSIDIARIES					
SOFHA - Sociedade de Fomento Habitacional	Angola	2008	n.a	50%	375
BFA - Gestão de Activos	Angola	2017	n.a	100%	50 000
Total investments in subsidiaries, associates and joint ventures					**50 375**

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13. OTHER TANGIBLE ASSETS AND INTANGIBLE ASSETS

The movement in "Other tangible assets and intangible assets" during 2019 and 2018 is summarised below:

	Balances at 31/12/2018				Additions
	Gross assets	Accum. amort. & depr.	Impairment	Net assets	
Other tangible assets					
Property used in operations	23 316 708	(8 361 546)	-	14 955 162	616 030
Furniture, tools, fixtures and equipment	15 874 552	(10 863 557)	-	5 010 995	3 989 635
Fixed assets in progress	2 860 701	-	-	2 860 701	1 169 697
Rights of use:			-		
Branches	-	-	-	-	6 943 669
Offices and central services	-	-	-	-	2 412 845
Other	-	-	-	-	186 150
	42 051 961	(19 225 103)	-	22 826 858	15 318 026
Intangible assets					
Computer software	4 843 639	(3 530 264)	-	1 313 373	351 088
Organisation and expansion costs	101 571	(101 571)	-	-	-
Property-lease premiums	93 923	(93 923)	-	-	-
Other intangibles	29	(29)	-	-	-
	5 039 160	(3 725 787)	-	1 313 373	351 088
	47 091 121	**(22 950 889)**	**-**	**24 140 231**	**15 669 114**

						31/12/18
	Balances at 31/12/2017			Additions	Transfers	Write-offs, disposals and others
	Gross assets	Accum. amort. & depr.	Net assets			
Other tangible assets						
Property used in operations	22 600 936	(7 740 685)	14 860 251	548 126	332 147	(164 502)
Furniture, tools, fixtures and equipment	13 012 377	(9 530 957)	3 481 420	3 118 662	-	(256 487)
Fixed assets in progress	633 315	-	633 315	2 904 935	(332 147)	(345 401)
	36 246 628	(17 271 642)	18 974 986	6 571 723	-	(766 390)
Intangible assets						
Computer software	3 282 002	(2 126 502)	1 155 500	2 671 199	-	(1 109 564)
Organisation and expansion costs	101 571	(101 571)	-	-	-	-
Property-lease premiums	93 923	(93 923)	-	-	-	-
Other intangibles	29	(29)	-	-	-	-
	3 477 525	(2 322 025)	1 155 500	2 671 199	-	(1 109 564)
	39 724 153	**(19 593 667)**	**20 130 486**	**9 242 922**	**-**	**(1 875 954)**

31/12/2019								
Impairment	Transfers	Write-offs, disposals and others	Amort. & depr.		Balances at 31/12/2019			
			for period	Write-offs	Gross assets	Accum. amort. & depr.	Impairment	Net assets
(444 330)	754 077	-	(695 928)	-	24 686 815	(9 057 474)	(444 330)	15 185 011
-	-	(387 086)	(2 390 290)	365 574	19 477 101	(12 888 273)	-	6 588 828
-	(754 077)	(545 876)	-	-	2 730 445	-	-	2 730 445
-						-		
-	-	-	(885 014)	-	6 943 669	(885 014)	-	6 058 655
-	-	-	(488 250)	-	2 412 845	(488 250)	-	1 924 595
-	-	-	(85 594)	-	186 150	(85 594)	-	100 556
(444 330)	0	(932 962)	(4 545 076)	365 574	56 437 025	(23 404 605)	(444 330)	32 588 090
-	-	(40 063)	(1 032 174)	37 999	5 154 664	(4 524 439)	-	630 225
-	-	-	-	-	101 571	(101 571)	-	-
-	-	-	-	-	93 923	(93 923)	-	-
-	-	-	-	-	29	(29)	-	-
-	-	(40 063)	(1 032 174)	37 999	5 350 186	(4 719 961)	-	630 225
(444 330)	**0**	**(973 025)**	**(5 577 250)**	**403 573**	**61 787 211**	**(28 124 566)**	**(444 330)**	**33 218 315**

Amort. & depr.		Balances at 31/12/2018		
for period	Write-offs	Gross assets	Accum. amort. & depr.	Net assets
(716 089)	95 228	23 316 708	(8 361 546)	14 955 162
(1 615 591)	282 991	15 874 552	(10 863 557)	5 010 995
-		2 860 701	-	2 860 701
(2 331 680)	378 219	42 051 961	(19 225 103)	22 826 858
(1 403 762)	-	4 843 639	(3 530 264)	1 313 373
-	-	101 571	(101 571)	-
-	-	93 923	(93 923)	-
-	-	29	(29)	-
(1 403 762)	-	5 039 160	(3 725 787)	1 313 373
(3 735 442)	**378 219**	**47 091 121**	**(22 950 890)**	**24 140 231**

At 31 December 2019 and 2018, “Fixed assets in progress” relates mainly to the acquisition of premises and payments to suppliers of construction work on new branches scheduled to be opened over the coming years.

At 31 December 2019, “Other tangible assets” also includes mAOA 9 542 664 for rights of use, resulting from adoption of IFRS 16 (Note 4). The “Other” item, associated with rights of use, relates to employee apartments and the EMIS data centre.

14. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2019 and 2018, the balances of current tax assets and liabilities are as follows:

	31/12/2019	31/12/2018
Current tax assets	4 186	4 913
Current tax liabilities:		
Industrial Tax	**0**	**30 331 288**
VAT	503 552	0
Tax on investment income	3 366 891	1 248 104
Tax on employment income	464 619	725 004
Tax relating to remuneration	293 037	112 400
	4 628 099	**32 416 796**

In 2019 and 2018, 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:

	31/12/2019	31/12/2018
Current tax liabilities		
Industrial Tax	-	30 813 254
Capital gains tax	9 890 173	8 148 224
Deferred tax assets	(1 487 883)	(890 449)
Adjustment of prior period estimates		
Industrial Tax	-	-
Total tax recognised in the income statement	**8 402 290**	**38 071 029**
Profit before tax	**128 342 482**	**212 329 772**
Effective tax rate	6,55%	17,93%

The reconciliation between the nominal tax rate and the tax burden for the 2019 and 2018 financial years is as follows:

	31/12/2019		31/12/2018	
	Tax rate	Amount	Tax rate	Amount
Profit before tax		128 342 482		212 329 772
Tax calculated using nominal tax rate	30,00%	38 502 745	30,00%	63 698 932
Tax relief on income from public debt securities	(35,11)%	(45 061 088)	(13,89)%	(35 089 210)
Other permanent differences	5,11%	6 558 343	2,05%	4 375 080
Deductible tax losses	0,00%	0	(1,02)%	(2 171 548)
Investment income tax (IAC)	7,71%	9 890 173	3,82%	8 148 224
Adjustment to prior period estimate	0,00%	0	-	-
Deferred tax assets	(1,16)%	(1 487 883)	(1,39)%	(890 448)
Corporate income tax	**6,55%**	**8 402 290**	**17,93%**	**38 071 030**

Industrial Tax

As explained in Note 2.16, the Bank is subject to Industrial Tax and the rate applicable in the periods presented was 30%.

Deferred taxes

At 31 December 2019 and 2018, the Bank recognised deferred tax assets in the amounts of mAOA 7 887 478 and mAOA 5 921 900, respectively. The Board of Directors believes that the conditions for the recognition of these deferred tax assets are met, particularly as regards the availability of future taxable income of the Bank against which they can be offset. These deferred tax assets were calculated on the basis of the tax rates specified for the period in which the assets are expected to be realised.

The Bank uses the rate of 30% to calculate deferred taxes.

The movement in deferred tax assets in the years ended 31 December 2019 and 2018 is as follows:

	Balance at 31/12/2018	Additions	Uses/ reversals	Foreign exchange gains and losses	Balance at 31/12/2019
Provisions temporarily not allowed as a deductible expense:					
Provisions for banking risks, retirement benefits and Social Fund	5 058 275	3 002 312	(1 485 223)	-	6 575 363
Impact of adoption of IFRS 9	863 626	-	(29 207)	477 695	1 312 114
Tax loss recorded in financial year 2017	-	-	-	-	-
	5 921 900	**3 002 312**	**(80 927)**	**243 399**	**7 887 478**

	Balance at 31/12/2017	Additions	Uses/ reversals	Foreign exchange gains and losses	Balance at 31/12/2018
Provisions temporarily not allowed as a deductible expense:					
Provisions for banking risks, retirement benefits and Social Fund	1 791 399	3 159 980	(187 047)	352 139	5 058 275
Impact of adoption of IFRS 9	-	916 263	(52 637)	-	863 626
Tax loss recorded in financial year 2017	1 971 651	-	(1 971 651)	-	-
	3 763 050	**4 018 047**	**(2 211 335)**	**352 139**	**5 921 900**

The tax authorities may review the Bank's tax situation during a period of five years and those reviews may give rise to corrections to taxable income due to differing interpretations of tax legislation.

The Bank's Board of Directors believes that any additional assessments that could arise from such reviews will have no material impact on the financial statements.

The movements in the deferred tax items on the balance sheet are reflected in the following account entries:

	31/12/2019	31/12/2018
Opening balance	5 921 901	3 763 050
Movements recognised in profit or loss	1 487 882	890 449
Movements recognised in retained earnings	-	916 263
Foreign exchange gains and losses	477 695	352 139
Closing balance	**7 887 478**	**5 921 901**

15. OTHER ASSETS

The composition of this item at 31 December 2019 and 2018 is as follows:

	31/12/2018	31/12/2018
Foreign exchange transactions		
Foreign currency purchase and sale	9 945 821	2 301 535
	9 945 821	**2 301 535**
Other amounts relating to taxes		
Other taxes receivable	1 870 929	378 452
	1 870 929	**378 452**
Other amounts of a civil nature		
Sundry debtors:		
Public sector - government	4 623 612	4 623 612
Private sector – companies	937	44 328
Private sector – employees	463 454	251 558
Private sector – individuals	3 231	3 301
Acquisitions in progress	990 546	2 203 020
	6 081 780	**7 125 819**
Other amounts of an administrative or commercial nature		
Prepaid expenses:		
Rents and leasing	99 834	621 518
Insurance	51 945	13 847
Other	619 485	359 765
	771 264	**995 130**
Office materials	786 336	596 338
Other advance payments:		
Cash shortfalls	16 327	2 356
Accruals	2 881 904	1 071 422
Other	8 768	12 054
	2 906 999	**1 085 832**
	22 363 129	**12 483 105**

At 31 December 2019 and 2018, "Other assets of a civil nature - Sundry receivables: Government" relates to commissions receivable from the General Tax Authority (AGT) as remuneration for revenue collection services provided by the Bank. Since the method of making tax payments to the tax authority was changed in March 2018, BFA stopped collecting taxes from customers, so that customers now pay their own taxes directly.

As part of its strategy to reduce arrears, in May 2019 the AGT issued a debt recognition letter in respect of revenue collection services provided by the Bank in financial years 2014 to 2018 and a debt settlement process is under way and is expected to be completed in 2020.

16. FUNDS OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

At 31 December 2019 and 2018, this item breaks down as follows:

	31/12/2019	31/12/2018
Interbank money market transactions		
Funds of credit institutions in Angola – Loans (AOA)	20 494	17 088
Funds of other entities		
Certified cheques	1 598 616	1 896 222
Funds tied to letters of credit	5 992 946	3 112 747
Other	57 050	36 822
	7 669 106	**5 062 879**
	7 669 106	**5 062 879**

At 31 December 2019 and 2018, this item relates mainly to payments in the interbank clearing system, specifically certified cheques and import letters of credit.

"Funds tied to letters of credit" refers to sums deposited by customers when opening letters of credit and earmarked for settlement of import transactions.

The distribution of the "Funds of central banks and other credit institutions" by residual maturity is presented in Note 31.2.

17. CUSTOMER FUNDS AND OTHER BORROWINGS

At 31 December 2019 and 2018, the breakdown of "Customer funds and other borrowings" is as follows:

	31/12/2019	31/12/2018
Demand deposits of residents		
In domestic currency	423 138 559	377 261 071
In foreign currency	241 837 112	167 212 827
	664 975 671	**544 473 898**
Demand deposits of non-residents		
In domestic currency	30 463 194	28 105 489
In foreign currency	5 533 838	6 961 230
	35 997 032	**35 066 719**
Interest on demand deposits	45 136	4 108
Total demand deposits	**701 017 839**	**579 544 725**
Term deposits of residents		
In domestic currency	246 273 406	205 221 394
In foreign currency	662 667 190	422 039 114
	908 940 596	**627 260 508**
Term deposits of non-residents	5 151 010	17 893 839
Interest on term deposits	7 788 199	7 429 177
Total term deposits	**921 879 805**	**652 583 524**
Total deposits	**1 622 897 644**	**1 232 128 249**

At 31 December 2019 and 2018, the structure of customer term deposits by remaining term to maturity is as follows:

	31/12/2019	31/12/2018
Up to 3 months	197 594 940	64 579 630
From 3 to 6 months	600 117 277	141 213 056
From 6 months to 1 year	124 167 588	446 790 838
	921 879 805	**652 583 524**

At 31 December 2019, term deposits in local and foreign currency were earning per annum interest averaging 8.01% and 1.23%, respectively (7.91% and 1.45% at 31 December 2018).

The following table gives a breakdown of demand and term deposits at 31 December 2019 and 2018 by customer type:

	31/12/2019	31/12/2018
Demand deposits		
Public sector - government	8 188 189	17 994 565
Public sector - corporate	46 533 374	19 581 491
Companies	405 612 593	333 833 435
Individuals	240 729 097	208 135 234
	701 063 253	**579 544 725**
Term deposits		
Public sector - government	6 642 194	5 700 423
Public sector - corporate	7 946 321	7 459 646
Companies	416 743 450	295 444 627
Individuals	490 502 426	343 978 828
	921 834 391	**652 583 524**
	1 622 897 644	**1 232 128 249**

18. IMPAIRMENT PROVISIONS AND OTHER PROVISIONS

The movement in impairment provisions and other provisions in the 2019 and 2018 financial years was as follows:

	31/12/2019									
			Increases		Increases					
	Balances at 31/12/2018	Impact of adoption of IFRS 9	Charges for the year	Staff costs (Note 26)	Write-backs and reversals	"Staff costs (Note 26)"	Charge-offs	Exchange differences and others	Transfers	Balances at 31/12/2019
Impairment allowance for other assets										
Funds available at credit institutions (Note 6)	249 511	-	628 925	-	(938 397)	-	-	74 639	-	14 678
Deposits with credit institutions (Note 7)	478 994	-	2 405 961	-	(2 514 412)	-	-	375 294	-	745 837
Investments at amortised cost (Note 9)	2 796 778	-	12 794 439	-	(4 082 185)	-	-	1 723 482	-	13 232 514
Non-current assets held for sale (Note 11)	-	-	128 291	-	-	-	-	-	-	128 291
Other tangible assets (Note 13)	-	-	444 330	-	-	-	-	-	-	444 330
	3 525 283	-	16 401 946	-	(7 534 994)	-	-	2 173 415	-	14 565 650
Loan impairment (Note 10)	19 696 090	-	104 056 898	-	(98 868 880)	-	(910 991)	7 260 421	-	31 233 538
Provisions for:										
General banking risks										
In relation to company law or the articles of association	13 704 096	-	-	-	-	-	(871 993)	7 654 396	-	20 486 499
Of an administrative or commercial nature	9 449 002	-	16 232 466	-	(25 638 363)	-	(393 599)	3 562 207	-	3 211 713
In relation to taxes	49 370	-	-	-	(49 370)	-	-	-	-	-
Of any other nature	97 843	-	4 580	-	(47 401)	-	(55 022)	-	-	-
Guarantees given (Note 10)	702 250	-	12 484 988	-	(12 590 393)	-	-	67 107	-	663 952
Sponsored retirement and survival benefits funds										
Retirement benefits	-								-	-
Complementary Pension Plan	-								-	-
	24 002 561	**-**	**28 722 034**	**-**	**(38 325 527)**	**-**	**(1 320 614)**	**11 283 710**	**-**	**24 362 164**
	47 223 934	**-**	**149 180 878**	**-**	**(144 729 401)**	**-**	**(2 231 605)**	**20 717 546**	**-**	**70 161 352**

	31/12/2018									
			Increases		Increases					
	Balances at 31/12/2017	Impact of adoption of IFRS 9	Charges for the year	Staff costs (Note 27)	Write-backs and reversals	Staff costs (Note 27)	Charge-offs	Exchange differences and others	Transfers	Balances at 31/12/2018
Impairment provisions for other assets										
Funds available at credit institutions (Note 6)	-	126 993	371 911	-	(364 400)	-	-	115 007	-	249 511
Deposits with credit institutions (Note 7)	-	320 303	530 177	-	(654 992)	-	-	283 506	-	478 994
Investments at amortised cost (Note 9)	-	1 694 072	84 908	-	(400 478)	-	-	1 418 276	-	2 796 778
	-	2 141 368	986 996	-	(1 419 870)	-	-	1 816 789	-	3 525 283
Loan impairment (Note 10)	18 730 745	881 006	7 909 547	-	(7 294 254)	-	(8 105 230)	7 574 276	-	19 696 090
Provisions for:										
General banking risks										
In relation to company law or the articles of association	4 977 719	-	4 629 105	-		-	(143 797)	4 241 068	-	13 704 096
Of an administrative or commercial nature	3 610 481	-	5 539 706	-	(529 006)	-	(596 249)	1 424 070	-	9 449 002
In relation to taxes	-	-	49 370	-	-	-	-	-	-	49 370
Of any other nature	-	-	97 843	-	-	-	-	-	-	97 843
Guarantees given (Note 10)	716 415	31 834	1 250 384	-	(1 577 845)	-	-	281 462	-	702 250
Sponsored retirement and survival benefits funds										
Retirement benefits	372 811	-	-	47 399	-	-	(420 210)	-	-	-
Complementary Pension Plan	-	-	-	-	-	-	-	-	-	-
	9 677 426	**31 834**	**11 566 408**	**47 399**	**(2 106 851)**	**-**	**(1 160 256)**	**5 946 600**	**-**	**24 002 561**
	28 408 171	**3 054 208**	**20 462 951**	**47 399**	**(10 820 975)**	**-**	**(9 265 486)**	**15 337 665**	**-**	**47 223 934**

At 31 December 2019 and 2018, "Provisions created under company law or the articles of association" refers to the Social Fund, the purpose of which is to provide financial support for initiatives in the areas of education, health and social solidarity. The Fund was set up with monthly contributions through the allocation of 5% of the net profit for the previous year, calculated in US dollars, over a five-year period. This provision was created between 2005 and 2009, inclusive, and was reinforced in 2017 and 2018. The change between 31 December 2018 and 31 December 2019 is due to the change in the exchange rate, as the provision was created in US dollars.

In August 2018, when a foundation ("Fundação BFA") was set up to serve the abovementioned altruistic purposes, the Bank applied to be registered with the tax authority as a Patron, an application that was granted in October 2019.

Also in 2018, the Bank created the Social Responsibility Directorate, made up of (i) the "BFA Solidário" project monitoring group and (ii) the subsidies group, which will be responsible for the Bank's social action until the BFA Foundation has been created.

While the Bank's Board of Directors intends that the provision recorded at 31 December 2019 in the amount of mAOA 20 486 499 be used to fund the BFA Foundation, it has agreed that in the meantime the provision may also be used for other social activities to be carried out by the Social Responsibility Directorate, until the BFA Foundation has been established.

At 31 December 2019 and 2018, "Provisions of an administrative or commercial nature" consist of: (i) provisions in the amount of mAOA 2 365 489 and mAOA 8 580 053, respectively, set aside to cover fraud, litigation in progress, potential contingencies and other liabilities, representing the Bank's best estimate of the costs it will have to pay in the future to settle such liabilities; and (ii) a provision in the amount of mAOA 846 224 and mAOA 868 948, respectively, to cover contingencies arising from the cancellation of certified cheques more than five years old that have not been not presented by the beneficiaries.

In 2019, the Bank restated the comparative figures at 1 January 2018 by reversing the provision for macroeconomic and financial stability risks recorded in 2017, which though set aside for reasons of prudence, did not meet the recognition requirements under IAS 37 (Note 4).

In 2013, with reference to the last day of the year, the Bank set up the BFA Pension Fund to cover the old-age, disability and surviving-relative pensions that the Bank granted to its Angolan employees enrolled in Social Security, having used the provisions previously set aside as the initial contribution to the BFA Pension Fund (defined-contribution plan). Under the Fund's constitution contract, BFA will make an annual contribution of 10% of the salaries subject to Social Security discounts, applied to fourteen salaries. The return on investments made, net of any taxes, is added to the amount of the contributions. The total amount of the initial contribution made by the Bank to the BFA Pension Plan was mAOA 3 098 194, which included mAOA 44 797 of advances on future contributions, which was used in the first half of 2014. At 31 December 2019 and 2018, the Bank's contributions to the BFA Pension Fund amounted to mAOA 2 434 118 and mAOA 1 521 448, respectively (Note 26).

The BFA Pension Plan is managed by Fenix – Sociedade Gestora de Fundos de Pensões, SA. The Bank acts as depositary of the Fund.

19. OTHER LIABILITIES

The composition of this item at 31 December 2019 and 2018 is as follows:

	31/122019	31/12/2018
Foreign exchange transactions		
Forward currency transactions	9 940 601	2 305 079
	9 940 601	**2 305 079**
Tax payable - withheld on behalf of third parties		
Tax payable - withheld on behalf of third parties	597 545	206 575
Other	307 684	354 882
	905 229	**561 457**
Liabilities of a civil nature	2 019 532	1 529 579
Liabilities of an administrative or commercial nature		
Staff - salaries and other remuneration		
Holiday pay and holiday subsidy	5 456 220	3 326 239
Performance bonus	6 122 402	1 234 428
Other staff costs	1 180 375	907 633
	14 778 529	**6 997 879**
Other administrative and sales expenses payable		
Payables pending settlement	2 496 377	2 498 401
Monthly expenses	9 552 523	7 793 890
Movements in ATMs - pending settlement	5 726 347	3 747 919
Other	6 378 694	4 477 509
	24 153 941	**18 517 719**
Lease liabilities	10 840 950	-
	60 619 250	**28 382 134**

At 31 December 2019 and 2018, "Other administrative and marketing costs payable – Other" includes mAOA 1 084 684 and mAOA 1 009 554, respectively, relating to amounts blocked in customers' accounts awaiting clearance in respect of bank transfer requests.

At 31 December 2019 and 2018, the balance of "Movements via ATMs - to be regularised" relates to transactions carried out via ATMs that were regularised in the first days of the following month.

Additionally, at 31 December 2019, "Lease liabilities" amounted to mAOA 10 849 950 as a result of the adoption of IFRS 16 (Note 4).

20. SHAREHOLDERS' EQUITY

Share capital

The Bank was incorporated with a share capital of mAOA 1 305 561 (equivalent to EUR 30 188 657 at the exchange rate prevailing on 30 June 2002), represented by 1 305 561 registered shares with a par value of one thousand kwanzas per share, subscribed and paid up by incorporation of all the assets and liabilities, including real estate assets or rights of any nature, as well as all the rights and obligations of the former Branch.

At the end of 2004, 2003 and 2002, the Bank increased its share capital by mAOA 537 672, mAOA 1 224 333 and mAOA 454 430, respectively, by incorporating the special equity-maintenance reserve set up to maintain the equivalent value in kwanzas of the initial foreign-currency capital contribution.

At the General Meeting of 4 October 2018, the shareholders resolved unanimously to increase BFA's capital through the capitalisation of mAOA 11 478 003 of reserves included in "Other reserves and retained earnings". This capital increase was carried out pursuant to Banco Nacional de Angola Notice 02/2018, which sets the minimum amount of fully paid-up share capital in local currency at mAOA 7 500 000.

Consequently, at 31 December 2019 and 2018, following the issue of 13 694 439 new shares on 26 November 2018, the Bank's share capital amounts to mAOA 15 000 000, represented by 15 000 000 registered shares with a value of one thousand kwanzas per share.

The Bank's shareholder structure at 31 December 2019 and 2018 is as follows:

	31/122019		31/12/2018	
	Number of shares	%	Number of shares	%
Unitel, S.A.	7 785 000	51,90%	7 785 000	51,90%
Banco BPI, S.A.	7 213 050	48,09%	7 213 050	48,09%
Other BPI Group entities	1 950	0,01%	1 950	0,01%
	15 000 000	**100%**	**15 000 000**	**100%**

On 7 October 2016, Unitel, S.A. (Unitel) concluded with Banco BPI, S.A. (BPI) an agreement for the purchase of 2% of BFA's share capital, which resulted in an increase in Unitel's holding in BFA from 48.09% to 51.9%. On that same date, a new shareholders' agreement relating to BFA was signed.

Finalisation of this operation was subject to the following conditions precedent:

- Authorisation by Banco Nacional de Angola (BNA) of the increase in the qualifying holding already held by Unitel in BFA and authorisation of the capital operations necessary for the payment to Banco BPI and of the transfer to Portugal of the agreed price of 28 million euros;
- BNA authorisation for the alteration of BFA's bylaws; and
- Approval of the operation by the General Meeting of Banco BPI.

On 12 December 2016, Banco Nacional de Angola announced that it was not opposed to the performance of the following acts:

i) Partial amendment of the BFA bylaws;

ii) Increase in the qualifying holding of Unitel in the share capital of BFA through the acquisition from Banco BPI of 26 111 common shares representing 2% of BFA's share capital;

iii) Indirect acquisition of the qualifying holding representing 48.10% of the BFA share capital, following the settlement of the general and mandatory public-acquisition offering issued by Caixabank on the whole of the shares representing the Banco BPI share capital.

BNA set as a condition that the three operations mentioned above are indivisible, that is, it is assumed that they must occur simultaneously, or nearly simultaneously, or, if for any reason it is not possible ensure simultaneity, the operation referred to in (ii) must precede the operations listed under (i) and (iii).

On 5 January 2017, in execution of the purchase and sale of shares agreement concluded in 2016, Banco BPI completed the sale to Unitel of said holding representing 2% of BFA's share capital.

Revaluation reserves

Revaluation reserves correspond to pending results (net of applicable tax charges) that are likely to arise from transactions and other events and circumstances that are not recorded immediately in the income statement for the period when recognised by the Bank.

At 31 December 2019, the Bank transferred all the revaluation reserves relating to the revaluation of fixed assets to "Retained earnings". At 31 December 2018, the revaluation reserve amounted to mAOA 1 253 828.

Up to and including 31 December 2007, in accordance with applicable legislation, the Bank revalued its property, plant and equipment by applying coefficients that reflected the monthly change in the official euro exchange rate to the gross carrying amounts of property, plant and equipment and associated accumulated depreciation, expressed in kwanzas in the Bank's accounting records at the end of the previous month. From 2008 onward, the Bank no longer revalued its fixed assets (Note 2.9).

Revaluation reserves can only be used to absorb accumulated losses or to increase share capital.

In 2019, the Bank reclassified the cumulative impact of the monetary revaluation of the Bank's capital, which until 1 January 2017 was recorded under "Share capital monetary revaluation reserve", to "Retained earnings". At 31 December 2018, the share capital monetary revaluation reserve, totalling mAOA 450 717, was included under the heading "Share capital".

In 2017 and 2018, the Bank did not reflect the impact of IAS 29 on its financial statements for the years then ended. If IAS 29 had been applied in those years, the cumulative impact at 1 January 2019 on revaluation reserves, which incorporate the effect of monetary revaluation of share capital at that date, amounting to mAOA 27 286 845, would have been nil.

Other reserves and retained earnings

The breakdown of these headings is as follows:

	31/12/2019	31/12/2018
Reserves and funds		
Legal reserve	5 161 890	5 161 890
Other reserves	322 103 819	182 375 742
	327 265 709	**187 537 632**

The General Meeting of 24 April 2019 resolved unanimously that mAOA 35 328 956, corresponding to 20.27% of the net profit for the previous year (mAOA 174 258 743), should be distributed to the shareholders as dividends and that the remainder (mAOA 138 929 787) should be allocated to "Reserves".

At the General Meeting of 4 October 2018, the shareholders resolved unanimously to increase BFA's capital through the capitalisation of mAOA 11 478 004 of reserves included in "Other reserves and retained earnings". This capital increase was carried out pursuant to Banco Nacional de Angola Notice 02/2018, which sets the minimum amount of fully paid-up share capital in local currency at mAOA 7 500 000.

Under Article 89 of the Basic Law on Financial Institutions the Bank is required to appropriate earnings to a legal reserve until said reserve is equal in amount to the Bank's share capital. For that purpose, at least 10% 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.

In 2018, Other reserves and retained earnings also includes mAOA 2 137 945 for the transitional adjustment arising from implementation of IFRS 9.

Earnings and dividend per share

The earnings per share and the dividend paid in the years ended 31 December 2019 and 2018, out of the previous year's profits, were as follows:

	31/12/2019	31/12/2018
Average no. of ordinary shares in issue	15 000 000	15 000 000
Net profit/(loss) for the period	119 940 192	174 258 743
Dividends paid in the period for the previous period	35 328 956	27 634 010
Basic earnings per share	7 996	11 617
Dividend per share paid in the period out of prior period profit	2 355	1 842

On 26 November 2018, the Bank increased its share capital by issuing new shares to shareholders in proportion to their existing holding at that date. A total of 13 694 439 shares with a nominal value of AOA 1 000 per share were issued. Thus, at 31 December 2018 the Bank had a total of 15 000 000 ordinary shares outstanding. As there have been no changes in the Bank's share capital since 31 December 2018, the number of ordinary shares outstanding in the period ended 31 December 2019 is 15 000 000.

Under IAS 33 - Earnings per share, in the event of an increase or decrease in the number of ordinary shares, the Basic earnings per share and the Dividend allocated in the period must be adjusted retrospectively in all affected periods.

21. NET INTEREST INCOME

The breakdown of this heading for the years ended 31 December 2019 and 2018 is set forth below:

	31/12/2019	31/12/2018
INTEREST INCOME AND SIMILAR INCOME		
From short-term investments:		
Term deposits at credit institutions abroad	6 056 693	2 601 952
Term deposits at credit institutions in Angola	78 803	462 720
Other	699 965	391 052
Income from reverse repurchase agreements	2 945 059	439 987
	9 780 520	**3 895 711**
From securities:		
From securities held for trading		
Treasury bills	16 135 567	32 267 471
Central Bank bonds	-	4 195 730
Treasury bonds in local currency	11 898 481	12 841 672
From investments at amortised cost		
Treasury bonds in domestic currency indexed to foreign currency and in foreign currency	112 467 860	34 778 219
Treasury bonds in local currency	-	29 447 952
	140 501 908	**113 531 044**
From loans granted		
Companies and government		
Loans	20 545 526	14 150 531
Current account facility	6 880 794	5 725 711
Other credit	33 692	17 228
Home loans	1 089 191	1 126 902
Consumer credit	7 877 153	5 633 886
Other purposes	2 303 121	1 705 591
Past-due interest	682 979	2 113 378
Total interest income and similar income	**189 694 884**	**147 899 982**
Interest expense and similar charges		
Of deposits:		
Demand deposits	388 160	354 746
Term deposits	34 313 297	26 984 337
	34 701 457	**27 339 083**
Short-term borrowings:		
Interbank money market transactions	138 067	2 827 912
	138 067	2 827 912
Other interest expense and similar charges	1 379 643	-
	1 379 643	-
Total interest expense and similar charges	**36 219 167**	**30 166 995**

22. FEE AND COMMISSION INCOME/(EXPENSE)

The breakdown of this heading for the years ended 31 December 2019 and 2018 is shown in the following table:

	31/12/2019	31/12/2018
Income from services provided		
Fees on payment orders issued	1 967 484	2 636 768
Fees on guarantees and sureties given	566 020	474 065
Fees for import letters of credit opened	2 427 052	2 080 947
Fees for ATMs and POS terminals	5 572 590	4 053 858
Fees on securities	2 540 224	2 456 833
Other fee and commission income	5 720 288	4 777 829
	18 793 658	**16 480 300**
Fee and custody expenses		
Fees and commissions	(4 730 576)	(3 216 188)
	14 063 082	**13 264 112**

The amount recorded under “Other fee and commission income” consists mainly of fee and commission income associated with credit card transactions and Multicaixa transactions.

23. FOREIGN EXCHANGE GAINS/(LOSSES)

The breakdown of this heading for the years ended 31 December 2019 and 2018 is shown in the following table:

	31/12/2019	31/12/2018
Exchange gains/(losses) on assets and liabilities denominated in foreign currency	16 234 746	132 312 465
Foreign currency purchase and sale transactions	24 953 398	10 504 279
	41 188 144	**142 816 744**

In 2019 and 2018, “Exchange gains/(losses) on assets and liabilities” relate mainly to foreign exchange gains and losses on assets and liabilities of the Bank denominated in foreign currency and securities in kwanzas indexed to the US dollar.

Overall, the results recorded in 2018 are due to the sharp depreciation of the kwanza against the US dollar and the euro (Note 2.2).

24. GAINS/(LOSSES) ON DISPOSAL OF OTHER ASSETS

The breakdown of this heading for the years ended 31 December 2019 and 2018 is shown in the following table:

	31/12/2019	31/12/2018
Gains/(losses) on disposal of fixed assets		
Gains on disposal of tangible assets	114 934	106 023
Losses on disposal of tangible assets	(4 712)	(9 572)
	110 222	**96 451**

25. OTHER OPERATING INCOME/(EXPENSE)

The breakdown of this heading for the years ended 31 December 2019 and 2018 is shown in the following table:

	31/12/2019	31/12/2018
Other operating income/(expense):		
Contribution to the Deposit Guarantee Fund	(3 575 733)	(3 021 101)
Non-income related taxes and levies	(1 775 690)	(2 484 424)
Penalties imposed by regulatory authorities	(42 478)	(73 040)
Recovery of administrative and commercial costs	4 519 593	3 167 407
Other	3 657 492	2 828 526
	2 783 184	**417 368**

In 2019 and 2018 “Other operating income/(expense) – Recovery of administrative and commercial costs” relates primarily to: (i) reimbursement of communication and dispatch costs borne by the Bank, notably in payment-order operations; and (ii) card income through annuities, cash advances and domestic transfers.

During 2019 and 2018, “Other operating income/(expense) – Other” includes income from loan recoveries and interest previously cancelled or written off in the amounts of mAOA 760 769 and mAOA 316 701, respectively (Note 10).

In 2019 and 2018, “Other operating income/(expense) – Non-income-related taxes and levies” includes the estimated cost of the initial contribution to the Deposit Guarantee Fund in the amount of mAOA 3 249 432 and mAOA 2 343 598, respectively.

26. STAFF COSTS

The breakdown of this heading for the years ended 31 December 2019 and 2018 is shown in the following table:

	31/12/2019	31/12/2018
Members of management and supervisory bodies		
Monthly remuneration	348 311	230 348
Additional remuneration	626 013	378 723
Mandatory employee welfare payments	45 475	3 417
	1 019 799	**612 488**
Employees		
Monthly remuneration	20 636 044	13 657 879
Additional remuneration	17 390 162	12 700 977
Mandatory employee welfare payments	2 209 215	815 357
Optional employee welfare payments	2 179 864	1 694 366
	42 415 285	**28 868 579**
Pension plan costs		
Supplementary pension plan	2 434 118	1 521 448
Other	72 060	60 562
	2 506 178	1 582 010
	45 941 262	**31 063 077**

27. THIRD-PARTY SUPPLIES & SERVICES

The breakdown of this heading for the years ended 31 December 2019 and 2018 is shown in the following table:

	31/12/2019	31/12/2018
Audits, consulting and other specialised technical services	9 727 163	9 622 768
Security, maintenance and repairs	5 270 162	3 802 595
Transport, travel and accommodation	2 228 884	1 968 349
Rentals	234 063	1 896 636
Communications	2 049 062	1 309 556
Water and energy	1 453 859	1 085 313
Publications, advertising and direct mail	2 070 807	1 703 166
Sundry materials	1 167 467	1 032 946
Insurance	480 941	399 950
Other third-party supplies	874 333	577 358
	25 556 741	**23 398 637**

The decrease in "Rentals" in 2019 is due to the adoption of IFRS 16 (Note 4), which introduces a new single accounting model for all leases that is similar to the accounting treatment applied to finance leases under IAS 17.

28. OFF-BALANCE SHEET DISCLOSURES

The composition of these items is as follows:

	31/12/2019	31/12/2018
Liabilities to third parties:		
Guarantees given	22 819 554	34 589 173
Commitments to third parties		
Letters of credit opened	68 877 549	33 304 708
	91 697 103	**67 893 881**
Liabilities for services provided:		
Services provided by the institution		
Securities custody	1 255 407 438	781 130 911
Clearing of cheques drawn on foreign banks	162 287	134 265
Documentary remittances	(57 024 710)	(35 459 627)
	1 198 545 015	**745 805 549**

The balance of "Letters of credit outstanding" at 31 December 2019 and 2018 includes open letters of credit secured by deposits in the amount of mAOA 5 992 946 and mAOA 3 112 747, respectively, held as security by the Bank (Note 16).

At 31 December 2019 and 2018, the Bank had set aside impairment provisions of mAOA 497 119 and mAOA 702 250, respectively, to cover the credit risk of guarantees given and letters of credit issued (Note 18).

At 31 December 2019 and 2018, the "Securities custody" item relates mainly to customer securities entrusted to the Bank for safe custody.

29. RELATED PARTIES

In accordance with IAS 24, the following are considered related parties of the Bank:

- entities directly or indirectly having significant influence over the Bank's management and financial policy (shareholders);
- entities over whose management and financial policy the Bank has significant influence, whether directly or indirectly (associated companies and joint ventures and the Pension Fund);
- key management personnel of the Bank, who for this purpose include executive and non-executive directors and companies over which directors have significant influence.
- subsidiaries, joint ventures or associates of the shareholder with control over the Bank;
- key personnel of the shareholder with control over the Bank (executive and non-executive directors);
- entities controlled or jointly controlled by key personnel of the shareholder with control over the Bank;
- close relatives of key personnel of the shareholder with control over the Bank; and
- entities controlled or jointly controlled by close relatives of key personnel of the Shareholders.

The related parties of the Bank with which the Bank had balances or transactions in 2019 are as follows:

Shareholders

- Banco BPI
- Unitel

Members of BFA's supervisory or management bodies

- António Domingues
- Diogo Santa Marta
- Francisco Costa
- Mário Leite Silva
- Otília Faleiro
- António Matias
- Maria Manuela Moreira
- Carlos Firme
- Francisco Avilez
- Jorge Ferreira
- Rodrigo Guimarães
- Vera Escórcio
- Jorge Brito Pereira
- Amilcar Safeca
- Henrique Camões Serra

Companies in which members of BFA's supervisory or management bodies have significant influence

- C&S - ASSURANCE AND ADVISORY, S.A.
- 4MS MAN SPACE SPA -COM. & SERVIÇOS, LDA
- MAKENNY-COMERCIO E PREST.DE SERVIÇOS, LDA
- PANNELL KERR FORTSTER PORTUGAL, S.A.
- PKF ANGOLA - PERITOS CONT. E CONSULT, S.A.

Companies in which close relatives of members of BFA's supervisory or management bodies have significant influence

- VISSAMI EMPREENDIMENTOS, LDA

BFA investees

- BFA GESTÃO DE ACTIVOS SGOIC. S.A.

Pension Fund

- BFA Pension Fund

Members of Unitel's Board of Directors

- António Miguel Ferreira Geraldes
- Isabel José dos Santos
- João Boa Francisco Quipipa

Companies in which Unitel Board members have significant influence

- AMIGOTEL - COMÉRCIO GERAL, LDA
- CIMINVEST-SOC. DE INVEST. E PARTIC., S.A.
- CITY EXPRESSO-SERVIÇOS, LDA
- COTROL-SOC. AGRO-PECUÁRIA COMÉRCIO LDA
- EFACEC ANGOLA LDA
- EMBALVIDRO - INDÚSTRIA (SU), LDA
- FAZENDA GIRASSOL-LIMITADA
- FINSTAR-SOC.DE INVEST.E PARTICIPAÇOES, S.A.
- FUNDAÇÃO SINDIKA DOKOLO
- GOTS-SOCIED.INVEST.IMOBI.CAPITAL FIXO. S.A.
- HIPERGEST,SOC.DE INV.IMOB.CAP.FIXO, S.A.
- INFOSYSTEMS-SOC.SISTEMAS DE INF. S.A.
- JBFQ-EMPREENDIMENTOS

- LANDSCAPE P. P. IMOBILIÁRIOS, LDA
- NODIBRAND-SISTEMAS,TECN.& CONSLT, LDA
- NOVA CIMANGOLA - GESTÃO DE ACTIVOS, S.A.
- NOVA CIMANGOLA II - S.A.
- NOVA CIMANGOLA, S.A.
- SODIBA-SOCIED.DISTR.BEBIDAS ANGOLA ,LDA
- SOKLINKER PARCEIROS COMERCIAIS, LDA
- TELOPAY-TELECOM. E PREST DE SERVIÇO, LDA
- TIMWE ANGOLA, LDA
- UNICANDA - AGRO-INDUSTRIAL (SU), S.A.
- URBINVESTE-PROMOÇÕES PROJECT IMOBILI,S.A.
- YOUCALL, LDA
- ZAP MEDIA,S.A.
- ZAP PUBLISHING, S.A.

Unitel investees

- ANGOLA CABLES, S.A.
- PT COMUNICAÇÕES,S.A.,

The related parties with which the Bank had balances or transactions in 2018 are as follows:

Shareholders

- Banco BPI
- Unitel

Members of BFA's supervisory or management bodies

- António Domingues
- Diogo Santa Marta
- Francisco Costa
- Isabel José dos Santos
- Mário Leite Silva
- Otília Faleiro
- António Matias
- Maria Manuela Moreira
- Carlos Firme
- Francisco Avilez
- Jorge Ferreira
- Rodrigo Guimarães
- Vera Escórcio
- Jorge Brito Pereira
- Amilcar Safeca
- Henrique Camões Serra

Companies in which members of BFA's supervisory or management bodies have significant influence

- C&S - ASSURANCE AND ADVISORY, S.A.
- 4MS MAN SPACE SPA -COM. & SERVIÇOS, LDA
- MAKENNY-COMERCIO E PREST.DE SERVIÇOS, LDA
- PANNELL KERR FORTSTER PORTUGAL, S.A.
- PKF ANGOLA - PERITOS CONT. E CONSULT, S.A.
- AMIGOTEL - COMÉRCIO GERAL, LDA
- CIMINVEST-SOC. DE INVEST. E PARTIC., S.A.
- CITY EXPRESSO-SERVIÇOS, LDA
- CONTIDIS, LIMITADA
- COTROL-SOC. AGRO-PECUÁRIA COMÉRCIO LDA
- EFACEC ANGOLA LDA
- EMBALVIDRO - INDÚSTRIA (SU), LDA
- FAZENDA GIRASSOL-LIMITADA
- FINSTAR-SOC.DE INVEST.E PARTICIPAÇOES, S.A.
- FUNDAÇÃO SINDIKA DOKOLO
- GOTS-SOCIED.INVEST.IMOBI.CAPITAL FIXO. S.A.
- HIPERGEST,SOC.DE INV.IMOB.CAP.FIXO, S.A.
- INFOSYSTEMS-SOC.SISTEMAS DE INF. S.A.
- LANDSCAPE P. P. IMOBILIÁRIOS, LDA
- NOVA CIMANGOLA - GESTÃO DE ACTIVOS, S.A.
- NOVA CIMANGOLA II - S.A.
- NOVA CIMANGOLA, S.A.
- SODIBA-SOCIED.DISTR.BEBIDAS ANGOLA ,LDA
- SOKLINKER PARCEIROS COMERCIAIS, LDA
- TELOPAY-TELECOM. E PREST DE SERVIÇO, LDA
- TIMWE ANGOLA, LDA
- UNICANDA - AGRO-INDUSTRIAL (SU), S.A.
- URBINVESTE-PROMOÇÕES PROJECT IMOBILI,S.A.
- YOUCALL, LDA
- ZAP MEDIA,S.A.
- ZAP PUBLISHING, S.A.

Companies in which close relatives of members of BFA's supervisory or management bodies have significant influence

- VISSAMI EMPREENDIMENTOS, LDA

BFA investees

- BFA GESTÃO DE ACTIVOS SGOIC. S.A.

Pension Fund

- BFA Pension Fund

Members of Unitel's Board of Directors

- João Boa Francisco Quipipa

Companies in which Unitel Board members have significant influence

- NODIBRAND-SISTEMAS,TECN.& CONSLT, LDA
- JBFQ-EMPREENDIMENTOS

Unitel investees

- ANGOLA CABLES, S.A.
- PT COMUNICAÇÕES,S.A.

At 31 December 2019 and 2018, the Bank's main balances and transactions with related parties are as follows:

	31/12/2019							
	BFA Shareholders		Members of BFA's Board of Directors	Companies in which BFA Board members have significant influence	Investees	BFA Pension Fund	Related parties via Unitel	Total
	BPI	Unitel						
Cash and demand deposits:								
Cash and demand deposits in credit institutions	-	-	-	-	-	-	-	-
Short-term investments:								
Other loans to credit institutions	-	-	-	-	-	-	-	-
Loans granted	-	-	229 021	-	-	-	19 116 966	19345986,77
Customer deposits:								
Demand deposits	1 126	(14 517 317)	(726 864)	(42 610)	(49 289)	(5 127)	(7 676 402)	(23 016 484)
Term deposits	-	(128 587 453)	(226 563)	-	-	(5 633 877)	(1 791 944)	(136 239 837)
Other liabilities	-	-	-	-	-	-	-	-
Interest income and similar income	-	-	-	-	-	-	-	-
Interest expense and similar charges	-	-	-	-	-	-	-	-
Fee and commission expense and other costs	-	-	-	-	-	-	-	-
Securities used as deposit	-	(249 764 131)	(2 242 495)	(579 459)	(413 250)	(21 873 234)	(1 055 357)	(275 927 926)
Participation units	-	(1 500 000)	(50 000)	(50 000)	-	-	(6 000)	(1 606 000)
Letters of credit	-	6 362 672	-	-	-	-	2 522 294	8 884 966
Bank guarantees	-	2 848 296	-	-	-	-	-	2 848 296

	31/12/2018						
	BFA Shareholders		Members of BFA's Board of Directors	Companies in which BFA Board members have significant influence	Investees	BFA Pension Fund	Total
	BPI	Unitel					
Cash and demand deposits:							
Cash and demand deposits in credit institutions	46 196 725	-	-	-	-	-	46 196 725
Short-term investments:							
Other loans to credit institutions	105 172 187	-	-	-	-	-	105 172 187
Loans granted	-	618 160	237 477	14 874 852	-	-	15 730 489
Customer deposits:							
Demand deposits	-	(3 016 770)	(870 268)	(580 266)	-	-	(4 467 304)
Term deposits	-	(92 417 293)	(160 661)	(365 346)	(54 279)	(3 366 384)	(96 363 963)
Other liabilities	-	-	-		-	-	-
Interest income and similar income	1 513 729	n.d.	n.d.	n.d.	n.d.	n.d.	1 513 729
Interest expense and similar charges	-	n.d.	n.d.	n.d.	n.d.	n.d.	-
Fee and commission expense and other costs	-	n.d.	n.d.	n.d.	n.d.	n.d.	-
Securities used as deposit	-	(138 678 231)	(1 244 112)	(159 413)	(278 519)	(13 585 935)	(153 946 209)
Participation units	-	-	(30 800)	-	-	-	(30 800)
Letters of credit	-	-	-	-	-	-	-
Bank guarantees	-	8 990 146	-	8 640	-	-	8 998 786

The information provided on the “Members of BFA’s supervisory and management bodies “ includes the Bank’s main balances and transactions with:

- Members of BFA’s supervisory or management bodies; and

- Close relatives of members of BFA’s supervisory or management bodies.

The information provided in respect of “Companies in which members of BFA’s supervisory and management bodies have significant influence” includes the Bank’s main balances and transactions with:

- Companies in which members of BFA’s supervisory or management bodies have significant influence; and

- Companies in which close relatives of members of BFA’s supervisory or management bodies have significant influence.

The information provided for “Related parties via Unitel” includes the Bank’s main balances and transactions with:

- Members of the Board of Directors of Unitel;

- Companies in which members of Unitel’s Board of directors have significant influence;

- Close relatives of members of Unitel’s Board of Directors; and

- Unitel investees

The information reported at 31 December 2019 and 2018 does not include income received or expenses incurred in transactions with Unitel, members of BFA’s supervisory or management bodies, companies in which the latter have significant influence or control, subsidiaries, the BFA Pension Fund or related parties via Unitel.

30. BALANCE SHEET BY CURRENCY

The balances at 31 December 2019 and 2018, by currency, are as shown below:

	2019			2018		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Cash and balances at central banks	183 418 884	119 297 311	302 716 195	139 110 675	72 942 887	212 053 562
Balances at other credit institutions	-	42 507 797	42 507 797	-	90 786 322	90 786 322
Deposits with central banks and other credit institutions	23 893 849	432 853 147	456 746 995	45 734 258	210 640 075	256 374 333
Financial assets at fair value through profit or loss	170 255 828	2 434 373	172 690 202	181 346 699	1 346 336	182 693 035
Investments at amortised cost	521 752 627	307 099 212	828 851 838	438 667 002	184 574 189	623 241 191
Loans and advances to customers	222 912 124	105 024 613	327 936 737	172 720 230	123 122 264	295 842 494
Non-current assets held for sale	-	84 788	84 788	-	136 362	136 362
Investments in subsidiaries, associates and joint ventures	50 375	-	50 375	50 375	-	50 375
Other tangible assets	32 588 090	-	32 588 090	22 826 858	-	22 826 858
Intangible assets	630 225	-	630 225	1 313 373	-	1 313 373
Current tax assets	4 186	-	4 186	4 913	-	4 913
Deferred tax assets	6 575 365	1 312 114	7 887 478	5 058 274	863 626	5 921 900
Other assets	18 203 055	4 160 074	22 363 129	4 514 264	7 968 841	12 483 105
Total assets	**1 180 284 607**	**1 014 773 429**	**2 195 058 036**	**1 011 346 921**	**692 380 902**	**1 703 727 823**
Funds of central banks and other credit institutions	1 619 111	6 049 996	7 669 106	1 913 310	3 149 569	5 062 879
Customer funds and other borrowings	707 070 365	915 827 279	1 622 897 644	618 675 355	613 452 894	1 232 128 249
Financial liabilities at fair value through profit or loss	12 675 871	-	12 675 871	3 234 284	-	3 234 284
Provisions	3 094 941	21 267 223	24 362 164	9 693 710	14 308 851	24 002 561
Current tax liabilities	4 628 099	-	4 628 099	32 410 583	6 213	32 416 796
Other liabilities	(21 429 599)	82 048 849	60 619 250	(35 801 450)	64 183 584	28 382 134
Total liabilities	**707 658 788**	**1 025 193 347**	**1 732 852 134**	**630 125 792**	**695 101 111**	**1 325 226 903**
Net assets/(liabilities)	**472 625 819**	**(10 419 918)**	**462 205 902**	**381 221 129**	**(2 720 209)**	**378 500 920**
Shareholders' equity	**462 205 902**	**-**	**462 205 902**	**378 500 920**	**-**	**378 500 920**

The above table includes securities in kwanzas indexed to the US dollar.

If the balances in foreign currency are taken to include (i) securities in kwanzas indexed to the US dollar ("Financial assets at fair value through profit or loss") in the amounts of mAOA 77 112 471 and mAOA 76 356 758 at 31 December 2019 and 2018, respectively, and (ii) the notional amounts of forwards (recognised in off-balance sheet accounts in the amounts of mAOA 40 559 456 and mAOA 58 579 176 at 31 December 2019 and 2018, respectively) in "Other assets" under "Local currency", the balance sheet structure by currency is as follow:

	2019			2018		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Cash and balances at central banks	183 418 884	119 297 311	302 716 195	139 110 675	72 942 887	212 053 562
Balances at other credit institutions	-	42 507 797	42 507 797	-	90 786 322	90 786 322
Deposits with central banks and other credit institutions	23 893 849	432 853 147	456 746 996	45 734 258	210 640 075	256 374 333
Financial assets at fair value through profit or loss	93 143 357	79 546 844	172 690 201	104 989 941	77 703 094	182 693 035
Investments at amortised cost	521 752 627	307 099 212	828 851 839	433 286 638	189 954 553	623 241 191
Loans and advances to customers	222 912 124	105 024 613	327 936 737	172 720 230	123 122 264	295 842 494
Non-current assets held for sale	-	84 788	84 788	-	136 362	136 362
Investments in subsidiaries, associates and joint ventures	50 375	-	50 375	50 375	-	50 375
Other tangible assets	32 588 090	-	32 588 090	22 826 858	-	22 826 858
Intangible assets	630 225	-	630 225	1 313 373	-	1 313 373
Current tax assets	4 186	-	4 186	4 913	-	4 913
Deferred tax assets	6 575 365	1 312 114	7 887 479	5 058 274	863 626	5 921 900
Other assets	(22 356 401)	44 719 530	22 363 129	(54 064 912)	66 548 017	12 483 105
Total assets	**1 062 612 680**	**1 132 445 357**	**2 195 058 036**	**871 030 623**	**832 697 200**	**1 703 727 823**
Funds of central banks and other credit institutions	1 619 111	6 049 996	7 669 106	1 913 310	3 149 569	5 062 879
Customer funds and other borrowings	707 070 365	915 827 279	1 622 897 644	618 675 355	613 452 894	1 232 128 249
Financial liabilities at fair value through profit or loss	12 675 871	-	12 675 871	3 234 284	-	3 234 284
Provisions	3 094 941	21 267 223	24 362 164	9 693 710	14 308 851	24 002 561
Current tax liabilities	4 628 099	-	4 628 099	32 410 583	6 213	32 416 796
Other liabilities	(61 989 055)	122 608 305	60 619 250	(94 380 626)	122 762 760	28 382 134
Total liabilities	**667 099 332**	**1 065 752 803**	**1 732 852 134**	**571 546 616**	**753 680 287**	**1 325 226 903**
Net assets/(liabilities)	**395 513 349**	**66 692 553**	**462 205 902**	**299 484 007**	**79 016 913**	**378 500 920**
Shareholders' equity	**462 205 902**	**-**	**462 205 902**	**378 500 920**	**-**	**378 500 920**

Loans and advances to customers granted by the Bank and denominated in foreign currency, including US dollars, are detailed in the above table in the "Foreign currency" column.

However, in accordance with article 4(2) of Banco Nacional de Angola Notice 3/2012, financial institutions, in collecting the instalments of loans granted, must accept funds in the accounts of their customers in any currency, regardless of the currency contracted. This requirement only applies to loan transactions contracted after the entry into force of the Notice in question.

It should be said that the Bank's customers have generally paid the instalments of principal and interest of loans denominated in US dollars in the equivalent amount in kwanzas on the settlement date, under the option provided for in BNA Notice 3/2012.

31. RISK MANAGEMENT

BFA's activities are exposed to a variety of financial risk factors, including the effects of changes in market prices: foreign exchange risk, credit risk, liquidity risk and interest rate cash flow risk, among others.

The management of BFA's risks is overseen by the Risk Management Department in accordance with policies approved by the Board of Directors. The Board of Directors has thus set down in writing the main principles of general risk management, as well as specific policies for certain areas, such as the hedging of interest rate risk, liquidity risk and credit risk.

The Board of Directors defines the principles of risk management as a whole and the policies covering particular areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, as well as the investment of excess liquidity.

31.1 CREDIT RISK

Credit risk is the risk of default by the counterparties with which the Bank has open positions in financial instruments as the creditor. In accordance with BFA's General Lending Regulations, the granting of loans by the Bank is based on the following basic principles:

Submission of proposals

Proposals for loans or guarantees submitted to BFA for approval:

- Must be adequately detailed in a loan proposal form, containing all the primary and supplementary information needed to complete the transaction;
- Must comply with the relevant product specifications;
- Must be accompanied by a duly substantiated analysis of the credit risk; and
- Must be signed by the bodies submitting the proposal.

Credit-risk analysis

Credit risk analysis takes into account the Bank's total exposure to the customer or group to which the customer belongs, in accordance with applicable legislation. The exposures relating to the same customer or economic group are classified on the basis of those that constitute the greatest risk.

At present, under Banco Nacional de Angola regulations:

- The liabilities of an individual customer include all the customer's current and potential liabilities to the Bank, whether contracted or committed, in respect of financing and guarantees (the Bank's total exposure to the customer);
- The liabilities of a group of customers include all the liabilities of the individual customers in the group to the Bank (the Bank's total exposure to the group); and
- The existence of guarantees with sovereign risk or immediate liquidity impacts on the calculation of the overall exposure.

Risk Classification

The Bank classifies loan transactions by increasing order of risk, as follows:

Level A: Minimum risk
Level B: Very low risk
Level C: Low risk
Level D: Moderate risk
Level E: High risk
Level F: Very high risk
Level G: Maximum risk

Individual exposures are classified taking the characteristics and risks of the transaction and the borrower into account and initially are classified on the basis of the following criteria adopted by the Bank:

Level A: transactions that are:

(i) assumed by the Angolan State, including central and provincial government;

(ii) assumed by central government agencies, 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;

(v) fully secured by securities or bonds issued by the Angolan State or by the National Bank of Angola.

Level B and following: other loans.

The classification of exposures is reviewed whenever there are changes in the signs of impairment in late payments.

Within the scope of the regular review of loan transactions, including past-due loans, BFA reclassifies non-performing loans to performing on the basis of an analysis of the economic prospects of collectability, having regard to collateral, the borrowers' or guarantors' assets, and the existence of transactions whose risk BFA equates to sovereign risk, or when a loan's past-due status is exclusively the Bank's responsibility due to failures in its processes.

Association of guarantees

For loans to individuals or small enterprises with maturity of more than 36 months, in the absence of financial collateral, BFA will as a general rule require the presentation of real-estate collateral.

Loan transactions are secured by guarantees considered adequate to the borrower's risk and the nature and term of the transaction, which are duly substantiated in terms of sufficiency and liquidity.

Real estate collateral is appraised before the loan approval decision is taken and such appraisals are reviewed periodically. Exceptions to this rule (with the decision conditional on a subsequent appraisal) imply that the loan will only be disbursed after the Bank obtains the appraisal of the collateral.

The main types of collateral for loans to customers are:

- Mortgages on residential properties;
- Liens on corporate assets, such as plant, inventory or receivables;
- Liens on financial instruments, such as debt securities or shares; and
- Liens on term deposits at the Bank.

Long-term financing and loans to corporates are usually collateralised. By contrast, revolving loans tend to be unsecured.

The collateral taken to secure financial assets, except for loans and advances to customers, always depends on the type of financial instrument. Debt instruments do not usually have collateral, except for securitised instruments, which are backed by portfolios of financial instruments. Derivatives, on the other hand, do have collateral.

The Bank's policies on collateral did not change significantly during the reporting period and there were no material changes in the quality of the collateral held by the Bank compared to the previous period.

The Bank monitors the collateral for impaired loans to customers, as the Bank is more likely to enforce such collateral to mitigate possible credit losses. Details of credit-impaired loans to customers (Stage 3) and the associated collateral are as follows:

		31/12/2019			
		Gross loans	Impairment provisions	Net loans	Fair value of collateral
Individuals	**Individuals**				
CARC	Credit cards	1 069	517	552	0
CC	Current accounts	20 654	20 654	0	96 445
CRF	Financing loan	2 324 241	2 063 069	261 172	4 868 994
CRR	Income loan	8 576 211	6 066 029	2 510 182	21 006 789
DO	Overdrafts	296 490	224 258	72 232	0
		11 218 665	**8 374 527**	**2 844 138**	**25 972 228**
Companies	**Companies**	617 329	553 994	63 335	1 337 323
CC	Current accounts	9 625 639	7 729 573	1 896 066	27 425 218
CRF	Financing loan	192 620	158 083	34 537	1 268 048
CRR	Income loan	1 616 642	1 591 494	25 148	0
DO	Overdrafts	12 052 230	10 033 144	2 019 086	30 030 589
	Total	**23 270 895**	**18 407 671**	**4 863 224**	**56 002 817**

		31/12/2018			
		Gross loans	Impairment provisions	Net loans	Fair value of collateral
Individuals	**Individuals**				
CARC	Credit cards	4 635	535	4 100	-
CC	Current accounts	19 555	19 555	-	61 721
CRF	Financing loan	1 301 033	1 068 717	232 316	8 855 718
CRR	Income loan	5 462 159	3 484 076	1 978 083	26 657 392
DO	Overdrafts	57 863	44 679	13 184	-
		6 845 245	**4 617 562**	**2 227 683**	**35 574 831**
Companies	**Companies**				
CC	Current accounts	2 011 565	978 925	1 032 640	3 354 787
CRF	Financing loan	29 803 509	7 855 647	21 947 862	127 492 001
CRR	Income loan	285 580	192 611	92 969	3 946 258
DO	Overdrafts	1 175 262	1 096 347	78 915	-
		33 275 916	**10 123 530**	**23 152 386**	**134 793 046**
	Total	**40 121 161**	**14 741 092**	**25 380 069**	**170 367 877**

Exclusions due to incidents

The Bank does not lend to customers who have a record of material incidents in the past 12 months, or to companies belonging to the same group as customers who are in such a situation.

The following are considered material incidents:

- Payments of principal or interest to a financial institution more than 45 days past due;
- Improper use of cards or payment systems for which the person or entity is responsible;

- Pending legal actions against that person or entity that may have a potential adverse impact on its economic or financial situation.

Exceptions to these rules may only be approved by the Executive Committee of the Board of Directors or by the Board of Directors of BFA.

Restructuring

In principle, BFA only formalises restructuring of current loans after evaluation of the customer's ability to comply with the new plan, if one of the following criteria is met:

- New (more liquid or more valuable) collateral is provided for the new loan;
- All outstanding ordinary and default interest is paid (if the loan is in default); 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 on account of the customer's financial difficulties are generally typified in the general credit regulation and comply with the specific rules of the regulator in this matter.

Restructured loans are flagged to indicate risk deterioration and are monitored periodically for compliance with the established plan, and are only deflagged when certain conditions of regularity in compliance with the plan have been met.

Renegotiated loans are kept at a risk level at least as high as the one they were classified at in the month immediately before the renegotiation. A loan is only reclassified to a lower risk level if there are regular, substantial principal repayments or payment of past-due and default interest, or if the quality and value of additional collateral posted for the renegotiated loan so warrants.

Monitoring of past-due loans

Loans up to 60 days past due are generally handled by sales staff and monitored by a specialised team. For loans more than 60 days past due, management of the relationship is transferred to that specialised team, whose mission is to co-operate in loan recovery measures, with the possibility of taking over the restructuring negotiations and proposals. This team is responsible for monitoring cases under its management.

Restructuring negotiations are conducted in accordance with the principles stated above.

This team is responsible for managing the relationship with the customer, with a view to recouping the loan, with recourse to court action if necessary.

Impairment losses

BFA has implemented an impairment loss calculation model for the loan portfolio in accordance with the requirements of IFRS 9.

BFA calculates impairment losses for the loan portfolio at monthly intervals, based on the model implemented, and the resulting impairment amount is approved by the Executive Committee of the Board of Directors.

This model was used and its results were calculated for the first time at 1 January 2018. Since that reference date monthly calculations have been carried out. The half-year results are approved by the Bank's Board of Directors.

Securities

BFA's securities portfolio is selected with regard to the high credit quality of the issuers and at 31 December 2019 and 2018 was made up mainly of securities issued by the Angolan State and Banco Nacional de Angola.

The breakdown of the maximum credit-risk exposure at 31 December 2019 and 2018 is as follows:

	31/12/2019			31/12/2018		
	Gross carrying amount	Impairment provisions	Net carrying amount	Gross carrying amount	Impairment provisions	Net carrying amount
On-balance sheet						
Cash and balances at central banks	302 716 195	-	302 716 195	212 053 562	-	212 053 562
Balances at other credit institutions	42 522 475	14 678	42 507 797	91 035 833	249 511	90 786 322
Deposits with central banks and other credit institutions	457 492 832	745 837	456 746 995	256 853 327	478 994	256 374 333
Financial assets at fair value through profit or loss	172 690 202	-	172 690 202	182 693 035	-	182 693 035
Investments at amortised cost	842 084 352	13 232 514	828 851 838	626 037 969	2 796 778	623 241 191
Loans and advances to customers	359 170 275	31 233 538	327 936 737	315 538 584	19 696 090	295 842 494
	2 176 676 331	45 226 567	2 131 449 764	1 684 212 310	23 221 373	1 660 990 937
Off-balance-sheet						
Guarantees given and letters of credit opened	91 697 103	663 952	91 033 151	67 893 881	702 250	67 191 631
Total	**2 268 373 434**	**45 890 519**	**2 222 482 915**	**1 752 106 191**	**23 923 623**	**1 728 182 568**

The credit quality of the financial assets at 31 December 2019 and 2018 is as follows:

	Source of rating	Rating grade	31/12/2019		
			Gross exposure	Impairment provision	Net exposure
Cash and balances at central banks	External rating	B+ a B-	272 027 455	-	272 027 455
	Unrated	N/D	30 688 740	-	30 688 740
			302 716 195	-	302 716 195
Balances at other credit institutions	External rating	AAA a AA-	824 727	(2)	824 725
		A+ a A-	1 762 974	(60)	1 762 914
		BBB+ a BBB-	13 528 486	(1 583)	13 526 903
		BB+ a BB-	24 458 958	5 230	24 464 188
		B+ a B-	-	-	-
		CCC a CC-	1 933 881	(7 736)	1 926 145
	Unrated	N/D	13 449	(10 527)	2 922
Deposits with central banks and other credit institutions			42 522 475	(14 678)	42 507 797
	External rating	AAA a AA-	48 287 141	(13 038)	48 274 103
		A+ a A-	38 607 922	(14 015)	38 593 907
		BBB+ a BBB-	115 651 027	(121 281)	115 529 746
		BB+ a BB-	231 052 893	(597 503)	230 455 390
		B+ a B-	23 893 849	-	23 893 849
	Unrated	N/D	-	-	-
Financial assets at fair value through profit or loss			457 492 832	(745 837)	456 746 994
	External rating	B+ a B-	169 700 058	-	169 700 058
	Unrated	N/D	2 990 144	-	2 990 144
Investments at amortised cost			172 690 202	-	172 690 202
	External rating	B+ a B-	842 084 352	(13 232 514)	855 316 866
		N/D	-	-	-
Loans and advances to customers - On-balance-sheet			842 084 352	(13 232 514)	828 851 838
	Internal rating	Classe A	128 475 115	(2 139 495)	126 335 620
		Classe B	174 096 065	(3 813 067)	170 282 998
		Classe C	1 561 222	(516 131)	1 045 091
		Classe D	29 575 358	(6 871 753)	22 703 605
		Classe E	2 012 116	(1 288 183)	723 933
		Classe F	1 401 811	(569 802)	832 009
		Classe G	22 048 588	(16 035 107)	6 013 481
Loans and advances to customers - Off-balance-sheet			359 170 275	(31 233 538)	327 936 737
	Internal rating	Classe A	4 958 191	(5 895)	4 952 296
		Classe B	86 737 465	(646 627)	86 090 838
		Classe C	-	(126)	(126)
		Classe D	-	(294)	(294)
		Classe E	-	(2 917)	(2 917)
		Classe F	-	(1 850)	(1 850)
		Classe G	**1 447**	**(6 243)**	**(4 796)**
			91 697 103	**(663 952)**	**91 033 151**
		Total	**2 268 373 434**	**(45 890 519)**	**2 222 482 915**

	Source of rating	Rating grade	31/12/2018		
			Gross exposure	Impairment provision	Net exposure
Cash and balances at central banks	External rating	B+ a B-	-	-	-
	Unrated	N/D	212 053 562	-	212 053 562
			212 053 562	-	212 053 562
Balances at other credit institutions	External rating	A+ a A-	3 027 789	(142)	3 027 647
		BBB+ a BBB-	68 763 013	(207 912)	68 555 101
		BB+ a BB-	1 697 666	(5 099)	1 692 567
		B+ a B-	12 518 898	(20 010)	12 498 888
	Unrated	N/D	5 028 467	(16 348)	5 012 119
			91 035 833	(249 511)	90 786 322
Deposits with central banks and other credit institutions	External rating	A+ a A-	53 294 618	(35 322)	53 329 940
		BBB+ a BBB-	105 172 187	(324 371)	105 496 558
		BB+ a BB-	17 650 858	(57 764)	17 708 622
		B+ a B-	24 808 349	(28 179)	24 836 528
	Unrated	N/D	55 927 315	(33 358)	55 960 673
			256 853 327	(478 994)	256 374 333
Financial assets at fair value through profit or loss	External rating	B+ a B-	180 658 091	-	180 658 091
	Unrated	N/D	2 034 944	-	2 034 944
			182 693 035	-	182 693 035
Investments at amortised cost	External rating	B+ a B-	626 037 969	(2 796 778)	623 241 191
Loans and advances to customers - On-balance-sheet	Internal rating	Classe A	127 817 919	(1 859 623)	125 958 296
		Classe B	142 190 301	(2 804 603)	139 385 698
		Classe C	28 027 211	(2 562 546)	25 464 665
		Classe D	507 873	(135 422)	372 451
		Classe E	2 057 493	(804 995)	1 252 498
		Classe F	1 261 653	(691 161)	570 492
		Classe G	13 676 134	(10 837 740)	2 838 394
			315 538 584	(19 696 090)	295 842 494
Loans and advances to customers - Off-balance-sheet	Internal rating	Classe A	12 308 187	(132 527)	12 175 660
		Classe B	55 483 175	(569 723)	54 913 452
		Classe C	-	-	-
		Classe D	101 593	-	101 593
		Classe E	-	-	-
		Classe F	-	-	-
		Classe G	926	-	926
			67 893 881	**(702 250)**	**67 191 631**
		Total	**1 752 106 191**	**(23 923 623)**	**1 728 182 568**

The breakdown of interest income and expense of the financial instruments not measured at fair value through profit or loss, net of impairment, at 31 December 2019 and 2018 is as follows:

	31/12/2019			31/12/2018		
	Income	Expense	Net	Income	Expense	Net
Assets						
Deposits with central banks and other credit institutions	9 780 520	(108 451)	9 888 971	3 895 711	124 815	3 770 896
Investments at amortised cost	112 467 860	8 712 254	103 755 606	64 226 171	315 571	63 910 600
Loans and advances to customers	39 412 456	5 188 018	34 224 438	30 473 227	287 832	30 185 395
	161 660 836	13 791 821	147 869 015	98 595 109	728 218	97 866 891
Liabilities						
Customer funds and other borrowings	-	34 701 457	(34 701 457)	-	27 339 083	(27 339 083)
Funds of central banks and other credit institutions	-	138 067	(138 067)	-	2 827 912	(2 827 912)
	-	34 839 524	(34 839 524)	-	30 166 995	(30 166 995)
Off-balance-sheet						
Guarantees given	566 020	-	566 020	474 065	-	474 065
Letters of credit	2 427 052	-	2 427 052	2 080 947	-	2 080 947
	2 993 072	**-**	**2 993 072**	**2 555 012**	**-**	**2 555 012**
	164 653 908	**48 631 345**	**116 022 563**	**101 150 121**	**30 895 213**	**70 254 908**

The breakdown of the net gains and losses on financial instruments at 31 December 2019 and 2018 is as follows:

	31/12/2019					
	Through profit or loss			Through equity		
	Gain	Loss	Net gain/(loss)	Gain	Loss	Net gain/(loss)
Assets						
Deposits with central banks and other credit institutions	9 780 520	(108 451)	9 888 971	-	-	-
Financial assets at fair value through profit or loss	35 892 590	9 609 680	26 282 910	-	-	-
Investments at amortised cost	112 467 860	8 712 254	103 755 606	-	-	-
Loans and advances to customers	39 412 456	5 188 018	34 224 438	-	-	-
	197 553 426	23 401 501	174 151 925	-	-	-
Liabilities						
Customer funds and other borrowings	-	34 701 457	(34 701 457)	-	-	-
Funds of central banks and other credit institutions	-	138 067	(138 067)	-	-	-
Financial liabilities at fair value through profit or loss	208 633	12 675 871	(12 467 238)	-	-	-
	208 633	47 515 395	(47 306 762)	-	-	-
Off-balance-sheet						
Guarantees given	566 020	-	566 020	-	-	-
Letters of credit	2 427 052	-	2 427 052	-	-	-
	2 993 072	**-**	**2 993 072**	**-**	**-**	**-**

	31/12/2018					
	Through profit or loss			Through equity		
	Gain	Loss	Net gain/(loss)	Gain	Loss	Net gain/(loss)
Assets						
Deposits with central banks and other credit institutions	3 895 711	124 815	3 770 896	-	133 028	-
Financial assets at fair value through profit or loss	61 527 733	6 381 649	55 146 084	-	-	-
Investments at amortised cost	64 226 171	315 571	63 910 600	-	280 968	-
Loans and advances to customers	30 473 227	287 832	30 185 395	-	-	-
	160 122 842	7 109 867	153 012 975	-	413 996	-
Liabilities						
Customer funds and other borrowings	-	27 339 083	(27 339 083)	-	-	-
Funds of central banks and other credit institutions	-	2 827 912	(2 827 912)	-	-	-
Financial liabilities at fair value through profit or loss	377 035	3 234 284	(2 857 249)	-	-	-
	377 035	33 401 279	(33 024 244)	-	-	-
Off-balance-sheet						
Guarantees given	474 065	-	474 065	-	-	-
Letters of credit	2 080 947	-	2 080 947	-	-	-
	2 555 012	**-**	**2 555 012**	**-**	**-**	**-**

The breakdown of the geographic concentration of the risk exposure at 31 December 2019 and 2018 is as follows:

	31/12/2019				
	Angola	Other countries in Africa	Europe	Other	Total
Assets					
Cash and balances at central banks	302 716 195	-	-	-	302 716 195
Balances at other credit institutions	-	6 632 941	35 780 481	94 375	42 507 797
Deposits with central banks and other credit institutions	23 148 011	93 939 913	339 659 071	-	456 746 995
Financial assets at fair value through profit or loss	172 690 202	-	-	-	172 690 202
Investments at amortised cost	828 851 838	-	-	-	828 851 838
Loans and advances to customers	327 936 737	-	-	-	327 936 737
Total	**1 655 342 983**	**100 572 854**	**375 439 552**	**94 375**	**2 131 449 764**

	31/12/2018				
	Angola	Other countries in Africa	Europe	Other	Total
Assets					
Cash and balances at central banks	212 053 562	-	-	-	212 053 562
Balances at other credit institutions	-	10 073 475	80 652 633	60 214	90 786 322
Deposits with central banks and other credit institutions	45 734 257	-	210 640 076	-	256 374 333
Financial assets at fair value through profit or loss	182 693 035	-	-	-	182 693 035
Investments at amortised cost	623 241 191	-	-	-	623 241 191
Loans and advances to customers	295 842 494	-	-	-	295 842 494
Total	**1 359 564 539**	**10 073 475**	**291 292 709**	**60 214**	**1 660 990 937**

The sectoral concentration of loans and advances to customers at 31 December 2019 and 2018 is as follows:

	31/12/2019						
	Loans and advances to customers		Loans and advances to customers - Off-balance-sheet	Total exposure	As % of total	Impairment provision	
	Performing	Past-due				Amount	Impairment/ Total exposure
Companies							
Real estate and rental activities provided by companies	49 514	9 074	1 495	60 083	0%	9 639	16%
Other collective, social and personal services	907 158	37 767	-	944 925	0%	52 932	6%
Central government	117 014 715	142	-	117 014 857	26%	1 838 934	2%
Agriculture, livestock, hunting and forestry	24 483 981	7 381 419	23 455	31 888 855	7%	7 072 060	22%
Hotels and restaurants	6 723 051	203 474	206 155	7 132 680	2%	542 244	8%
Financial activities	597 653	2 274 498	9 561 610	12 433 761	3%	117 061	1%
Wholesale and retail trade	10 207 642	1 473 617	35 340 034	47 021 293	10%	1 748 306	4%
Construction	35 303 589	1 014 691	8 396 370	44 714 650	10%	2 117 612	5%
Education	742 980	143 703	987 864	1 874 547	0%	141 710	8%
Extractive industries	666 020	5 383 230	61 871	6 111 121	1%	5 397 104	88%
Processing industries	10 795 242	107 466	12 634 722	23 537 430	5%	414 451	2%
Other service companies	30 094 521	314 061	5 912 767	36 321 349	8%	1 397 242	4%
Production and distribution of electricity, gas and water	903 068	98 010	975 692	1 976 770	0%	133 856	7%
Health and social action	268 391	2 911	-	271 302	0%	8 142	3%
Transport, storage and communications	7 664 238	1 376 969	17 019 191	26 060 398	6%	1 630 988	6%
	246 421 763	19 821 032	91 121 226	357 364 021		22 622 281	
Individuals							
Consumer	56 503 675	1 950 037	-	58 453 712	13%	2 265 719	4%
Housing	30 279 535	906 840	-	31 186 375	7%	6 575 892	21%
Other purposes	2 843 401	443 992	575 877	3 863 270	1%	433 598	11%
	89 626 611	3 300 869	575 877	93 503 357		9 275 209	
Total	**336 048 374**	**23 121 901**	**91 697 103**	**450 867 378**		**31 897 490**	

	31/12/2018						
	Loans and advances to customers		Loans and advances to customers - Off-balance-sheet	Total exposure	As % of total	Impairment provision	
	Performing	Past-due				Amount	Impairment/ Total exposure
Companies							
Real estate and rental activities provided by companies	41 167	4 841	957	46 965	0%	9 957	21%
Other collective, social and personal services	1 540 104	16 350	701 152	2 257 606	1%	90 582	4%
Central government	100 374 975	4 674	-	100 379 649	26%	998 651	1%
Agriculture, livestock, hunting and forestry	24 429 439	1 550 022	1 150 495	27 129 956	7%	2 371 598	9%
Hotels and restaurants	6 727 103	160 049	435 991	7 323 143	2%	446 741	6%
Financial activities	27 269	-	7 633 038	7 660 307	2%	729	0%
Wholesale and retail trade	18 844 477	1 478 112	13 862 816	34 185 405	9%	2 392 477	7%
Construction	28 167 335	869 013	13 073 928	42 110 276	11%	2 090 671	5%
Education	393 660	141 765	926	536 351	0%	111 408	21%
Extractive industries	644 327	3 439 223	39 595	4 123 145	1%	3 457 229	84%
Processing industries	2 472 553	15 644	10 220 257	12 708 454	3%	155 427	1%
Other service companies	25 731 182	329 279	5 090 721	31 151 182	8%	990 201	3%
Production and distribution of electricity, gas and water	1 566 474	67 381	1 372 170	3 006 025	1%	252 290	8%
Health and social action	1 079 727	49 184	732 721	1 861 632	0%	72 962	4%
Transport, storage and communications	13 236 239	867 665	12 853 252	26 957 156	7%	1 186 228	4%
	225 276 031	8 993 202	67 168 019	301 437 252		14 627 151	
Individuals							
Consumer	46 725 933	1 506 196	-	48 232 129	13%	1 943 353	4%
Housing	27 680 795	793 291	-	28 474 086	7%	3 633 196	13%
Other purposes	4 470 310	92 826	725 862	5 288 998	1%	194 640	4%
	78 877 038	2 392 313	725 862	81 995 213		5 771 189	
Total	**304 153 069**	**11 385 515**	**67 893 881**	**383 432 465**		**20 398 340**	

The composition of past-due loans and advances to customers at 31 December 2019 and 2018, by default class, is as follows:

	31/12/2019						
	Performing loans associated with past-due loans	Time past due					Total
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	
Loans and advances to customers							
Loans without impairment	38 263	148	7 246	661	21 246	-	67 564
With individually assessed impairment							
Past-due loans and interest	32 599 521	2 926	114 347	2 432 547	16 688 964	1 546 802	53 385 107
Impairment provision	9 000 822	2 363	10 371	179 281	10 664 049	1 546 802	21 403 688
Net exposure	23 598 699	563	103 976	2 253 266	6 024 915	-	31 981 419
With collectively assessed impairment							-
Past-due loans and interest	5 754 972	19 624	231 964	883 428	1 160 678	11 318	8 061 984
Impairment provision	1 399 266	184	98 999	457 303	501 895	6 573	2 464 220
Net exposure	4 355 706	19 440	132 965	426 125	658 783	4 745	5 597 764
Total	**27 992 668**	**20 151**	**244 187**	**2 680 052**	**6 704 944**	**4 745**	**37 646 747**

	31/12/2018						
	Performing loans associated with past-due loans	Time past due					Total
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	
Loans and advances to customers							
Loans without impairment	1 298 624	1 014	20 595	12 418	295 952	-	1 628 603
With individually assessed impairment							
Past-due loans and interest	25 547 443	634	49 205	2 132 194	6 773 576	984 607	35 487 659
Impairment provision	5 356 609	382	26 267	587 980	6 383 217	984 607	13 339 062
Net exposure	20 190 834	252	22 938	1 544 214	390 359	-	22 148 597
With collectively assessed impairment							
Past-due loans and interest	6 929 956	25 734	219 039	430 533	432 367	7 649	8 045 278
Impairment provision	1 043 344	343	44 217	219 908	278 960	4 412	1 591 184
Net exposure	5 886 612	25 391	174 822	210 625	153 407	3 237	6 454 094
Total	**27 376 070**	**26 657**	**218 355**	**1 767 257**	**839 718**	**3 237**	**30 231 294**

The composition of past-due loans and advances to customers at 31 December 2019 and 2018, by stage of impairment, is as follows:

	31/12/2019				
	Performing loans associated with past-due loans	Time past due			Total
		Impairment stages			
		Stage 1	Stage 2	Stage 3	
Loans & advances to customers					
Loans without impairment	38 263	148	1 065	28 088	67 564
With individually assessed impairment					
Past-due loans and interest	32 599 521	-	9 649 179	11 136 407	53 385 107
Impairment provisions	9 000 822	-	1 789 201	10 613 665	21 403 688
Net exposure	23 598 699	-	7 859 978	522 742	31 981 419
With collectively assessed impairment					
Past-due loans and interest	5 754 972	155 449	405 563	1 746 000	8 061 984
Impairment provisions	1 399 266	67 703	185 826	811 425	2 464 220
Net exposure	4 355 706	87 746	219 737	934 575	5 597 764
Total	**27 992 668**	**87 894**	**8 080 780**	**1 485 405**	**37 646 747**

	31/12/2018				
	Performing loans associated with past-due loans	Time past due			Total
		Impairment stages			
		Stage 1	Stage 2	Stage 3	
Loans & advances to customers					
Loans without impairment	1 298 624	721	21 525	307 733	1 628 603
With individually assessed impairment					
Past-due loans and interest	25 547 443	449	44 554	9 895 213	35 487 659
Impairment provisions	5 356 609	198	22 967	7 959 288	13 339 062
Net exposure	20 190 834	251	21 587	1 935 925	22 148 597
With collectively assessed impairment					
Past-due loans and interest	6 929 956	103 668	115 740	895 914	8 045 278
Impairment provisions	1 043 344	2 616	30 260	514 964	1 591 184
Net exposure	5 886 612	101 052	85 480	380 950	6 454 094
Total	**27 376 070**	**102 024**	**128 592**	**2 624 608**	**30 231 294**

The composition of unimpaired past-due loans at 31 December 2019 and 2018, by default class, is as follows:

	31/12/2019					
	Performing loans associated with past-due loans	Time past due				Total
		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	
Past-due loans and interest						
With individually assessed impairment	32 599 521	2 926	114 347	4 284	20 664 029	53 385 107
With collectively assessed impairment	5 754 972	19 624	231 964	340 607	1 714 817	8 061 984
Total	**38 354 493**	**22 550**	**346 311**	**344 891**	**22 378 846**	**61 447 091**

	31/12/2018					
	Performing loans associated with past-due loans	Time past due				Total
		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	
Past-due loans and interest						
With individually assessed impairment	1 298 624	1 014	20 595	637	307 733	1 628 603
With collectively assessed impairment	-	-	-	-	-	-
Total	**1 298 624**	**1 014**	**20 595**	**637**	**307 733**	**1 628 603**

The composition of unimpaired past-due loans at 31 December 2019 and 2018, by stage of impairment, is as follows:

	31/12/2019				
	Performing loans associated with past-due loans	Impairment stages			Total
		Stage 1	Stage 2	Stage 3	
Past-due loans and interest					
With individually assessed impairment	32 599 521	-	9 649 179	11 136 407	53 385 107
With collectively assessed impairment	5 754 972	155 449	405 563	1 746 000	8 061 984
Total	**38 354 493**	**155 449**	**10 054 742**	**12 882 407**	**61 447 091**

	31/12/2018				
	Performing loans associated with past-due loans	Impairment stages			Total
		Stage 1	Stage 2	Stage 3	
Past-due loans and interest					
With individually assessed impairment	25 547 443	449	44 554	9 895 214	35 487 660
With collectively assessed impairment	6 929 956	103 668	115 740	895 912	8 045 276
Total	**32 477 399**	**104 117**	**160 294**	**10 791 126**	**43 532 936**

The composition of impaired past-due loans at 31 December 2019 and 2018, by default class, is as follows:

	31/12/2019					
	Performing loans associated with past-due loans	Classe de incumprimento				Total
		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	
Past-due loans and interest						
With individually assessed impairment	38 263	148	7 246	-	21 907	67 564
With collectively assessed impairment	-	-	-	-	-	-
Total	**38 263**	**148**	**7 246**	**-**	**21 907**	**67 564**

	31/12/2018					
	Performing loans associated with past-due loans	Classe de incumprimento				Total
		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	
Past-due loans and interest						
With individually assessed impairment	25 547 443	634	49 205	262 295	9 628 082	35 487 659
With collectively assessed impairment	6 929 956	25 734	219 039	162 554	707 994	8 045 277
Total	**32 477 399**	**26 368**	**268 244**	**424 849**	**10 336 076**	**43 532 936**

The composition of impaired past-due loans at 31 December 2019 and 2018, by impairment stage, is as follows:

	31/12/2019				
	Performing loans associated with past-due loans	Impairment stages			Total
		Stage 1	Stage 2	Stage 3	
Past-due loans and interest					
With individually assessed impairment	38 263	148	1 065	28 088	67 564
With collectively assessed impairment	-	-	-	-	-
Total	**38 263**	**148**	**1 065**	**28 088**	**67 564**

	31/12/2018				
	Performing loans associated with past-due loans	Impairment stages			Total
		Stage 1	Stage 2	Stage 3	
Past-due loans and interest					
With individually assessed impairment	1 298 624	721	21 525	307 733	1 628 603
With collectively assessed impairment	-	-	-	-	-
Total	**1 298 624**	**721**	**21 525**	**307 733**	**1 628 603**

The credit risk exposure by financial asset class, rating and impairment stage at 31 December 2019 and 2018 is as follows:

	31/12/2019				
	Stage 1 (12-month ECLs)	Stage 2 (lifetime ECLs)	Stage 3 (lifetime ECLs)	Purchased or originated credit-impaired financial assets	Total
Cash and balances at central banks					
B+ to B-	272 027 455	-	-	-	272 027 455
N/D	30 688 740	-	-	-	30 688 740
	302 716 195	-	-	-	302 716 195
Balances at other credit institutions					
AAA to AA-	824 727	-	-	-	824 727
A+ to A-	1 762 974	-	-	-	1 762 974
BBB+ to BBB-	13 528 486	-	-	-	13 528 486
BB+ to BB-	24 458 958	-	-	-	24 458 958
B+ to B-	-	-	-	-	-
CCC to CC-	1 933 881	-	-	-	1 933 881
N/D	13 449	-	-	-	13 449
	42 522 475	-	-	-	42 522 475
Deposits with central banks and other credit institutions					
AAA to AA-	48 287 141	-	-	-	48 287 141
A+ to A-	38 607 922	-	-	-	38 607 922
BBB+ to BBB-	115 651 027	-	-	-	115 651 027
BB+ to BB-	231 052 893	-	-	-	231 052 893
B+ to B-	23 893 849	-	-	-	23 893 849
N/D	-	-	-	-	-
	457 492 832	-	-	-	457 492 832
Investments at amortised cost:					
B+ to B-	842 084 352	-	-	-	842 084 352
N/D	-	-	-	-	-
	842 084 352	-	-	-	842 084 352
Loans and advances to customers - On-balance-sheet:					
Class A	128 475 115	-	-	-	128 475 115
Class B	131 761 546	41 052 020	1 282 499	-	174 096 065
Class C	85 850	1 175 955	299 417	-	1 561 222
Class D	2 085	29 566 188	7 085	-	29 575 358
Class E	2 252	290 411	1 719 453	-	2 012 116
Class F	535 798	2 641	863 372	-	1 401 811
Class G	84 775	2 864 744	19 099 069	-	22 048 588
	260 947 421	74 951 959	23 270 895	-	359 170 275
Loans and advances to customers - Off-balance-sheet:					
Class A	4 958 191	-	-	-	4 958 191
Class B	83 954 310	2 783 155	-	-	86 737 465
Class C	-	-	-	-	-
Class D	-	-	-	-	-
Class E	-	-	-	-	-
Class F	-	-	-	-	-
Class G	-	-	1 447	-	1 447
	88 912 501	2 783 155	1 447	-	91 697 103
Total gross carrying amount	**1 994 675 776**	**77 735 114**	**23 272 342**	**-**	**2 095 683 232**
Loan loss provision	18 312 144	9 164 323	18 414 052	-	45 890 519
Net carrying amount	**1 976 363 632**	**68 570 791**	**4 858 290**	**-**	**2 049 792 713**

	31/12/2018				
	Stage 1 (12-month ECLs)	Stage 2 (lifetime ECLs)	Stage 3 (lifetime ECLs)	Purchased or originated credit-impaired financial assets	Total
Cash and balances at central banks					
B+ to B-	-	-	-	-	-
N/D	212 053 562	-	-	-	212 053 562
	212 053 562	-	-	-	212 053 562
Balances at other credit institutions					
AAA to AA-	-	-	-	-	-
A+ to A-	3 027 789	-	-	-	3 027 789
BBB+ to BBB-	68 763 013	-	-	-	68 763 013
BB+ to BB-	1 697 666	-	-	-	1 697 666
B+ to B-	12 518 898	-	-	-	12 518 898
CCC to CC-	-	-	-	-	-
N/D	5 028 467	-	-	-	5 028 467
	91 035 833	-	-	-	91 035 833
Deposits with central banks and other credit institutions					
AAA to AA-	-	-	-	-	-
A+ to A-	53 294 618	-	-	-	53 294 618
BBB+ to BBB-	105 172 187	-	-	-	105 172 187
BB+ to BB-	17 650 858	-	-	-	17 650 858
B+ to B-	24 808 349	-	-	-	24 808 349
N/D	55 927 315	-	-	-	55 927 315
	256 853 327	-	-	-	256 853 327
Investments at amortised cost:					
B+ to B-	626 037 969	-	-	-	626 037 969
N/D	-	-	-	-	-
	626 037 969	-	-	-	626 037 969
Loans and advances to customers - On-balance-sheet:					
Class A	127 096 297	720 440	1 182	-	127 817 919
Class B	123 780 577	16 837 982	1 571 742	-	142 190 301
Class C	4 457 148	1 258 672	22 311 391	-	28 027 211
Class D	34 488	464 608	8 777	-	507 873
Class E	1 038	236 974	1 819 481	-	2 057 493
Class F	28	14 783	1 246 842	-	1 261 653
Class G	332 270	182 118	13 161 746	-	13 676 134
	255 701 846	19 715 577	40 121 161	-	315 538 584
Loans and advances to customers - Off-balance-sheet:					
Class A	11 981 619	326 568	-	-	12 308 187
Class B	48 971 976	6 409 003	102 196	-	55 483 175
Class C	-	-	-	-	-
Class D	101 593	-	-	-	101 593
Class E	-	-	-	-	-
Class F	-	-	-	-	-
Class G	-	-	926	-	926
	61 055 188	6 735 571	103 122	-	67 893 881
Total gross carrying amount	**1 502 737 725**	**26 451 148**	**40 224 283**	**-**	**1 569 413 156**
Loan loss provision	8 378 851	803 680	14 741 092	-	23 923 623
Net carrying amount	**1 494 358 874**	**25 647 468**	**25 483 191**	**-**	**1 545 489 533**

The breakdown of modified financial assets at 31 December 2019 and 2018 is as follows:

	31/12/2019	31/12/2018
Financial assets modified during the period (with loan loss provision based on lifetime ECLs)		
Gross carrying amount before modification	5 350 307	656 442
Loan loss provision before modification	1 485 882	51 277
Net amortised cost before modification	3 864 425	605 165
Net gains/losses on modification	1 668 861	241 857
Net amortised cost after modification	**2 195 564**	**363 308**

The structure of restructured loans and advances at 31 December 2019 and 2018 is as follows:

	30/06/2019			
	Loans			Impairment
	Performing	Past-due	Total	
Companies:	7 100 546	-	7 100 546	196 638
Individuals:				
Consumer	16 316	-	16 316	742
Housing	3 590 565	5 145	3 595 710	2 794 573
	3 606 881	5 145	3 612 026	2 795 315
Total	**10 707 427**	**5 145**	**10 712 572**	**2 991 953**

	31/12/2018			
	Loans			Impairment
	Performing	Past-due	Total	
Companies:	1 599 642	1 242 787	2 842 429	1 516 090
Individuals:				
Consumer	311 329	3 986	315 315	15 622
Housing	63 049	-	63 049	40 396
	374 378	3 986	378 364	56 018
Total	**1 974 020**	**1 246 773**	**3 220 793**	**1 572 108**

31.2 LIQUIDITY RISK

Liquidity risk is the risk the Bank may have difficulty raising the funds it needs to meet its commitments. Liquidity risk may, for example, consist of the inability to sell a financial instrument quickly for its fair value.

Within the Bank's internal policies with regard to exposure to liquidity risk, the oversight and monitoring of the established principles and limits are ensured by the Risk Management Department.

The composition of contractual cash flows relating to capital at 31 December 2019 and 2018 is as follows:

	31/12/2019									
	Residual contractual term									
	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	302 716 195	-	-	-	-	-	-	-	-	302 716 195
Balances at other credit institutions	42 507 797	-	-	-	-	-	-	-	-	42 507 797
Deposits with central banks and other credit institutions	48 400 048	295 237 172	93 824 657	19 285 118	-	-	-	-	-	456 746 995
Financial assets at fair value through profit or loss	-	-	20 840 121	42 470 084	15 033 371	79 832 900	13 702 096	811 630	-	172 690 202
Investments at amortised cost	-	-	18 579 636	39 854 946	35 896 333	534 298 619	200 222 304	-	-	828 851 838
Loans and advances to customers	64 960 136	6 549 619	21 884 297	16 364 650	7 968 100	82 336 460	61 851 172	66 022 303	-	327 936 737
Total assets	**458 584 176**	**301 786 791**	**155 128 711**	**117 974 799**	**58 897 804**	**696 467 978**	**275 775 572**	**66 833 933**	**-**	**2 131 449 764**
Liabilities										
Funds of central banks and other credit institutions	1 619 110	6 049 996	-	-	-	-	-	-	-	7 669 106
Customer funds and other borrowings	720 817 279	177 796 724	360 599 763	239 516 765	124 167 114	-	-	-	-	1 622 897 645
Financial liabilities at fair value through profit or loss	12 675 871	-	-	-	-	-	-	-	-	12 675 871
Total liabilities	**735 112 260**	**183 846 720**	**360 599 763**	**239 516 765**	**124 167 114**	**-**	**-**	**-**	**-**	**1 643 242 622**
Liquidity gap	**(276 528 084)**	**117 940 071**	**(205 471 052)**	**(121 541 966)**	**(65 269 310)**	**696 467 978**	**275 775 572**	**66 833 933**	**-**	**488 207 142**
Cumulative liquidity gap	**(276 528 084)**	**(158 588 013)**	**(364 059 065)**	**(485 601 031)**	**(550 870 341)**	**145 597 637**	**421 373 209**	**488 207 142**	**488 207 142**	**976 414 284**

	31/12/2018									
	Residual contractual term									
	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	212 053 562	-	-	-	-	-	-	-	-	212 053 562
Balances at other credit institutions	90 786 322	-	-	-	-	-	-	-	-	90 786 322
Deposits with central banks and other credit institutions	14 964 060	174 141 766	67 268 507	-	-	-	-	-	-	256 374 333
Financial assets at fair value through profit or loss	22 598 816	14 640 181	7 409 948	23 762 893	26 326 975	54 589 896	32 737 540	226 282	400 503	182 693 035
Investments at amortised cost	183 252 451	1 504 492	15 040 130	13 334 207	66 201	153 474 786	256 568 923	0	-	623 241 191
Loans and advances to customers	18 462 135	1 939 617	16 969 549	15 175 103	14 022 241	77 673 101	84 599 216	67 001 531	-	295 842 494
Total assets	**542 117 346**	**192 226 055**	**106 688 134**	**52 272 204**	**40 415 417**	**285 737 784**	**373 905 680**	**67 227 813**	**400 503**	**1 660 990 936**
Liabilities										
Funds of central banks and other credit institutions	1 913 310	3 149 569	-	0	-	-	-	-	-	5 062 879
Customer funds and other borrowings	588 998 511	133 481 435	245 096 668	195 945 995	68 605 641	-	-	-	-	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	0	-	-	-	-	-	3 234 284
Total liabilities	**594 146 105**	**136 631 004**	**245 096 668**	**195 945 995**	**68 605 641**	**-**	**-**	**-**	**-**	**1 240 425 412**
Liquidity gap	**(52 028 759)**	**55 595 052**	**(138 408 534)**	**(143 673 792)**	**(28 190 223)**	**285 737 784**	**373 905 680**	**67 227 813**	**400 503**	**420 565 524**
Cumulative liquidity gap	**(52 028 759)**	**3 566 293**	**(134 842 241)**	**(278 516 033)**	**(306 706 256)**	**(20 968 472)**	**352 937 207**	**420 165 021**	**420 565 524**	**841 131 048**

The composition of the contractual cash flows relating to capital at 31 December 2019 and 2018 is as follows:

	31/12/2019									
	Maturity date									
	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	302 716 195	-	-	-	-	-	-	-	-	302 716 195
Balances at other credit institutions	42 507 797	-	-	-	-	-	-	-	-	42 507 797
Deposits with central banks and other credit institutions	48 343 467	294 892 033	93 714 974	19 262 573	-	-	-	-	-	456 213 047
Financial assets at fair value through profit or loss	-	-	18 197 055	38 958 531	14 822 959	77 595 577	13 451 369	800 401	-	163 825 891
Investments at amortised cost	-	-	17 898 402	39 174 711	34 427 941	524 047 531	194 106 509	-	-	809 655 093
Loans and advances to customers	63 908 330	6 477 508	20 905 355	16 106 645	7 908 104	81 045 985	62 271 037	65 019 260	-	323 642 224
Total assets	**457 475 789**	**301 369 541**	**150 715 785**	**113 502 460**	**57 159 004**	**682 689 093**	**269 828 915**	**65 819 661**	**-**	**2 098 560 247**
Liabilities										
Funds of central banks and other credit institutions	1 619 110	6 049 996	-	-	-	-	-	-	-	7 669 106
Customer funds and other borrowings	720 590 518	176 106 435	357 449 662	237 428 627	123 535 237	-	-	-	-	1 615 110 479
Financial liabilities at fair value through profit or loss	(76 568)	-	-	-	-	-	-	-	-	(76 568)
Total liabilities	**722 133 060**	**182 156 431**	**357 449 662**	**237 428 627**	**123 535 237**	**-**	**-**	**-**	**-**	**1 622 703 017**
Liquidity gap	**(264 657 271)**	**119 213 110**	**(206 733 877)**	**(123 926 167)**	**(66 376 233)**	**682 689 093**	**269 828 915**	**65 819 661**	**-**	**475 857 230**
Cumulative liquidity gap	**(264 657 271)**	**(145 444 161)**	**(352 178 038)**	**(476 104 205)**	**(542 480 438)**	**140 208 654**	**410 037 569**	**475 857 230**	**475 857 230**	**951 714 460**

	31/12/2018									
	Maturity date									
	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	No specified term	Total
Assets										
Cash and balances at central banks	221 639 382	-	-	-	-	-	-	-	-	221 639 382
Balances at other credit institutions	34 998 048	-	-	-	-	-	-	-	-	34 998 048
Deposits with central banks and other credit institutions	74 831 200	58 481 594	-	-	-	-	-	-	-	133 312 794
Financial assets at fair value through profit or loss	20 004 916	15 932 458	72 600 734	113 879 576	99 310 254	93 602 556	82 224 067	6 809 835	263 447	504 627 843
Investments at amortised cost	67 144 133	-	313 901	1 188 866	11 000 843	46 845 751	149 670 175	7 359	-	276 171 028
Loans and advances to customers	17 791 234	1 022 476	12 300 173	5 046 009	8 598 354	35 048 358	80 582 075	40 533 304	-	200 921 983
Total assets	**436 408 913**	**75 436 528**	**85 214 808**	**120 114 451**	**118 909 451**	**175 496 665**	**312 476 317**	**47 350 498**	**263 447**	**1 371 671 078**
Liabilities										
Funds of central banks and other credit institutions	57 234 278	55 774 134	-	-	-	-	-	-	-	113 008 412
Customer funds and other borrowings	555 689 452	96 026 105	182 936 559	181 396 271	35 731 770	-	-	-	-	1 051 780 157
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Total liabilities	**612 923 730**	**151 800 239**	**182 936 559**	**181 396 271**	**35 731 770**	**-**	**-**	**-**	**-**	**1 164 788 569**
Liquidity gap	**(176 514 817)**	**(76 363 711)**	**(97 721 751)**	**(61 281 820)**	**83 177 681**	**175 496 665**	**312 476 317**	**47 350 498**	**263 447**	**206 882 509**
Cumulative liquidity gap	**(176 514 817)**	**(252 878 528)**	**(350 600 279)**	**(411 882 099)**	**(328 704 418)**	**(153 207 753)**	**159 268 564**	**206 619 062**	**206 882 509**	**413 765 018**

31.3 MARKET RISK

Market risk is the possible fluctuation in the fair value of, or in the future cash flows associated with, a financial instrument due to changes in market prices. Market risk includes interest rate risk and foreign exchange risk.

Interest rate Risk

Interest rate risk is the risk that adverse movements in interest rates will lead to mismatches in the amount, maturity or interest rate reset dates of financial instruments with interest receivable and payable.

The breakdown of financial instruments by exposure to interest rate risk at 31 December 2019 and 2018 is as follows:

	31/12/2019				
	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	**1 584 999 767**	**343 071 373**	**203 378 624**	**-**	**2 131 449 764**
Cash and balances at central banks	-	272 027 773	30 688 422	-	302 716 195
Balances at other credit institutions	-	42 507 797	-	-	42 507 797
Deposits with central banks and other credit institutions	456 746 995	-	-	-	456 746 995
Financial assets at fair value through profit or loss	-	-	172 690 202	-	172 690 202
Investments at amortised cost	828 851 838	-	-	-	828 851 838
Loans and advances to customers	299 400 934	28 535 803	-	-	327 936 737
Liabilities	**1 622 918 139**	**-**	**20 324 483**	**-**	**1 643 242 622**
Funds of central banks and other credit institutions	20 494	-	7 648 612	-	7 669 106
Customer funds and other borrowings	1 622 897 645	-	-	-	1 622 897 645
Financial liabilities at fair value through profit or loss	-	-	12 675 871	-	12 675 871
Total	**3 207 917 906**	**343 071 373**	**223 703 107**	**-**	**3 774 692 386**

	31/12/2018				
	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	**1 243 094 349**	**380 510 868**	**37 385 720**	**-**	**1 660 990 937**
Cash and balances at central banks	-	174 667 842	37 385 720	-	212 053 562
Balances at other credit institutions	-	90 786 322	-	-	90 786 322
Deposits with central banks and other credit institutions	256 374 333	-	-	-	256 374 333
Financial assets at fair value through profit or loss	107 260 330	75 432 705	-	-	182 693 035
Investments at amortised cost	606 755 741	16 485 450	-	-	623 241 191
Loans and advances to customers	272 703 945	23 138 548	-	-	295 842 494
Liabilities	**1 237 191 128**	**-**	**3 234 284**	**-**	**1 240 425 412**
Funds of central banks and other credit institutions	5 062 879	-	-	-	5 062 879
Customer funds and other borrowings	1 232 128 249	-	-	-	1 232 128 249
Financial liabilities at fair value through profit or loss	-	-	3 234 284	-	3 234 284
Total	**2 480 285 477**	**380 510 868**	**40 620 004**	**-**	**2 901 416 349**

The breakdown of financial instruments exposed to interest rate risk by maturity or repricing date at 31 December 2019 and 2018 is as follows:

	31/12/2019 Repricing date/ Maturity date								
	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	No specified term	Total
Assets	**729 682 545**	**134 994 072**	**34 944 286**	**47 823 046**	**118 232 793**	**596 149 791**	**266 244 607**	**-**	**1 928 071 140**
Cash and balances at central banks	272 027 773	-	-	-	-	-	-	-	272 027 773
Balances at other credit institutions	42 507 797	-	-	-	-	-	-	-	42 507 797
Deposits with central banks and other credit institutions	343 637 220	113 109 775	-	-	-	-	-	-	456 746 995
Investments at amortised cost	-	-	18 579 636	39 854 946	35 896 333	534 298 619	200 222 304	-	828 851 838
Loans and advances to customers	71 509 755	21 884 297	16 364 650	7 968 100	82 336 460	61 851 172	66 022 303	-	327 936 737
Liabilities	**898 634 497**	**360 599 763**	**239 516 765**	**124 167 114**	**-**	**-**	**-**	**-**	**1 622 918 139**
Funds of central banks and other credit institutions	20 494	-	-	-	-	-	-	-	20 494
Customer funds and other borrowings	898 614 003	360 599 763	239 516 765	124 167 114	-	-	-	-	1 622 897 645

	31/12/2018 Repricing date/ Maturity date								
	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	No specified term	Total
Assets	**713 613 526**	**104 963 076**	**67 218 068**	**39 136 675**	**275 783 477**	**360 502 428**	**61 987 464**	**400 503**	**1 623 605 217**
Cash and balances at central banks	174 667 842	-	-	-	-	-	-	-	174 667 842
Balances at other credit institutions	90 786 322	-	-	-	-	-	-	-	90 786 322
Deposits with central banks and other credit institutions	189 105 826	67 268 507	-	-	-	-	-	-	256 374 333
Investments at amortised cost	37 238 997	7 409 948	23 762 893	26 326 975	54 589 896	32 737 540	226 282	400 503	182 693 035
Loans and advances to customers	179 869 908	14 642 301	29 466 952	(115 828)	149 595 479	249 782 379	-	-	623 241 191
Liabilities	41 944 631	15 642 320	13 988 222	12 925 528	71 598 103	77 982 509	61 761 181	-	295 842 494
Funds of central banks and other credit institutions	**727 542 825**	**245 096 668**	**195 945 995**	**68 605 641**	**-**	**-**	**-**	**-**	**1 237 191 128**
Customer funds and other borrowings	722 479 945	245 096 668	195 945 995	68 605 641	-	-	-	-	1 232 128 249

The analysis of the sensitivity of gains or losses on financial instruments to changes in interest rates at 31 December 2019 and 2018 is as follows:

	31/12/2019					
	Changes in the interest rate					
	(200) bp	(100) bp	(50) bp	50 bp	100 bp	200 bp
Interest income	(1 307 482 976)	(653 741 488)	(326 870 744)	326 870 744	653 741 488	1 307 482 976
Interest expense	1 305 794 341	652 897 170	326 448 585	(326 448 585)	(652 897 170)	(1 305 794 341)
Total	**(1 688 635)**	**(844 318)**	**(422 159)**	**422 159**	**844 318**	**1 688 635**

	31/12/2018					
	Changes in the interest rate					
	(200) bp	(100) bp	(50) bp	50 bp	100 bp	200 bp
Interest income	(942 567 159)	(471 283 580)	(235 641 790)	235 641 790	471 283 580	942 567 159
Interest expense	987 560 119	493 780 060	246 890 030	(246 890 030)	(493 780 060)	(987 560 119)
Total	**44 992 960**	**22 496 480**	**11 248 240**	**(11 248 240)**	**(22 496 480)**	**(44 992 960)**

Foreign exchange risk

Foreign exchange risk is the possible fluctuation of the fair value of, or the future cash flows associated with, a financial instrument due to changes in market prices.

The Bank's securities portfolio is split between securities denominated in local currency and in foreign currency, having regard to the overall structure of the Bank's balance sheet, so as to avoid foreign exchange risk.

The breakdown of financial instruments by currency at 31 December 2019 and 2018 is as follows:

	31/12/2019				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	183 418 884	53 144 804	65 674 461	478 046	302 716 195
Balances at other credit institutions	-	13 692 824	25 522 119	3 292 854	42 507 797
Deposits with central banks and other credit institutions	23 893 849	375 407 831	49 917 702	7 527 613	456 746 995
Financial assets at fair value through profit or loss	170 255 829	2 406 621	27 752	-	172 690 202
Investments at amortised cost	521 752 626	307 099 212	-	-	828 851 838
Loans and advances to customers	222 912 110	104 203 641	820 933	53	327 936 737
	1 122 233 298	**855 954 933**	**141 962 967**	**11 298 566**	**2 131 449 764**
Liabilities					
Funds of central banks and other credit institutions	(1 619 111)	(796 328)	(5 250 536)	(3 131)	(7 669 106)
Customer funds and other borrowings	(707 070 365)	(795 076 521)	(116 948 444)	(3 802 315)	(1 622 897 644)
Financial liabilities at fair value through profit or loss	(12 675 871)	-	-	-	(12 675 871)
Other liabilities	-	40 559 456	-	-	40 559 456
	(721 365 347)	**(795 872 849)**	**(122 198 980)**	**(3 805 446)**	**(1 643 242 621)**
	1 843 598 645	**1 651 827 782**	**264 161 947**	**15 104 012**	**3 774 692 385**

	31/12/2018				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	139 110 674	35 449 566	37 212 969	280 353	212 053 562
Balances at other credit institutions	-	44 402 708	43 009 431	3 374 183	90 786 322
Deposits with central banks and other credit institutions	45 734 257	184 637 921	18 225 050	7 777 105	256 374 333
Financial assets at fair value through profit or loss	181 346 699	1 346 336	-	-	182 693 035
Investments at amortised cost	438 667 002	184 574 189	-	-	623 241 191
Loans and advances to customers	172 720 229	117 856 051	5 266 212	2	295 842 494
Other assets	**977 578 861**	**568 266 771**	**103 713 662**	**11 431 643**	**1 660 990 937**
Liabilities					
Funds of central banks and other credit institutions	1 913 310	712 611	2 435 053	1 905	5 062 879
Customer funds and other borrowings	618 675 354	529 616 854	81 172 535	2 663 506	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	-	3 234 284
Other liabilities	-	58 579 176	-	-	58 579 176
	623 822 948	**530 329 465**	**83 607 588**	**2 665 411**	**1 240 425 412**
	353 755 913	**37 937 306**	**20 106 074**	**8 766 232**	**420 565 525**

The above table includes securities in kwanzas indexed to the US dollar.

If the foreign currency balances are taken to include: (i) securities in kwanzas indexed to the US dollar ("Financial assets at fair value through profit or loss" in the amounts of mAOA 77 112 471 and mAOA 76 356 758 at 31 December 2019 and 2018, respectively, and "Investments at amortised cost" in the amounts of mAOA 0 and mAOA 5 380 364 at 31 December 2019 and 2018, respectively); and (ii) the notional amounts of forwards (recognised at 31 December 2019 and 2018 in off-balance sheet accounts under the heading of "Other assets in local currency" in the amounts of mAOA 40 559 456 and mAOA 58 579 176, respectively), the balance sheet structure by currency is as follows:

	31/12/2019				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	183 418 884	53 144 804	65 674 461	478 046	302 716 195
Balances at other credit institutions	-	13 692 824	25 522 119	3 292 854	42 507 797
Deposits with central banks and other credit institutions	23 893 849	375 407 831	49 917 702	7 527 613	456 746 995
Financial assets at fair value through profit or loss	93 143 358	79 519 092	27 752	-	172 690 202
Investments at amortised cost	521 752 626	307 099 212	-	-	828 851 838
Loans and advances to customers	222 912 110	104 203 641	820 933	53	327 936 737
Other assets	40 559 456	-	-	-	40 559 456
	1 085 680 283	**933 067 404**	**141 962 967**	**11 298 566**	**2 172 009 220**
Liabilities					
Funds of central banks and other credit institutions	(1 619 111)	(796 328)	(5 250 536)	(3 131)	(7 669 106)
Customer funds and other borrowings	(707 070 365)	(795 076 521)	(116 948 444)	(3 802 315)	(1 622 897 644)
Financial liabilities at fair value through profit or loss	(12 675 871)	-	-	-	(12 675 871)
Other liabilities	-	40 559 456	-	-	40 559 456
	(721 365 347)	**(755 313 393)**	**(122 198 980)**	**(3 805 446)**	**(1 602 683 165)**
	1 807 045 630	**1 688 380 797**	**264 161 947**	**15 104 012**	**3 774 692 385**

	31/12/2018				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	139 110 674	35 449 566	37 212 969	280 353	212 053 562
Balances at other credit institutions	-	44 402 708	43 009 431	3 374 183	90 786 322
Deposits with central banks and other credit institutions	45 734 257	184 637 921	18 225 050	7 777 105	256 374 333
Financial assets at fair value through profit or loss	104 944 029	77 749 006	-	-	182 693 035
Investments at amortised cost	433 286 635	189 954 556	-	-	623 241 191
Loans and advances to customers	172 720 229	117 856 051	5 266 212	2	295 842 494
Other assets	58 579 176	-	-	-	58 579 176
	954 375 000	**650 049 808**	**103 713 662**	**11 431 643**	**1 719 570 113**
Liabilities					
Funds of central banks and other credit institutions	1 913 310	712 611	2 435 053	1 905	5 062 879
Customer funds and other borrowings	618 675 354	529 616 854	81 172 535	2 663 506	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	-	3 234 284
Other liabilities	-	58 579 176	-	-	58 579 176
	623 822 948	**588 908 641**	**83 607 588**	**2 665 411**	**1 299 004 588**
	330 552 052	**61 141 167**	**20 106 074**	**8 766 232**	**420 565 525**

The results of the analysis of the exchange rate sensitivity of the value of financial instruments (including indexed securities and exchange rate forwards) at 31 December 2019 and 2018 are as follows:

	31/12/2019					
	(20)%	(10)%	(5)%	5%	10%	20%
US dollars	(15 529 613)	(7 764 806)	(3 882 403)	3 882 403	7 764 806	15 529 613
Euros	(3 809 106)	(1 904 553)	(952 277)	952 277	1 904 553	3 809 106
Other	(1 503 584)	(751 792)	(375 896)	375 896	751 792	1 503 584
Total	**(20 842 303)**	**(10 421 151)**	**(5 210 576)**	**5 210 576**	**10 421 151**	**20 842 303**

	31/12/2018					
	(20)%	(10)%	(5)%	5%	10%	20%
US dollars	(12 228 233)	(6 114 117)	(3 057 058)	3 057 058	6 114 117	12 228 233
Euros	(4 021 215)	(2 010 607)	(1 005 304)	1 005 304	2 010 607	4 021 215
Other	(1 753 246)	(876 623)	(438 312)	438 312	876 623	1 753 246
Total	**(18 002 695)**	**(9 001 348)**	**(4 500 674)**	**4 500 674**	**9 001 348**	**18 002 695**

31.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

At 31 December 2019 and 2018, the carrying amount of financial instruments is as follows:

	31/12/2019			
	Measured at fair value	Measured at amortised cost	Impairment	Net carrying amount
Assets				
Cash and balances at central banks	-	302 716 195	-	302 716 195
Balances at other credit institutions	-	42 522 475	14 678	42 507 797
Deposits with central banks and other credit institutions	-	457 492 832	745 837	456 746 995
Financial assets at fair value through profit or loss	172 690 202	-	-	172 690 202
Investments at amortised cost	-	842 084 352	13 232 514	828 851 838
Loans and advances to customers	-	359 170 275	31 233 538	327 936 737
	172 690 202	**2 003 986 129**	**45 226 567**	**2 131 449 764**
Liabilities				
Funds of central banks and other credit institutions	-	7 669 106	-	7 669 106
Customer funds and other borrowings	-	1 622 897 644	-	1 622 897 644
Financial liabilities at fair value through profit or loss	12 675 871	-	-	12 675 871
	12 675 871	**1 630 566 750**	**-**	**1 643 242 621**

	31/12/2018			
	Measured at fair value	Measured at amortised cost	Impairment	Net carrying amount
Assets				
Cash and balances at central banks	-	212 053 562	-	212 053 562
Balances at other credit institutions	-	91 035 833	249 511	90 786 322
Deposits with central banks and other credit institutions	-	256 853 327	478 994	256 374 333
Financial assets at fair value through profit or loss	182 693 035	-	-	182 693 035
Investments at amortised cost	-	626 037 969	2 796 778	623 241 191
Loans and advances to customers	-	315 538 584	19 696 090	295 842 494
	182 693 035	**1 501 519 275**	**23 221 373**	**1 660 990 937**
Liabilities				
Funds of central banks and other credit institutions	-	5 062 879	-	5 062 879
Customer funds and other borrowings	-	1 232 128 249	-	1 232 128 249
Financial liabilities at fair value through profit or loss	3 234 284	-	-	3 234 284
	3 234 284	**1 237 191 128**	**-**	**1 240 425 412**

The fair value of the Bank's financial instruments at 31 December 2019 and 2018 is as follows:

	31/12/2019				
	Fair value of financial instruments				
	Carrying amount (net)	Carried on the balance sheet at fair value	Carried on the balance sheet at amortised cost	Total	Difference
Assets					
Cash and balances at central banks	302 716 195	-	302 716 195	302 716 195	-
Balances at other credit institutions	42 507 797	-	42 507 797	42 507 797	-
Deposits with central banks and other credit institutions	456 746 995	-	456 746 995	456 746 995	-
Financial assets at fair value through profit or loss	172 690 202	172 690 202	-	172 690 202	-
Investments at amortised cost	828 851 838	-	828 851 838	828 851 838	-
Loans and advances to customers	327 936 737	-	320 188 783	320 188 783	(7 747 954)
	2 131 449 764	**172 690 202**	**1 951 011 608**	**2 123 701 810**	**(7 747 954)**
Liabilities					
Funds of central banks and other credit institutions	7 669 106	-	7 669 106	7 669 106	-
Customer funds and other borrowings	1 622 897 644	-	1 622 897 644	1 622 897 644	-
Financial liabilities at fair value through profit or loss	12 675 871	12 675 871	-	12 675 871	-
	1 643 242 621	**12 675 871**	**1 630 566 750**	**1 643 242 621**	**-**

	31/12/2018				
	Fair value of financial instruments				
	Carrying amount (net)	Carried on the balance sheet at fair value	Carried on the balance sheet at amortised cost	Total	Difference
Assets					
Cash and balances at central banks	212 053 562	-	212 053 562	212 053 562	-
Balances at other credit institutions	90 786 322	-	90 786 322	90 786 322	-
Deposits with central banks and other credit institutions	256 374 333	-	256 374 333	256 374 333	-
Financial assets at fair value through profit or loss	182 693 035	182 693 035	-	182 693 035	-
Investments at amortised cost	623 241 191	-	623 241 191	623 241 191	-
Loans and advances to customers	295 842 494	-	281 357 784	281 357 784	(14 484 710)
	1 660 990 937	**182 693 035**	**1 463 813 192**	**1 646 506 227**	**(14 484 710)**
Liabilities					
Funds of central banks and other credit institutions	5 062 879	-	5 062 879	5 062 879	-
Customer funds and other borrowings	1 232 128 249	-	1 232 128 249	1 232 128 249	-
Financial liabilities at fair value through profit or loss	3 234 284	3 234 284	-	3 234 284	-
	1 240 425 412	**3 234 284**	**1 237 191 128**	**1 240 425 412**	**-**

Where possible, the fair value of financial instruments must be estimated using prices quoted on an active market. A market is considered active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and transactions are carried out on a regular basis. Almost all of the Bank's financial instruments are not quoted on active markets.

In view of the lack of prices quoted on active markets, the valuation of financial instruments is undertaken as follows:

a) Financial instruments carried on the balance sheet at fair value:

Treasury Bills and Treasury Bonds issued by the Angolan State and held by the Bank for trading on the secondary market with other banks or with its customers, carried under "Financial assets at fair value through profit or loss", are recognised at amortised cost, since the understanding is that this reflects the best approximation to their market value.

"Derivatives - Currency forwards" are measured using generally accepted methods, in particular the present value of future cash flows, based on the interest-rate curve at the time of calculation.

Interest rates for specific cash-flow periods are determined using interpolation methods.

b) Financial instruments carried in the balance sheet at amortised cost:

For financial instruments carried in the balance sheet at amortised cost, the Bank determines the fair value using valuation techniques.

The valuation techniques used are based on the conditions applicable to similar transactions on the reporting date, in particular, the value of their discounted cash flows using the interest rates considered most appropriate, that is:

- With regard to balances of financial instruments payable within one year, it was considered that the carrying amount was a reasonable approximation to their fair value;
- For Treasury Bonds issued by the Angolan State and recorded under investments at amortised cost, it was considered that the carrying amount was a reliable approximation to their fair value, on the grounds that it reflects the best approximation to their market value, since they are not quoted on an active market with regular transactions;
- For loans and advances to customers, the average annual interest rates applied by the Bank in 2019 and 2018, respectively, were used for transactions with similar characteristics, having deducted the amount of accumulated impairment losses; and
- With regard to customer deposits, since they are essentially short-term transactions, it was considered that the carrying amount was a reasonable approximation to their fair value;

It should be noted that the fair value presented does not correspond to the realisable value of these financial instruments in a sale or liquidation scenario and was not determined for that purpose.

At 31 December 2019 and 2018, the breakdown of the fair value of financial instruments carried in the balance sheet at fair value by valuation methodology is as follows:

	31/12/2019			
	Level 1 Prices quoted in an active market	Level 2 Observable market data	Level 3 Other valuation techniques	Total
Assets				
Financial assets at fair value through profit or loss	1 259 123	1 731 020	169 700 058	172 690 202
Liabilities				
Financial liabilities at fair value through profit or loss	-	12 675 871	-	12 675 871

	31/12/2018			
	Level 1 Prices quoted in an active market	Level 2 Observable market data	Level 3 Other valuation techniques	Total
Assets				
Financial assets at fair value through profit or loss	566 069	1 468 875	180 658 091	182 693 035
Liabilities				
Financial liabilities at fair value through profit or loss	-	3 234 284	-	3 234 284

At 31 December 2019 and 2018, the financial instruments presented in Level 1 of the hierarchy specified in IFRS 13 consist of listed shares; the financial instruments presented in Level 2 consist of derivatives valued on the basis of internal models that use mainly observable market data (such as yield curves or exchange rates); and the financial instruments presented in Level 3 consist of Treasury Bills and Treasury Bonds issued by the Republic of Angola and the interest in EMIS.

1. IMPACT OF THE ADOPTION OF NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE ON OR AFTER 1 JANUARY 2019:

1. Impact of the adoption of new standards and amendments to standards and interpretations that are effective on or after 1 January 2019:

a) **IFRS 16 (new)** - Leases. This new standard replaces IAS 17 and has a material impact on accounting by lessees, who under the new standard are obliged to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease agreements, except for certain short-term leases and leases of low-value assets. The definition of a lease has also been changed and is now based on the "right to control the use of an identified asset". As regards transitional arrangements, the new standard may be applied retrospectively or a modified retrospective approach may be adopted.

b) **IFRS 9 (amendment)** - Prepayment features with negative compensation. This amendment introduces the possibility of classifying financial assets with prepayment features with negative compensation at amortised cost, provided certain conditions are met, instead of being classified at fair value through profit or loss.

c) **IAS 19 (amendment)** - Plan amendment, curtailment or settlement. This amendment to IAS 19 requires an entity: (i) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (ii) to recognise in profit or loss as part of past service cost, or as a gain or loss on settlement, any reduction in the surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The impact on the asset ceiling is always recognised in other comprehensive income and is never recycled to profit or loss for the period.

d) **IAS 28 (amendment)** - Long-term interests in associates and joint ventures. This amendment clarifies that long-term interests in associates and joint ventures (components of interests in associates and joint ventures) that are not measured using the equity method are to be accounted for in accordance with IFRS 9. Where there is evidence of impairment, long-term interests in associates and joint ventures are subject to the expected loss impairment model, before being added (for impairment testing purposes) to the overall investment in an associate or joint venture.

e) **Improvements to the standards 2015 - 2017.** This improvements cycle affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11.

f) **IFRIC 23 (new)** - Uncertainty over income tax treatments. This is an interpretation of IAS 12, "Income taxes", and concerns the measurement and recognition requirements that apply when there are uncertainties as to whether a particular income tax treatment will be accepted by the tax authority. Where the uncertainty concerns the tax authority's position regarding a specific transaction, the entity must make its best estimate and recognise corporate income tax assets and liabilities in light of IAS 12, not IAS 37 ("Provisions, contingent liabilities and contingent assets"), based on the expected value or most likely amount. IFRIC 23 may be applied using the full retrospective or the modified retrospective approach.

Of the abovementioned standards, only the adoption of IFRS 16 had material impacts, as disclosed in Note 4.

2. PUBLISHED STANDARDS (NEW AND AMENDED) THAT ARE MANDATORY FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020 THAT HAVE ALREADY BEEN ADOPTED BY THE EUROPEAN UNION:

a) **IAS 1 and IAS 8 (amendment),** "Definition of material" (effective for annual periods beginning on or after 1 January 2020). This amendment modifies the concept of "material" and clarifies that the reference to unclear information refers to situations whose effect is similar to omitting or distorting such information, and that the entity should assess materiality considering the financial statements as a whole. The amendment also clarifies the term "primary users of financial statements", who are defined as "existing and potential investors, lenders and other creditors who must rely on general purpose financial statements for much of the financial information they need".

b) **Conceptual framework,** "Amendments to references to the conceptual framework in IFRS standards" (effective for annual periods beginning on or after 1 January 2020). As a result of the publication of the new Conceptual Framework, the IASB introduces amendments to the text of various standards and interpretations, including: IFRS

2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32, so as to clarify the application of the new definitions of an asset and a liability and of income and expense, as well as other aspects of financial reporting. These changes are applicable retrospectively, unless impracticable.

c) **IFRS 3 (amendment),** "Definition of a business" (effective for annual periods beginning on or after 1 January 2020). This amendment reviews the definition of a business for the purpose of accounting for concentrations of business activities. The new definition requires that an acquisition include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of outputs is narrowed to focus on goods and services provided to customers that generate income from investments and other income, excluding returns in the form of cost reductions and other economic benefits for shareholders. Concentration tests are permitted to determine whether an acquired set of activities and assets is a business or not.

d) **IFRS 9, IAS 39 and IFRS 7 (amendment),** "Reform of reference interest rates" (effective for annual periods beginning on or after 1 January 2020). These amendments are part of Phase 1 of the IASB's IBOR reform project exemptions. The exemptions relate to hedge accounting, namely: (i) risk components; (ii) the "highly probable" requirement; (iii) prospective assessment; (iv) retrospective effectiveness test (for adopters of IAS 39); and (v) recycling of the cash flow hedging reserve. Their purpose is to ensure that the interest benchmark reform does not cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

e) **IFRS 17 (new),** "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021). This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of contract liabilities at each reporting date. The current measurement may be based on a building block approach or a premium allocation approach. The recognition of the contractual service margin differs according to whether the margin is positive or negative. IFRS 17 is applicable retrospectively.

The Bank does not expect the abovementioned amendments, new interpretations and new standards to have any material impact.

33. EVENTS AFTER THE BALANCE SHEET DATE

As is widely known, the COVID-19 pandemic has become a major concern in recent weeks in many countries, including Angola. Reports suggest that some sectors of the economy, notably tourism, transport and some services, may be directly or indirectly affected.

Bearing in mind not only the nature of the Bank's activity but also the information available to date, the Board of Directors does not anticipate any material impact on the financial statements for 2019 as a result of the pandemic. Given the prevailing uncertainty, the Bank's Board of Directors is unable, as of the reporting date, to estimate or quantify the possible future impact of the coronavirus on the Angolan economy or, more particularly, the Bank's business but is convinced that it does not represent a threat to business continuity. We will continue to assess the situation carefully throughout the financial year.

Audit Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Banco de Fomento Angola, S.A.

Introduction

1. We have audited the accompanying financial statements of Banco de Fomento Angola, S.A., which comprise the balance sheet at 31 December 2019, showing a total of 2 195 058 036 thousand Kwanzas, equity of 462 205 902 thousand Kwanzas and net profit of 119 940 192 thousand Kwanzas, together with the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the Notes to the financial statements.

Board of Directors' Responsibility for the Financial Statements

2. The Board of Directors is responsible for the correct preparation and presentation of these financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and for the internal control it considers necessary to allow the preparation of financial statements free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an independent opinion on these financial statements based on our audit, which was conducted the audit in accordance with the Technical Standards of the Angolan Association of Accountants and Chartered Management Accountants (Ordem dos Contabilistas e Peritos Contabilistas de Angola). Those standards require that we meet ethical requirements and plan and perform the audit so as to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence of the amounts and disclosures contained in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers the internal control that is relevant to the preparation and presentation of the financial statements, so as to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion

6. At year-end 2018, the Angolan Banks Association (ABANC) and Banco Nacional de Angola (BNA) expressed the opinion that in the year ended 31 December 2018 not all the requirements for the Angolan economy to be considered hyperinflationary, as specified in IAS 29 – Financial reporting in hyperinflationary economies ("IAS 29"), were met. The directors of the Bank therefore decided not to apply the provisions of IAS 29 to the Bank's financial statements at 31 December 2018. At that date, the cumulative inflation rate for the previous three years exceeded 100%, regardless which index is used, which is an objective, quantitative condition that leads us to consider, leaving aside the existence of other conditions specified in IAS 29, that the functional currency of the Bank's financial statements at 31 December 2018 is that of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements at 31 December 2018 in accordance with the provisions of IAS 29. Although Angola is not considered a hyperinflationary economy at 31 December 2019, under IAS 29 the Bank was required to provide comparative financial information for 31 December 2018. However, we were unable to obtain sufficient information to be able to accurately measure the effects of this situation at 31 December 2018, which we believe to be material under the headings Other reserves and retained earnings and Net profit or loss for the period. The accumulated impacts of IAS 29 on the financial statements for the year ended 31 December 2019 were considered immaterial, to the extent that the greatest impact at 31 December 2018 relates to monetary items, which represent the great majority of the Bank's balance sheet items.

Qualified opinion

7. In our opinion, except as regards the effects of the matters described in the section "Basis for the Qualified opinion", the financial statements referred to in paragraph 1 above give, in all material respects, a true and fair view of the financial position of Banco de Fomento Angola, S.A. at 31 December 2019 and of its financial performance and cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards (IFRS).

Emphasis of matter

8. We draw attention to the information disclosed in Note 33 to the financial statements on the possible impacts of the COVID-19 pandemic on the economy and, consequently, on the Bank's future activity.

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30 April 2020

PricewaterhouseCoopers (Angola), Limitada

Registered with OCPCA under no. E20170010

Represented by:

Ricardo Santos

Ricardo Santos, OCPCA member no. 20120086

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholders of

Banco de Fomento Angola, S.A.

1. In compliance with the legal and regulatory provisions, in particular Article 441(g) of the Companies Act (Law 1/04 of 13 February), Article 17(5) of the Basic Law on Financial Institutions (Law 12/2015 of 17 June), Article 2(1) of the articles of association of Banco de Fomento Angola, S.A. Approved on 21 June 2014, the Supervisory Board has a duty to issue an opinion on the annual report and accounts of BANCO DE FOMENTO ANGOLA, S.A. for financial year 2019 presented by the Board of Directors.

2. It is the responsibility of the Board of Directors of BANCO DE FOMENTO ANGOLA, S.A. to present the accounting documents for financial year 2019, namely the directors' report and the financial statements for 2019 (2019 Report & Accounts).

3. It is the responsibility of the Supervisory Board to verify the information contained in the accounting documents, so as to issue an impartial professional opinion, based on its supervisory activity.

4. The Supervisory Board has examined the financial statements, which comprise the balance sheet at 31 December 2019, showing a total of 2,195,058,036 thousand Kwanzas and equity of 462,205,902 thousand Kwanzas, including net profit for the year of 119,940,192 thousand Kwanzas, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements.

5. The Supervisory Board took note of the external auditors' opinion on the financial statements for financial year 2019, which contains a reservation of opinion due to a discrepancy between the legal framework established by Banco Nacional de Angola/ABANC (for financial year 2018) and the auditors' understanding, as presented below:

   a) At year-end 2018, the Angolan Banks Association (ABANC) and Banco Nacional de Angola (BNA) expressed the interpretation that in the year ended 31 December 2018 not all the requirements for the Angolan economy to be considered hyperinflationary, as specified in IAS 29 – Financial reporting in hyperinflationary economies ("IAS 29"), were met. The directors of the Bank therefore decided not to apply the provisions of IAS 29 to the Bank's financial statements at 31 December 2018. At that date, the cumulative inflation rate for the previous three years exceeded 100%, regardless which index is used, which is an objective, quantitative condition that leads us to consider, leaving aside the existence of other conditions specified in IAS 29, that the functional currency of the Bank's financial statements at 31 December 2018 is that of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements in accordance with IAS 29. Although Angola is not considered a hyperinflationary economy at 31 December 2019, under IAS 29 the Bank is required to provide comparative financial information for 31 December 2018. However, we have been unable to obtain sufficient information to be able to accurately measure the effects of this situation at 31 December 2018, which we believe to be material under the headings Other reserves and retained earnings and Net profit or loss for the period.

The accumulated impacts of IAS 29 on the financial statements for the year ended 31 December 2019 were considered immaterial, to the extent that the greatest impact at 31 December 2018 relates to monetary items, which represent the great majority of the Bank's balance sheet items.

6. Accordingly, based on the work performed, this Supervisory Board proposes:

   a) That the financial statements for financial year 2019 be approved with the reservation presented in the external auditor's report.

   b) That the directors' report for 2019 and the proposal for the appropriation of profit contained therein be approved.

7. We would like to thank the Board of Directors and all the employees of BANCO DE FOMENTO ANGOLA, S.A. for their cooperation.

Luanda, 30 April 2020

O Conselho Fiscal

Ari Nelson Correia Brandão

Perito Contabilista nº 20120120

(Presidente)

Rodrigo Aguiar Quintas

(Vice-Presidente)

Valdir de Jesus Lima Rodrigues

(Vogal)

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/amortisation** – Reduction in the carrying amount of a company's fixed assets to reflect their use or wear and tear, or the decrease in their useful life.
- **ATM (cash machine)** – Device through which authorised users (generally holders of valid financial cards in a given system) can access financial and other services, including cash withdrawals.
- **Investments in securities** – Investments in fixed income assets issued by the National Treasury to finance the national public debt.
- **Capital account** – Shows the balance of Angolan assets owned by foreign investors and foreign assets owned by Angolan investors.
- **Trade balance** – The difference between the value of the goods and services a country exports and those it imports.
- **Current account balance** – The sum of the balance of trade and financial flows, especially interest paid to the foreign holders of debt issued by the country and dividends paid to foreign investors.
- **Balance of payments** – Reflects the total payments made and income received by residents of a country to or from the rest of the world. It is divided into the current account and the capital account.
- **Balance sheet** – Accounting statement that summarises a company's assets (fixed assets, receivables, cash) and liabilities (capital, debts).
- **Treasury bills (TBills)** – Short-term public debt security issued by the Treasury, with a maturity of less than one year. Treasury bills are issued at a discount and redeemed at their face value at maturity.
- **Shareholders' equity/Own funds** – Funds that belong to the company itself, as opposed to borrowed funds.
- **Cash flow for the year** – Net profit for the year, plus provisions for depreciation and amortisation expense and provisions. It represents the company's capacity to generate funds to invest without borrowing.
- **Operating cash flow** – Net operating revenue, less administrative expenses.
- **Tripartite contracts** – Contracts between the bank, an oil sector service provider and an oil operator, with a view to the operator selling USD directly to the service provider without the intervention of the BNA.
- **Commodities** – Goods that can be bought and sold, such as farm products and natural resources. In international trade, the term is used to refer to raw materials and primary agricultural products.
- **Cost-to-income ratio** – A financial measure that shows a company's costs as a percentage of its income.
- **Deposit** – Funds placed with a bank.
- **Term deposit** – Funds placed in a bank account for a specified period (one month, three months, six months, one year), earning interest at an agreed rate.
- **EMIS** – Angolan company which, together with the banks, provides a range of services related to the use of bank cards. It manages the shared ATM and POS terminal network.
- **eMudar@BFA** – A system implemented by BFA, consisting of a front-end application for branches, Corporate Centres and Investment Centres that introduces mechanisms based on standardised workflow methodologies for processing various branch activities, so that they can be dematerialised, making them more efficient and mitigating the level of operational risk.
- **EMV** – A standard for cards with computer chips that generate a unique transaction code for each transaction to prevent fraud.
- **Euribor** – Euro Interbank Offered Rate. The Euribor rate is calculated daily based on the average interest rates at which 57 representative eurozone banks offer to lend funds to one another.

- **MT940 statement** – standard statement, developed by SWIFT and used internationally to electronically report daily bank account entries and end-of-day balances.
- **PSX file** – File format for batch processing of transfers, with the possibility of making payments to other countries (used mainly for payroll processing and frequent payments to suppliers).
- **Filtering** – Automatic screening of the database of new and existing customers against international sanctions lists.
- **MT101** – Standard SWIFT message containing a request for transfer of funds between bank accounts, which may even be in different countries.
- **FX transactions** – Transactions in the foreign exchange market.
- **H2H (host to host)** – A channel that allows bank customers, through the internet and mobile banking service provided by their bank, to access the bill payments service available in the Multicaixa ATM network.
- **Inflation** – Average increase in the level of prices, generally expressed in percent.
- **Financial institution** – A company whose purpose is to enter into financial contracts and which therefore is subject to prudential regulation and supervision.
- **Financial instruments** – Investment instruments including securities, derivatives and money market instruments.
- **Financial asset** – Contractual right to receive cash or another financial asset (securities, accounts receivable) from another entity.
- **Financial liability** – Contractual obligation to deliver cash or another financial asset to another entity.
- **Net non-interest income** – Sum of net fee and commission income, net trading income and other income.
- **Net interest income** – Difference between the interest earned on loans and advances granted (calculated using the asset interest rate) and the interest paid to savers on the amounts deposited with the bank (calculated using the liability interest rate).
- **Operating margin** – Operating profit divided by total income, multiplied by one hundred. It measures a company's operating profitability over a given period.
- **Interbank money market** – Market in which banks lend to and borrow from one another to meet their needs.
- **Treasury bonds (Tbonds)** – Public debt securities issued by the Treasury which pay interest (coupons) at regular intervals and are redeemed at their face value.
- **Liabilities** – An entity's total debts and obligations to pay. The opposite of assets.
- **Interest-bearing liabilities** – Liabilities such as bank borrowings and corporate bonds on which interest must be paid.
- **Monetary policy** – Set of measures taken to control the supply of currency and credit and thus also the interest rate in an economy. The central bank is responsible for implementing the country's monetary policy.
- **Net operating revenue** – Total revenue received by a financial institution: fee and commission income, interest income, trading income, income from interbank lending.
- **Gross domestic product (GDP)** – Sum of all the goods and services produced in a country in a given period, generally one year.
- **Profiling** – Any form of automated processing of personal data that involves using personal data to assess certain personal aspects of an individual, especially to analyze or predict a person's financial situation, reliability or behaviour.
- **Finance income** – Interest received from loans granted, calculated using the asset interest rate.
- **Past-due loans ratio** – Ratio of customer loans with overdue principal or interest payments to total loans.
- **Equity-to-debt ratio** – Measures the proportion of a company's assets that are financed by equity as opposed to debt. The equity-to-debt ratio is an indicator of a company's financial stability.

- **Regulatory solvency ratio (RSR)** – 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 BNA.

- **STC** - Credit Transfer Subsystem.

- **Stress test** – A procedure for testing the performance of an investment portfolio in different scenarios. Stress testing is used to estimate portfolio performance in exceptional situations.

- **SWIFT** – Society for Worldwide Interbank Financial Telecommunication, a provider of secure financial messaging services for banks. Its services are used in the foreign exchange, money and securities markets for confirmation and payment messages.

- **Financial inclusion rate** – Rate of use of financial services by the population of a country.

- **Intervention rate** – The rate of exchange at which a country's national bank must buy or sell its own currency in order to return it to the same value it had before.

- **Benchmark rates** – Interest rates set by central banks to serve as the basis for commercial interest rates in an economy.

- **Interest rate** – Price a borrower must pay to the owner of borrowed capital for the use of that capital for a specified period, expressed in percent.

- **Main refinancing rate** – Minimum rate of interest on liquidity-providing operations, carried out through weekly auctions, for a term of two weeks.

- **TCX (Money Trade Coin X)** – App for financial transactions in cryptocurrency.

- **TLTRO (Targeted long-term refinancing operations)** – Operations that provide long-term funding to credit institutions.

- **POS terminal (Point-of-sale terminal)** – An electronic device used to process card payments in retail and other establishments.

- **NPV (net present value)** – Discounted value of the expected future cash flows of a transaction.

- **Way4** – EMIS card management platform.

- **Write-off** – Reduction to zero of the carrying amount of a past-due loan that is considered uncollectible. The write-off is done by recording an allowance for uncollectible accounts and so has no impact on the income statement.

- **Yield** – The main indicator in the real estate investment market. It should be understood as a measure of the risk of future returns: the higher the yield, the higher the price, the greater the associated risk and the greater the opportunities for future returns.

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