BAI ANNUAL
REPORT 2018

365

DAYS OF FUTURE

BAI

365
days of future

BAI is living the present for the future,
aware of all that can be done for the future
to be more positive for everyone.
It was such a spirit that has outlined
all actions in 2018: by creating innovative
solutions to overcome each challenge
of the present and to build a more confident
tomorrow for customers, shareholders,
stakeholders and, of course, the whole team.
And it is in this spirit that BAI will face
the coming 365 days.
Always having confidence in the future
of Angola and Angolans.

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BAI

It is our mission to be the Angolan bank of reference, committed to satisfying the financial needs of its business partners, capable of attracting, keeping and developing the best professional skills, generating an attractive return to shareholders, acting with ethics and social responsibility. Offering the best banking experience to the segments we serve is the vision sustaining our entire operation.

01. BAI

1.1. Joint message of the Chairman of the Board of Directors and the Chief Executive Officer

2018 was characterized by the implementation of political and economic reforms which aim to increase efficiency, effectiveness and transparency in the functioning of the State and to prepare the country to face sustainably the challenge of recovery and diversification of economy.

The Government continued to implement the Macroeconomic Stabilization Program which led to the adoption of measures aimed at improving the country's economic environment, Competition Law, the Private Investment Law stand out, as well as several measures to prevent and combat corruption.

In the monetary and exchange-rate context, the new exchange rate regime of limited fluctuation is highlighted, which resulted in a historical exchange rate depreciation, in the adoption of a new model for managing and allocating foreign exchange, and in the adoption of the monetary base, in national currency, as monetary policy operational variable. In addition, a Technical and Financial Assistance Program was started, Extended Fund Facility, focusing on fiscal sustainability, reduction of inflation, promotion of a flexible exchange rate regime and the stability of the financial sector.

Banco Nacional de Angola has taken far-reaching steps to improve the functioning and strengthening the soundness of the banking financial sector. These measures were comprehensive and included aspects from the revision of the minimum capital requirement and regulatory own funds of financial institutions, to the exemption of commissions on minimum services, also including the definition of exchange position limits and the prioritization of the documentary credit letter for imports.

The reflex in the sector of the new exchange regime, the monetary policy and the regulatory measures was felt transversally. The composition of banking results has changed, exchange results having an even greater relevance, causing, despite the growth in costs with impairment resulting from increased economic difficulties experienced by customers, a significant increase in the sector's aggregate results.

In internal terms, 2018 was an assertion year by reinforcing our market leading position regarding deposits and by the international recognition as the 20th largest bank in Africa and the strongest in Angola.

The innovation of our offer, regarding products and services, has marked the sector by launching the "Automatic Deposit Machine" and the provision in BAI Directo of new features such as "Online Account Opening" and "Withdrawal without Card" both complemented by products with preferential and exclusive subscription conditions by this channel. The infrastructure supporting our operations has also been improved to increase its availability, that is, today, at BAI, we assist our customers 24 hours per day, 7 days a week, through any of the channels of our varied network.

Despite the challenging context and framework, we show solid balance and results. Our banking product has grown sharply due to exchange results – influenced by the depreciation of the national currency –, results of financial assets and good performance of commissions.

This growth context has allowed reinforcing the stability of our balance sheet by assuming a very significant cost for strengthening the impairment of loans to customers, so that the degree of coverage of credit due for impairment is greater than 100%.

Notwithstanding the investment made to strengthen our solidity, we show a return on equity around 25% and a regulatory solvency ratio of 13,1%. We believe that the conditions are created so that, in 2019, we continue to be a reference partner for the state, companies and families and to lead the market as a solid bank, which has value solutions for customers through a differentiating and innovative banking experience.

On behalf of the Board of Directors and the Executive Committee, we thank all our employees for their constant improvement in pursuing the best banking experience for our clients and for the increase of our solidity.
We also thank our shareholders, customers, suppliers and other stakeholders, strengthening the confidence in the future by being committed to supporting all actors in Angola's sustained and diversified economic growth.

José Carlos Castro Paiva
Chairman of the Board of Directors

Luís Filipe Rodrigues Lélis
Chairman of the Executive Committee

1.2. 2018

1.2.1. Key performance indicators

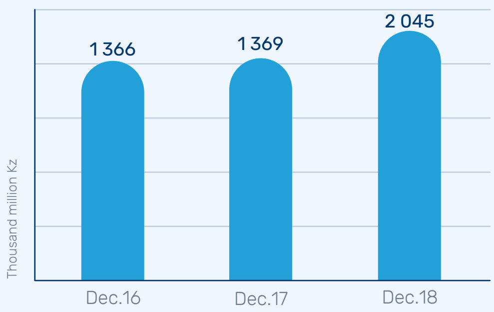
Amounts in thousand million Kz (except where another unit is expressly stated)	Dec. 16	Dec. 17	Dec. 18	Δ 2017/2018 Abs	Δ 2017/2018 %
Balance sheet					
Net asset	1 366	1 369	2 045	675	49%
Loans to customers[1]	380	369	373	4	1%
Customer resources	1 137	1 093	1 808	715	65%
Own Funds	167	196	199	3	2%
Income Statement					
Net interest income	72	81	86	5	6%
Operating income from banking activity	96	112	178	66	60%
Administrative Expenses	31	39	51	12	30%
Net profit	50	55	50	(5)	(8%)
Operational					
(N.°) employees BAI	1 997	1 991	2 058	67	3%
(N.°) distribution channels	143	146	153	7	5%
(N.°) active customers (BNA)[2]	681 346	814 848	982 141	167 293	21%
(N.°) BAI Directo users	36 683	343 451	680 788	337 337	98%
(N.°) Active ATMs	341	354	392	38	11%
(N.°) Active POS	4 616	10 265	15 833	5 568	54%
(N.°) active cards	223 638	461 309	599 767	138 458	30%
Productivity / Efficiency					
(N.°) customers per employee	341	409	477	68	17%
(N.°) customers per branch	4 765	5 581	6 419	838	15%
(N.°) employees per branch	14	14	13	(0)	(1%)
(%) *Cost to income*	32,0%	35,3%	28,7%	(6,5 p.p.)	(31%)
(%) *Cost to income* without exchange re-evaluation	35,4%	35,3%	44,4%	9,1 p.p.	2%
Profitability					
(%) ROAE	34,2%	30,1%	25,4%	(4,7 p.p.)	(16%)
(%) ROAA	4,0%	4,0%	2,9%	(1,1 p.p.)	(27%)
Liquidity and fund management					
(%) Loan-to-deposit ratio (Net loans / Deposits)	33,4%	33,8%	20,6%	(13,2 p.p.)	(39%)
(%) Deposit concentration = Top 20	38,7%	37,0%	35,9%	(1,1 p.p.)	(3%)
(%) Loans concentration = Top 20	59,6%	57,1%	67,9%	10,8 p.p.	19%
Quality of assets					
(%) Non-performing loans ratio (+90 days)	4,3%	16,5%	18,2%	1,7 p.p.	11%
(%) Overdue loans ratio (+30 days)	7,4%	21,0%	19,2%	(1,1 p.p.)	(5%)
(%) Credit to impairment coverage ratio	15,3%	19,3%	32,8%	13,5 p.p.	70%
(%) Non-performing loans to impairment coverage ratio	162,6%	72,6%	130,7%	(58,1 p.p.)	23%
(%) Net loss on credit[3]	3,6%	3,7%	11,7%	8 p.p.	216%
(%) Total loans / Total asset	32,9%	27,0%	18,3%	(8,7 p.p.)	(32%)
Capital Adequacy					
(%) Fixed assets ratio	43,6%	33,9%	27,0%	(6,9 p.p.)	(20%)
Regulatory Own Funds (Notice 02/2016)	115,39	154	195	41	27%
(%) Regulatory Solvency Ratio (Notice 02/16)	19,19%	19,00%	13,10%	(5,9 p.p.)	(31%)

[1] Loans to Customers, net of impairment.
[2] Number of active customers (BNA) – SSIF chart rules, entities without duplicate with at least an account not closed.
[3] Impairment for loans to customers net of reversals and recoveries (income statement) / loans to customers.

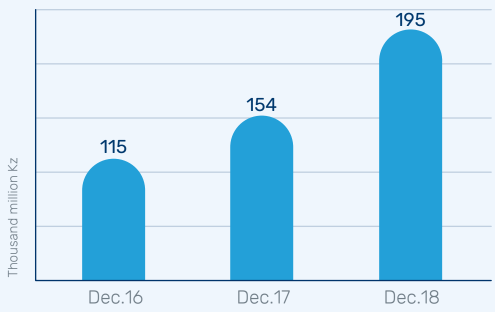
General Note: Numbers are in thousand million Kwanzas, except when expressing a different unit, and rounded without decimal digits. Variations, percentage and absolute, are calculated not considering how numbers are shown and therefore there might be some discrepancies.

Graphical analysis

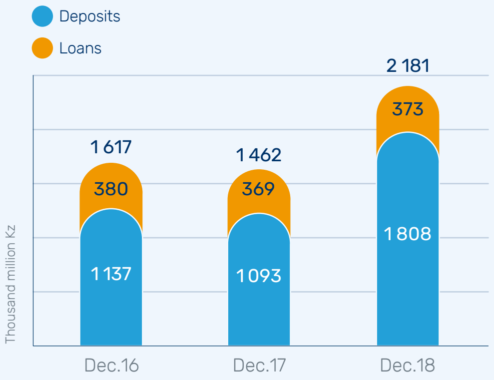
Net asset



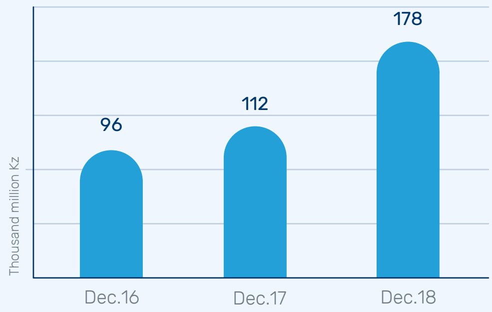
Regulatory Own Funds (Notice 02/2016)



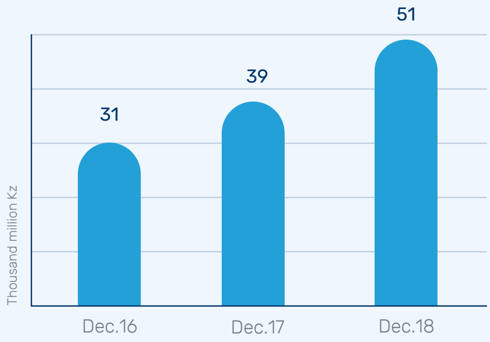
Turnover



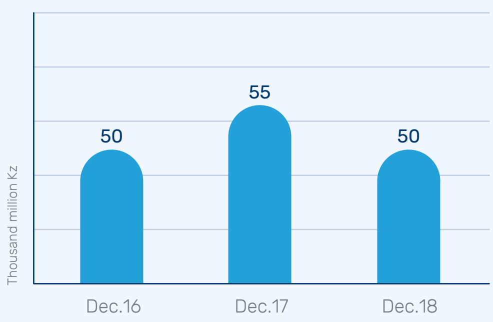
Operating income from banking activity



Administrative Expenses

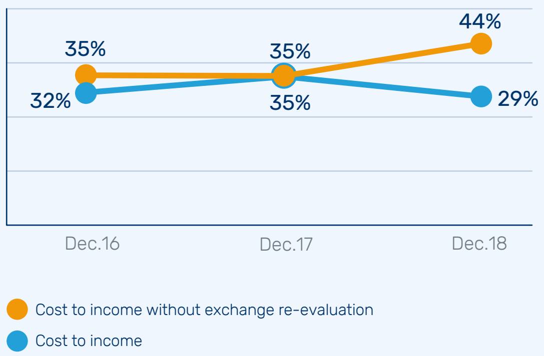


Net Profit

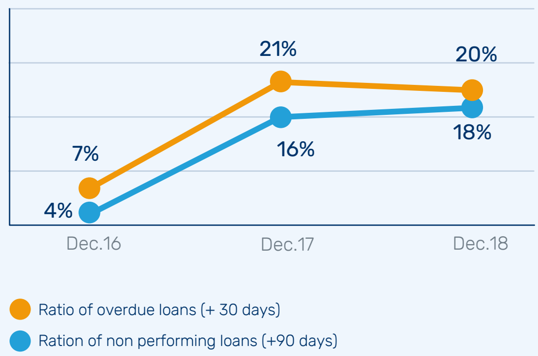


Graphical analysis (cont.)

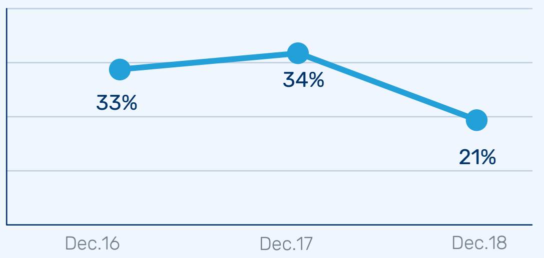
(%) Cost to income



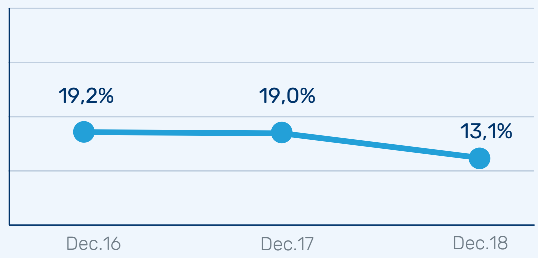
Non perfoming loans



Loan-to-deposit ratio (Net Loans / Deposits)

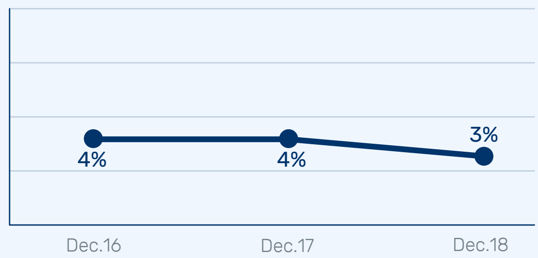


% Regulatory Solvency Ratio (Notice 2/2016)



(%) ROAE

(%) ROAA



1.2.2. Main achievements and acknowledgements

Euro Money Awards For Excellence 2018.
Euro Money, the prestigious magazine of the banking sector, has elected BAI as the Best Bank in Angola in 2018.

Global Finance
has elected BAI as the Best Digital Bank in Angola.

The prestigious magazine The BANKER
has rated BAI as the 20th greatest bank in Africa and the greatest in Angola.

FILDA award with golden lion
best participation award banking and financial services in the 34th edition of the international fair of Luanda.

FIB award
BAI Directo wins the Prize Banking and Services Innovative Product at international fair of Benguela (FIB) 2018.

Best exhibitor and banking
institution award
In the 1st edition of Expo Huambo.

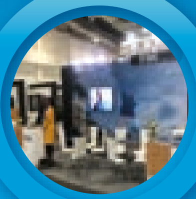
Expo Huila 26th edition
BAI took part with the aim of strengthening its positioning as a banking institution, communicating the offer of products and services and promoting online account opening.

Launch of the Automatic Deposit Machine.
On 3 January, BAI launched the first bank deposit machine in Angola.

DP NET 7.
A financial application available for subscription in Kwanzas, with a fixed rate exclusively at BAI Directo

Launch of BAI Direct channel
of ideas aimed at collecting ideas for any functionalities to be implemented.

Online Account Opening
in order to offer the best banking experience to customers.



Participation in the first Intra-African Trade Fair (IATF/2018)
Under the motto Transforming Africa.

Participation in sona uno fair.

Withdrawal without card.
Launch of BAI Directo service.

PME Campaign

In order to publicize the advantages of being a customer of the SME (medium-sized companies) segment, BAI has started a communication campaign under the motto "With BAI your company will move on

BAI ZEE forum (Special Economic Zone)

Presentation of the portfolio to the various representatives of the companies based in the ZEE in Viana.

Massification of BAI Products

at Universities and Public / Private Companies throughout the country.

2018 Shareholders' General Meeting.

Approval of the Annual Report for the financial year 2017.

2018 BAI family meeting with the participation of BAIN.

Presentation of the new executive committee, reflection on the goals, opportunities and challenges of BAI nowadays.

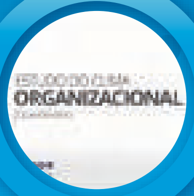
Simulacrum.

In order for everyone to be aligned with the evacuation and emergency plan of BAI Tower, raising awareness and preparing employees to a real emergency situation.

BAI offers check to Moxico Sanatorium
Hospital a check of a million kwanzas.

BAI offers check to the Uíge general hospital.
A check of a million kwanzas used to buy medicines for the hospital.

In order to promote the well-being of children,
BAI gave presents and opened Saving Accounts for newborns on June 1 at the Lucrécia Maternity.



Study of BAI organizational climate.
The purpose of this study was to have reference indicators enabling us to create a healthy work environment

Health and wellness GYMNASTICS at work.
Assisted by BAI Gym, the Bank is carrying out physical exercise sessions at the workplace.

March Woman BAI.
A lecture on The Role of Women in Society and within an Organization.

Visit to Arnaldo Janssen Center
Shelter centre for boys, an initiative within a campaign to end with barefoot.

Fight against
HIV in Malange. Offer of check of one million kwanzas to the Provincial Program Solidary Market.

Solidarity Bazaar
With the purpose of helping children of Centro Nova Beata, assisted by BAI employees, bazaars are held to sell non-perishable goods to help the center.

Support to Art and Culture.
BAI as official sponsor of the event that took place at university lusíada of Angola fostering a taste for jazz culture.

BAI award Carnival Song.
The largest Angolan cultural event, awarding each class.

BAI more digital now
May be followed on Instagram, Facebook, Twitter, Youtube and LinkedIn.

1.3. BAI's Profile

1.3.1. The essence

AI started its activity on 14 November 1996. Today BAI is a dynamic Bank using the most modern technologies, giving particular attention to efficiency and customization in the approach to the market, aiming at positioning itself as an indispensable partner for the business of its customers. The Bank is committed to provide a careful service regarding the needs of Individual customers and offers innovative solutions for small and medium-sized enterprises (SMEs) whilst being an essential reference among the largest business groups in the country.

The team consists of dedicated and qualified professionals, which guarantees and affirms the presence of BAI in the national and international markets.

BAI has got a diversified and distinctive offer, according to the financial needs of its customers. The creation of differentiated value propositions is based on the constant development of products and services made available, but also on the adoption of segmentation criteria adjusted to the characteristics of customers.

The generation of a financial reference group, the diversification of the group's activity, as well as its internationalization, are important vectors in the Bank's strategy.

BAI sets the mission of **being the benchmark Angolan Bank, committed to meeting the financial needs of its business partners, capable of attracting, keeping and developing the best professional skills and generating an attractive return to shareholders, acting with ethics and social responsibility.**

BAI's **vision** represents the Bank's value proposition in the market and the basis supporting all its operation, in order to **offer the best banking experience in Angola for the segments served.**

Respect

Respect is the basis of BAI's partnerships. The Bank is proud of its trajectory, origins and ability to overcome.

Integrity

Acting with integrity is essential to build and maintain trust and good relationships, ensuring BAI's credibility.

Invovation

BAI has the unceasing desire to develop new products and services, to promote new business models and continuously improve processes to better serve customers.

Ethical Conduct

Under the Bank's Code of Conduct and the laws and regulations in force, BAI assumes an ethical and responsible posture according to high standards for the achievement of professional excellence.

Focus on Customer

BAI focuses attention on customers' needs and seeks to exceed their expectations with flexible services and solutions having added value and being technologically innovative.

BAI has a strong presence in the Portuguese-speaking banking financial sector through financial participation in institutions in Portugal, Cape Verde and São Tomé and Príncipe.

BAI	BAI Europa	BAI Cabo Verde	Banco Internacional de São Tomé e Príncipe
Travessa Ho Chi Minh GradenTowers Complex, Maianga, BAI Tower Luanda - Angola	Rua Tierno Galvan Tower 3 Amoreiras 12th floor C.P. 1050-020 Lisbon Portugal	Av. Cidade de Lisboa Praia, PO box 459	Praça da Independência R.D.S.T.P. C.P. 536 São Tomé
www.bancobai.ao	www.bancobaieuropa.pt	www.bancobai.cv	www.bistp.st

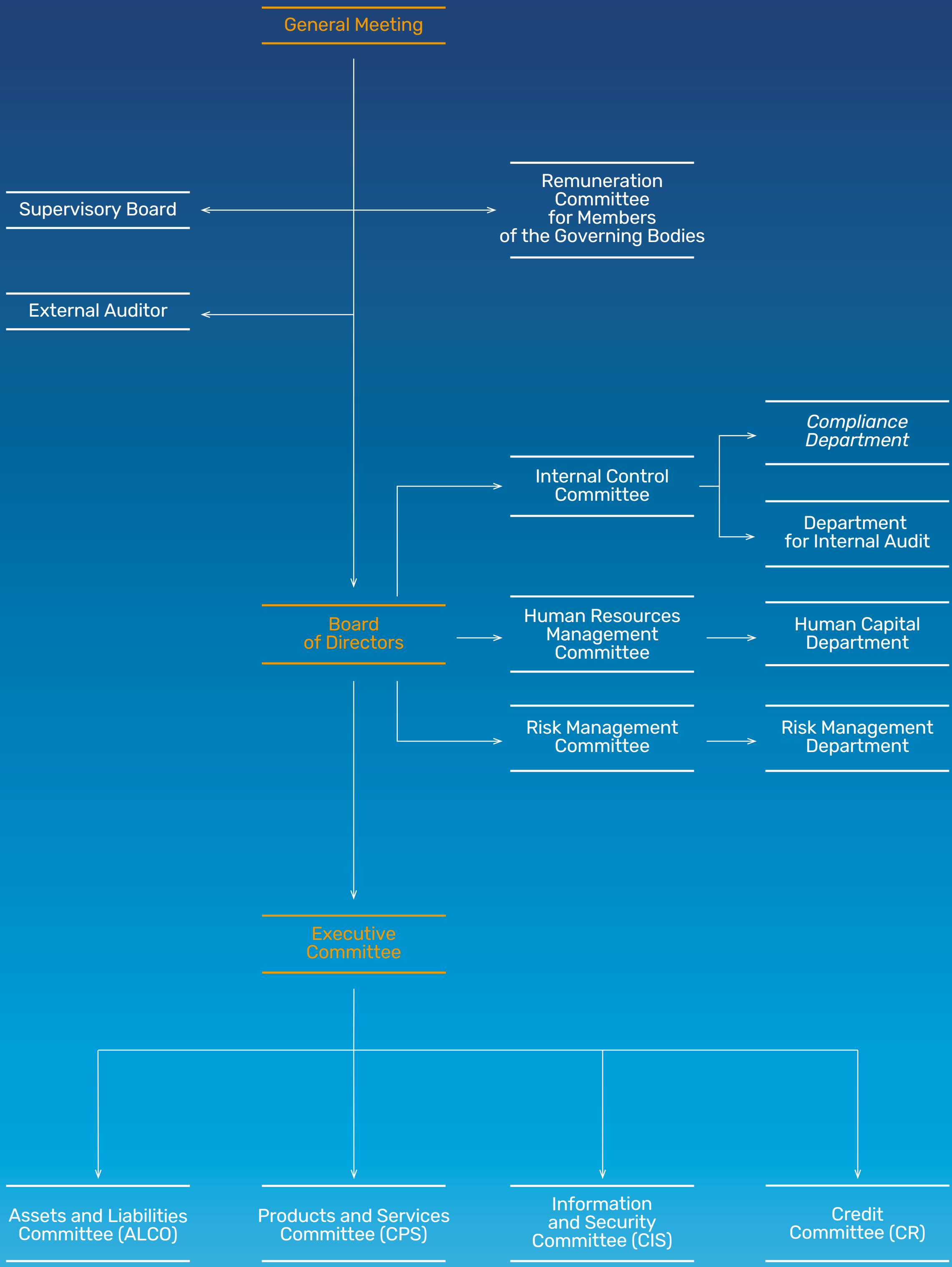
1.3.2. Corporate governance model

BAI is aware of the importance of a proper corporate management, undertaking to follow a model that ensures and protects, in a balanced and sustainable way, the interests of shareholders, customers, employees and suppliers, as well as society as a whole.

The Bank complies strictly with the laws and regulations of the country applicable to banking and observes the rules and other regulations issued by regulatory authorities, such as the National Bank of Angola, the Capital Markets Commission, the General Tax Authority, among other.
BAI excels at transparency and clarity while communicating with the market on issues related to the activity, financial situation and results, both at individual and Group level.

Mechanisms of corporate governance
The rules governing the participation of shareholders in the Bank, with special relevance to those referring to the exercise of their rights, and which are part of the statutes.
The rules governing the performance of the Board of Directors, both in their functional aspects and in establishing duties and obligations of the managers. These rules are set out in the statutes and regulations of the Board of Directors, its Specialized Committees and the Executive Committee.
Internal rules, which include a number of principles and defined rules of conduct which are part of the code of conduct.
The organizational chart is based on a functional structure, which allows a clear segregation of functions and responsibilities of the different bodies. The distribution of responsibilities under each executive director is made in such a way as to ensure effective segregation between the business, support and control functions.
The instruments used to improve the information provided to shareholders (in particular for the Annual Report and the Bank's website) and the processes aimed at making this information accurate, complete and timely, including all that is linked to the relationship with the Supervisory Board.

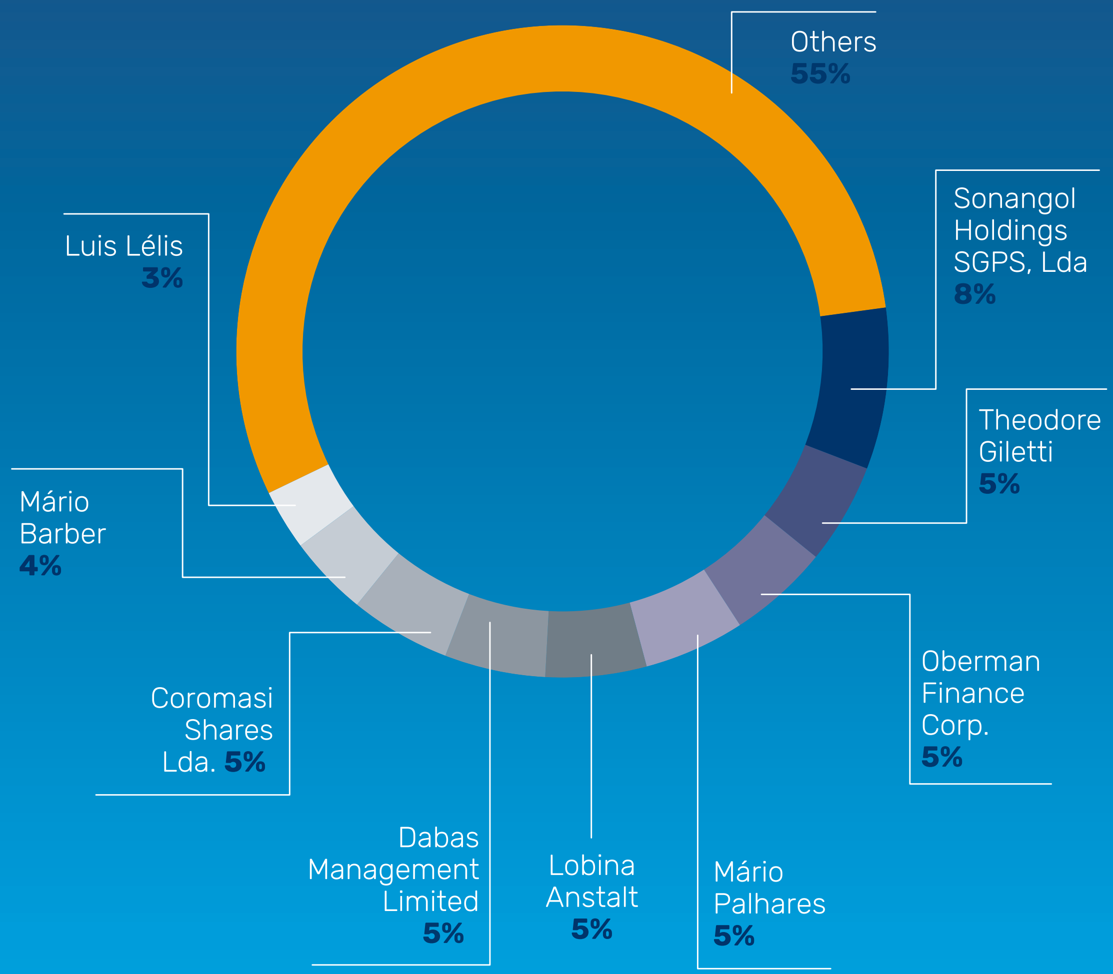
Governance model structure



Shareholder structure

The Bank's share capital is 14 787 million Kz, fully subscribed and paid in cash, and is divided into 19 450 000 ordinary shares represented by securities with the nominal value of Kz 760,24 each. The shareholder structure is composed of 54 shareholders, none of these having qualifying holdings pursuant to Article 6 of Notice No. 1/13 of 19 April.

The shares of Members of the Governing Bodies are disclosed in the note to the accounts No. 20.



Shares are represented by securities of 1, 5, 10, 50, 100, 500, 1 000, 5 000, 10 000 and multiples of 10 000 shares.

General Meeting

The General Meeting is composed of all shareholders with voting rights and deliberates on all matters on which it has authority given by law and by statutes.

It is especially incumbent upon the General Meeting to:

i. Elect and remove the members of Governing Bodies, including their presidents;
ii. Deliberate on capital increases;
iii. Approve the annual report and the accounts for each financial year and the opinion of Supervisory board
iv. Deliberate on the application of results.

The General Meeting shall meet annually in ordinary session until the end of the first quarter of each year, and special meetings may be convened by a resolution of the Board of directors or the Supervisory board, or when requested in writing by one or more shareholders owning shares corresponding to at least 5% of the capital.

The resolutions of the General Meeting shall be taken by absolute majority of the votes cast, except where the decisions require a qualified majority.

The mandate of the current Governing Bodies started in 2018 and shall end in 2021.

The composition of the Governing Bodies shows on the Bank's institutional website.

The Board of the General Meeting is as follows:

Chairman	Deputy Chairman	Secretary
Domingos Lima Viegas	Alice Escórcio	Ana Regina Victor

Remuneration Committee of Members of the Governing Bodies

The main function of the remuneration committee for members of the governing bodies is to define, implement and review the remuneration policy of the members of the governing bodies under Article 17, Notice No. 1/13, of 19 April. The Committee is composed of three shareholders who are not part of the governing bodies, and the duration of their mandate coincides with that of those bodies.
The Committee shall meet at least once a year and the resolutions shall be recorded in the minutes.

The Committee is composed of three members, none of whom are members of the Board of Directors or the Supervisory Board:

Chairman	Secretary	Member
Joaquim D. David	Augusto Paulino Almeida	Sebastião Gaspar Martins

Supervisory Board

The rules of operation of this body are described in the statutes and in its regulation, of which BAI highlights the following duties:

- Supervision of the Bank’s management activity;
- Verification of balance sheet accuracy and income statement;
- Verification of the regularity of books, accounting records and documents supporting it;
- Supervision of compliance with the Law and the statutes of the institution;
- Call of the General Assembly, when the chairman of that board does not do so.

The Board shall meet on a quarterly basis and whenever convened by its chairman or when required by the majority of its members.

The Supervisory Board is composed of a chairman, two members in office and an alternate one, whereas one of the members shall be an expert accountant.

Chairman	1st member in office	2nd member in office	Alternate member
Júlio Ferreira Sampaio	Moisés António Joaquim	Alberto Cardoso Pereira	Isabel Lopes

External Auditor

The appointment of the external auditor is made every four years by the Board of Directors and his activity and independence shall be supervised, since the financial year of 2015, by the Internal control Committee.

The external audit is carried out by Ernst&Young Angola (EY), appointed in January 2018, under the conditions defined in Notice No. 4/13, of 22 March.

Board of Directors

The Board of Directors (BoD) is the body responsible for the Bank's senior management, with powers to carry out acts necessary or convenient to continue the activity.

The competences and operating rules of the BoD are described in a separate regulation drawn up in accordance with statutes.

It is composed of 13 directors, 7 of which are executive and 6 are non-executive and, among the latter, one is independent, pursuant to Notice No. 1/13 of 19 April.

The curricula of the members of the Board of Directors are shown on the Bank´s institutional website.

The Board of Director is composed of:

Members	Non-executive	Executive
José Carlos de Castro Paiva	Chairman of the BoD	
Luís Filipe Rodrigues Lélis		Chairman of the EC
Mário Alberto dos Santos Barber	VP - BoD	
Theodore Jameson Giletti	VP - BoD	
Omar José Mascarenhas de Morais Guerra	ADM	
Carlos Augusto Bessa Victor Chaves	ADM	
Jaime de Carvalho Bastos	ADM - I	
Inokcelina Ben África C. dos Santos		ADM
Simão Francisco Fonseca		ADM
João Cândido Soares de Moura Oliveira Fonseca		ADM
Hélder Miguel Palege Jasse de Aguiar		ADM
Irisolange Azulay Soares de Menezes Verdades		ADM
José Carlos Castilho Manuel		ADM

Chairman of the BoD: Chairman of the Board of Directors; Chairman of the EC: Chairman of the Executive Committee; VP - BoD: Vice chairman; ADM - I: Independent Administrator.

Committees of the Board of Directors

The BoD has the following specialized committees:
i. Internal control;
ii. Human resource management;
iii. Risk management.

These committees have no decision-making powers, but only supervision ones (information, advice and proposal).

The operating rules of these committees are set out in the corresponding regulations, providing, for example, that they shall meet at least once per quarter or whenever called by their chairmen.

Composition of the Board of Directors and Committees

	Internal Control Committee	Risk management Committee	Human resource management committee
José Carlos de Castro Paiva			C
Luís Filipe Rodrigues Lélis		ME	M
Mário Alberto dos Santos Barber	C	ME	
Theodore Jameson Giletti		C	M
João Cândido Soares de Moura Oliveira Fonseca			
Simão Francisco Fonseca			
Omar José Mascarenhas de Morais Guerra		ME	
Carlos Augusto Bessa Victor Chaves	ME		
Jaime de Carvalho Bastos	ME		
Inokcelina Ben África C. dos Santos		ME	
Hélder Miguel Palege Jasse de Aguiar			M
Irisolange Azulay Soares de Menezes Verdades		ME	
José Carlos Castilho Manuel			M

C- Chairman; M – 1st or 2nd Member ; ME - Member

The duties of the BoD committees are as follows:

Internal control committee

i. Ensuring the formalization and operationalization of an effective and well documented reporting system, including the financial statements preparation and disclosure process;
ii. Supervising the formalization and operationalization of the accounting policies and practices of the institution;
iii. Reviewing all financial information for publication or internal disclosure, in particular the management annual accounts;
iv. Supervising the independence and effectiveness of internal auditing, approving and reviewing the scope and frequency of its actions and supervising the implementation of the proposed corrective measures;
v. Supervising the performance of the compliance function; and
vi. Supervising the activity and Independence of external auditors, establishing a communication channel so as to know the conclusions of assessments made and reports issued.

Risk management committee

i. Advising the BoD on the risk strategy, taking into account:
  a. The financial situation of the Bank, the nature, dimension and complexity of its activity;
  b. The ability to identify, assess, monitor and control risks;
  c. The work carried out by the external audit and by the delegation of monitoring powers of the internal control system;
  d. All risk categories relevant in the institution, namely credit, market, liquidity, operational, strategy and reputation risks, within the meaning of Notice No. 2/13, of 19 April, on the internal control system.
ii. Supervising the implementation of risk strategy by the Bank; and
iii. Supervising the performance of the risk management function as provided for in Notice No. 2/13, of 19 April.

Human resources management committee

i. Defining the policy for hiring new employees;
ii. Defining remuneration policies and processes for employees, ensuring that they are appropriate to the culture and the long-term strategy, considering the business and risk aspects;
iii. Recommend the appointment of new employees to the BoD for management duties, for which a detailed job description shall be prepared, taking into account the existing internal competences;
iv. Supporting and supervising the definition and conduction of the employees' evaluation process.

Executive committee

The Executive committee (EC) of the Board of directors is composed of three to seven members, appointed by the BoD among its members. The competences and operation rules are described in a separate regulation. The Committee shall meet at least once a month or whenever called by its chairman or by, at least, two executive directors.

Executive Committee Competences

i. Management of the Bank's daily activity, ensuring compliance with all applicable legislation and regulations;
ii. Preparation of annual and multiannual plans and budgets, as well as any amendments thereto, for approval by the BoD;
iii. Preparation of the accounting documents for BoD approval;
iv. Approval of internal operation rules;
v. Acquisition, sale and encumbrance of movable property and intangible fixed assets required for the Bank's activity;
vi. Acquisition, sale and encumbrance of immovable property for the Bank's activity;
vii. Acquisition of services necessary for the Bank's activity;
viii. Implementation of the human resources policy;
ix. Exercise of disciplinary power;
x. Opening or closing of branches;
xi. Appointing representatives to carry out certain acts or categories of acts;
xii. Representing the company in court or outside it, actively and passively, initiating and contesting judicial or arbitral proceedings, confess, desist or compromise in any actions.

Within the scope of its functions, the EC relies on the assistance of four specialized committees, delegating on them the treatment, management and decision specific issues:

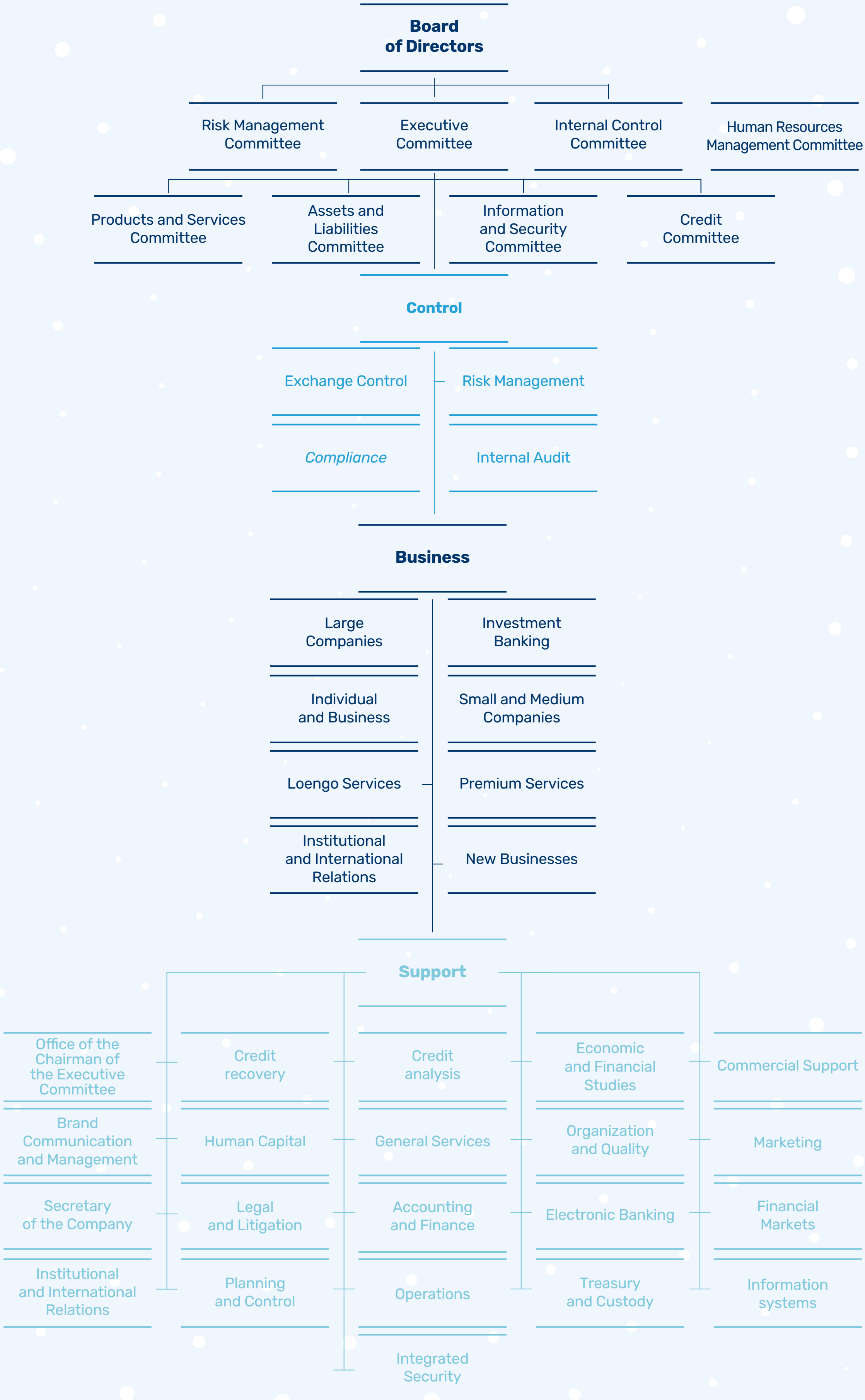
i. Assets and Liabilities Committee (ALCO);
ii. Credit committee (CCR – 4th level);
iii. Information and security committee (CIS);
iv. Products and Services Committee (CPS).
The committees are chaired by the chairman of the Executive Committee.

Member	ALCO	CCR (4th Level)	CIS	CPS
Luís Filipe Lélis	Chairman	Chairman	Chairman	Chairman
António Buta	Coordinator			
José Lázaro			Coordinator	
Fábio Correia				Coordinator

Distribution of responsibilities

Name and Job	Acronym	Business	Support	Control
Luís Filipe Lélis - Chairman of the Executive Committee				
Office of the Chairman of the Executive Committee	GPCE		•	
Human Capital Department	DCH		•	
Communication and Brand Management Office	GCM		•	
Planning and Control Department	DPC		•	
Integrated Security Office	GSI		•	
Secretary of the company	SS		•	
Legal and Litigation Department	DJC		•	
Inokcelina Ben África Correia dos Santos - Executive director				
Risk Management Department	DGR			•
Internal Audit Department	DAI			•
Compliance Department	DCL			•
Exchange Control Office	GCC			•
Helder Miguel Palege Jasse de Aguiar - Executive director				
Department of Large Companies	DGE	•		
Department of Small and Medium Companies	DPME	•		
Investment Banking Office	GBI	•		
Institutional and International Relations Office	GRI	•		
José Carlos Castilho Manuel - Executive director				
Individual and Business Department	DPN	•		
Premium Services Office	GSP	•		
Loengo Services Office	GSL	•		
New Business Development Office	GNN-CB	•		
João Cândido Soares Moura Oliveira Fonseca - Executive director				
Organization and Quality Department	DOQ		•	
Accounting and Finance Department	DCF		•	
Credit Recovery Department	DRC		•	
Credit Analysis Department	DAC		•	
Office for Economic and Financial Studies	GEF		•	
Irisolange Azulay Soares Menezes Verdades - Executive director				
Operations Department	DOP		•	
Financial Markets Department	DMF		•	
Marketing Department	DMR		•	
Electronic Banking Department	DBE		•	
Simão Francisco Fonseca - Executive director				
Commercial Support Department	DSC		•	
Information Systems Department	DSI		•	
General Services Department	DSG		•	
Central Treasury and Custody Department	DTC		•	

Organization Chart



Internal control system

The internal control system is defined as the integrated set of policies and processes, which are permanent and transversal to the entire institution, carried out by the Board of Directors and employees, in order to ensure:

i. Business continuity through efficient allocation of resources, execution of operations and control of risks (performance objectives);
ii. Reliability and timeliness of accounting information and management support (information objectives);
iii. Compliance with legal regulations and internal rules (compliance objectives).

In view of these objectives, BAI seeks to ensure an adequate control environment and activity, a sound risk management system, an efficient information and communication system and a continuous monitoring process, aimed at ensuring the quality and effectiveness of the system itself over time.

Summary description of the key functions of the internal control system
Board of Directors (BoD)
Periodically reviewing and approving the strategy and policies of internal control and risk management, as well as the progressive alignment of the entities of the Financial Group with them..
Executive Committee (EC)
Proposing review of internal control and risk management policies and ensure their implementation in the Bank.
Planning and Control Department (DPC)
Implementing and monitoring the management planning and control process of the Bank, through budget and management indicators, and monitor the performance of the subsidiaries.
Risk Management Department (DGR)
Identifying, assessing, monitoring controlling and providing information on all the relevant risks of the activity developed by BAI, as provided by the legislation and regulations. This board is also responsible for preparing reports for ALCO.
Compliance Department (DCL)
Implementing and monitoring processes to prevent money laundering and terrorist financing. Supervising compliance and correct application of legal, regulatory, statutory and of ethical provisions and recommendations and guidelines issued by the competent supervisory bodies.
Internal Audit Department (DAI)
Ensuring audit and inspection duties to the Bank's structure units and investigating irregularities and fraud to jointly assess and conclude on the effectiveness of governance and risk management processes and the internal control system in response to risks that could jeopardize the Bank's objectives, effectiveness and efficiency of operations, the safeguarding of assets, reliability of financial reporting and compliance with law and regulation.
Integrated Security Office (GSI)
Defining policies, rules and controls that ensure proper management and monitoring of the security.
Exchange Control Office (GCC)
Ensuring strict compliance with the current exchange legislation and regulations and accuracy in the recording and reporting of exchange operations.

[3]Risk management is the subject of a separate chapter in this Annual Report. Exchange control office

Training Policy

BAI's training policy, approved in the second half of 2018, aims at aligning and complying with the obligations set forth in the legislation and regulations in force, namely:

a) Law No. 34/11, of 12 December - Law on combating money laundering and terrorist financing (BC/FT);
b) Notice No. 22/2012, of 25 April, which regulates the conditions set out in Law on money laundering and terrorist financing;
c) Notice No. 01/2013, de 19 de Abril - Corporate Governance, and;
d) Notice No. 02/2013, de 19 de Abril – Internal control.

Within this policy, the following factors are considered:

i. Training and professional and personal development of the Bank's human capital is considered as a fundamental and determining pillar for the continuous improvement of the quality of performance and, consequently, of the services provided;
ii. All quality training processes require standardization and control measures and instruments that guarantee excellent performance and corrections to any deviations from the defined objectives;
iii. Application of the policy to all BAI employees.

In order to ensure the correct implementation of training actions, the training management process is composed of several phases and assigns different responsibilities by area of intervention, as shown in the table below:

Stage	Supervision
Identification of training needs	Structure units | DCH
Identification of suitable training solutions	Structure units | DCH
Preparation of the training plan	DCH
Approval of the training plan	Executive Committee
Implementation and execution of the training plan	Structure units | DCH
Assessment of the training action and its impact	Trainee | Structure units | DCH

Remuneration policy

The Bank has a remuneration policy consistent with long-term objectives, values, interests and solvency, the general guiding principles of which are:

i. The definition of the rules should be clear, simple, transparent and in line with the Bank's culture and values, taking into account the nature of its activity;
ii. The definition of principles of proportionality that guarantee sufficient external competitiveness to attract and retain employees, as well as internal equity, promoting the sense of justice and cohesion of the teams;
iii. The definition of the policy shall consider the constant needs of risk mitigation and avoid situations that potentiate conflicts of interest;
iv. The definition of the policy should take into consideration all the retributive forms (fixed, variable and benefits) and be aligned with the Bank's strategy and business objectives;
v. The determination of fixed and variable individual remuneration and other benefits should consider the respective performance evaluation (objectives and competencies), according to the functions performed and the economic and financial situation of the Bank.

Remunerations per type

Fixed remuneration	Variable salary	Other benefits
Base salary	Failure subsidy	Mortgage loans
Vacation allowance (100%)	Cash shortages subsidy	Health insurance
Christmas allowance (100%)	Risk subsidy	Pension fund
Meal allowance	Interim subsidy	Self-training incentive
Family allowance	Duty allowance	Communications allowance (voice and data)
	Transport allowance	Transport of employees
	Shift allowance	
	Travel allowance	
	Performance bonus	
	Fuel allowance	
	Technical allowance	
	Assiduity allowance	
	ATM allowance	

Governing Bodies Members

The members of the Governing Bodies have a distinct remuneration policy, which consists in the assignment of fixed and variable remuneration, the latter being decided annually, depending on the overall performance of the Bank. The remuneration of the Governing Bodies is disclosed in the notes to the financial statements.

Employees

The policy is based on the following instruments:

i. Functional descriptions;
ii. Function qualifier;
iii. Salary chart (with framing levels);
iv. Performance evaluation and management system (SAGD);
v. Career management policy;
vi. Individual development policy for employees.

Code of conduct

The Bank has a code of conduct that establishes the principles of conduct and standards of professional conduct observed in the exercise of its activity, which are applicable to all employees and members of management bodies, namely:

i. Ethical duties: principle equality of treatment towards all clients, duties of professionalism, seriousness, competence, diligence, loyalty, neutrality and integrity, the principle of the prevalence of customer interests over the interests of employees, the duty of confidentiality, collaboration with all supervisory authorities, internal conduct duties and special duties to safeguard the market and its transparency;
ii. General principles relating to the prevention of money laundering and terrorist financing;
iii. General principles on reporting fraud and irregularities and dealing with customer complaints.

The code of conduct and culture manual are delivered to all new Bank employees and are available on the intranet.

Related parties transactions policy

BAI follows the following principles to ensure that transactions with related parties are properly controlled:

i. In the performance of their duties, managers must act with rigour, zeal, efficiency and responsibility (Code of Conduct);
ii. Transactions with related parties must be carried out observing normal market conditions, taking into account their level of risk and the price charged by BAI (Conflict of Interest Policy);
iii. When considering each transaction with related parties, attention should be directed to the substance of the corresponding transaction and not merely to its legal form (Accounting policies - principle of substance over form);
iv. In order to ensure transparency of the process, the Bank disclose to shareholders and the market information about transactions with related parties through its individual financial statements and the financial group (Transparency and Disclosure of information Policy).

BAI considers the following definition of related parties, pursuant to Notice No. 2/13 of 19 April and Notice No. 9/16, of 22 June, both of BNA, Industrial Tax Code and Presidential Decree No. 147/13, of 1 October, as well as IAS 24 - disclosures of related parties:

i. Shareholders owning a qualified holding;
ii. Entities that are directly or indirectly in a domain or group relationship;
iii. Members of the Bank's administrative and supervisory bodies and their spouses, relatives up to the second degree in direct line, considered ultimate beneficiaries of the transactions or assets;
iv. Joint ventures in which the Bank is a direct or indirect venturer;

v. The staff members essential to the management of the Bank.

The Bank also carries out an annual evaluation of transactions with related parties within the scope of the Transfer Price File, prepared pursuant to Presidential Decree No. 147/13, of 1 October.

Conflict of Interest Policy

BAI Conflict of Interest Policy is based on the general principles, as shown in the table below:

General Principles of Conflict of Interest Policy	
1. Primacy of customer interests	BAI recognizes the primacy of its clients' interests, and their duty of loyalty is a fundamental principle of conduct in the set of rules that guide the Bank's actions
2. Provision of transparent information	BAI provides its clients with clear explanations and accurate information on the benefits or remunerations that the Bank offers for the deposits received and on the prices or charges inherent in the products and services it provides
3. Prohibition of occupying potentially conflicting positions in other societies	An exclusivity regime is observed that professional occupation imposes both for ethical motivation and performance requirements
4. Use of information	Disclosure is prohibited, except in cases expressly provided for by law, as well as the use of information about BAI's activity or its relations with its clients
5. Procurement of services or goods	The direct or indirect involvement in the contracting of services or products, in which the employee has a financial interest, is forbidden
6. Lending decisions concerning related persons	In accordance with the provisions of Law No.12/15, Basic Law of Financial Institutions, in its Article 84 – "Credit to related parties"
7. Prohibition on granting loan	In accordance with Law No. 12/15, Basic Law on Financial Institutions, in its Article 83 – "Credit to members of the governing bodies"
8. Loan pricing	Credits granted to the shareholders and to the Related Persons will be made under normal market conditions, taking into account their level of risk and the price charged by BAI, except for credits for the purchase of permanent private housing and for the payment of health expenses, which are the target of a Policy defined in the Human Resources Management Committee

The above policy provides, in particular, for the existence of a pre-decision process in the EC and BoD, ensuring that these decisions do not lead to conflicts of interest and are identified and assessedin transactions with related parties under the terms of Notice No. 1/13, of 19 April.

Other situations of conflict of interest are analysed by the Compliance Department, and the decision belongs to the EC.

Policy on transparency and disclosure of information

The Transparency and Disclosure Policy aims to ensure the transparency and easy understanding of BAI's corporate governance model, in accordance with the requirements of Notice No. 1/13, of 19 April, based on the following general principles:

i. The mandatory publication information shall be disclosed in a complete, correct and timely manner;
ii. Any institutional disclosure about the Bank that is decided to be made to the market must be based on complete, correct, updated and adequate information;
iii. The provision of information should always obey the rules of banking secrecy.

The BoD is responsible for reviewing and updating the policy annually or whenever necessary, namely when there is a change in the mandatory disclosure information.

Compliance with transparency requirements (Article 21 – Notice no. 1/13)

Contents	Disclosure			Comments
	Yes	No	N/A	
Composition of the management and supervisory bodies and identification of executive and non-executive directors	•			Annual Report *Institutional Website*
Identification of external auditors, including their credentials and compliance with the independence requirements set forth in Notice No. 4/13, of 22 April	•			Annual Report
Identification of the structure units, of the competences assigned to them and those responsible, in particular in the case of the key functions of the internal control system (internal audit, compliance and risk management)	•			Annual Report
Distribution of roles and segregation between business functions, support and control	•			Annual Report *Institutional Website*
Identification of communication policies and channels relating to authority relations, delegation of powers and communication and reporting, in particular as regards irregularities in the field of corporate governance	•			Annual Report

Compliance with the duty to disclose information (Article 22 – Notice No. 1/13)

Contents	Disclosure Yes	No	N/A	Comments
Capital structure of the institution with identification of the holders of qualifying holdings	•			Annual Report *Intitucional Webesite*
Corporate acts relating to relevant changes in the overall strategic objectives and in the organic and functional structures of institutions and corporate of financial groups	•			Annual Report
Financial Information	•			Annual Report Balancetes trimestrais
Information on members of governing bodies, including: i. remuneration policy, explaining the total amounts paid by the institution to the totality of each body; ii. qualifications and professional experience; iii. identification of holdings in the institution; iv. identification of positions in governing bodies of other companies, whether or not belonging to the financial group; and v. categorization of the members of the administrative body as executive or non-executive and, in the latter, as independent or not independent	•			Annual Report *Intitucional Webesite* Annual Report *Website of each subsidiary* Annual Report
Description of the risks that are materially relevant to the institution, the existing processes for managing them and prediction of the evolution of associated risk factors	•			Annual Report
Corporate governance policies, namely the institution's code of conduct and policies for identifying and mitigating conflicts of interest	•			Annual Report
Training policy, specifying the number of hours of training per year, detailed by type of training, identifying, in particular, those addressed to employees in risk-taking areas and those in control areas or functions	•			Annual Report *Intitucional Webesite*
Dissemination of the above information regarding the consolidated scope of the financial group	•			Financial information is published annually on the Institutional Website

1.3.3. Strategic plan for 2016-2021

The Bank's business strategy for 2016-2021 assumes a better banking experience for all segments within its portfolio of clients, offering products of excellence and providing the highest quality services. This vision is based on the mission of consolidating its competitive position as a benchmark universal bank in Angola, with a view to sustainable, profitable, innovative and value-creating growth for both its shareholders and customers.

Therefore, the “BAI Generation Program” – The Bank's strategic plan for the period 2016 – 2021, focuses on the quality of customer service through the reinforcement of business platforms to support the service of excellence, consolidation of the offer for current core customers, and focus on mass market customers.

The strategy is expressed in three pillars, which, in turn, will be achieved through the implementation of a program of 10 strategic initiatives:

<table>
<tr><th>Business pillars</th><th colspan="3">Strategic initiatives</th></tr>
<tr><td>1
Defend core segments</td><td rowspan="3">I
Review of the BAI segmentation model</td><td rowspan="3">II
Value capture in pricing and billing effectiveness</td><td>III
Implementation and consolidation of a distinctive value proposition for the Affluent</td></tr>
<tr><td rowspan="2">2
Developing high-potential segments and exploring new frontiers</td><td>IV
Implementation of a distinctive value proposal and corporate stimulation</td></tr>
<tr><td>V
Implementation of a distinctive and profitable value proposition for Mass Market</td></tr>
<tr><td>3
Transform critical platforms</td><td colspan="3">VI Transformation of information systems and technologies
VII Strengthening of key risk management and internal control processes
VIII Strengthening and cultural transformation of human resources
IX Simplification and automation of customer service processes
X Reinforcement of management information and employee accountability</td></tr>
</table>

Segmentation of BAI customers was prepared taking into account the monitoring and satisfaction of their needs considering the specificities of each of the segments through a set of criteria, such as the size of the company or the level of income in the case of individuals, among others.

Customer segments	Private	Corporate
Premium	GSP	
Loengo	GSL	
Mass Market	DPN	
Large companies		DEI
Small and Medium Companies		DPME
Microcompanies		DPN

The distribution channels are divided into agencies, dependencies, business service centres and premium service centres. In addition to its physical presence, BAI has a multi-channel strategy in its relationship with customers, covering (i) BAI Directo, a platform that aggregates internet banking, mobile banking, phone banking and (ii) banking correspondents.

BAI positions itself as a universal bank, serving all levels of clients, and is also present in the microcredit segment through BAI Microfinanças (BMF), which aims to be a leader in the segment of microfinance banking, having as a market target the micro and small businesses and entrepreneurs, not neglecting the private banking segment.

BAI adopted an international expansion strategy focused on the financial market of the Portuguese-speaking world:

- BAI Europa (BAIE), in Portugal;
- BAI Cabo Verde (BAICV), in Cape Verde; and,
- International Bank of São Tomé and Príncipe (BISTP), in São Tomé and Príncipe.

In addition to banking, BAI holds a stake in NOSSA Seguros, which operates in life and non-life insurance, as well as in the management of pension funds.

The main business areas of the Banking Financial Group are:

- Commercial banking - mainly refers to the raising of funds related to the segment of companies and institutions and to credit granting operations, including export financing;
- Retail Banking - mainly refers to credit granting operations and the raising of funds related to private customers, service through the branch network and internet banking and, in the case of Angola, mobile and SMS banking;
- Private Banking – Includes all the activity with private/premium customers;
- Investment Banking - includes the provision of financial advisory services and integrated financing solutions for carrying out and developing business, including transfer of resources and subscription or acquisition of securities;
- Correspondent banking services - involves the provision of foreign currency payments, vostro account management and operations in international markets (mainly foreign exchange transactions);
- Insurance activity and management of pension funds – covers both life and non-life insurance as well as pension fund management.
- Management of investment funds – Management of investment funds - covers the management of Collective Investment Bodies (OIC), as well as the trading of units and the provision of investment advisory services.

1.3.4. Financial Holdings

In a global macroeconomic environment that continued to be adverse in 2018, the BAI Group's subsidiaries maintained their path of sustained growth and economic consolidation, presenting financial performance indicators that, once again, reinforce the Bank Slogan "BAI - Confidence in the future".

A future built with the help of the Group's subsidiaries, based on discipline and rigour in the management model, committed to improving the quality of the Bank's services to clients and capable of attracting, retaining and developing the best professional skills.

The formation of a financial reference group, the diversification of the Group's activity, as well as its international affirmation, are important vectors in the Bank's strategy.

BAI

BMF	BAIE	BAICV	Banco Intern. de S. Tomé e Prícipe	NOSSA Seguros	SAESP	BAI	BAI
BAI Micro Finanças	BAI Europa	BAI Cabo Verde				Center	Gest
98,41%	99,99%	80,43%	25,00%	72,24%	80,00%	100,00%	96,00%

BAI Europa

During 2018, BAIE's net income amounted to 5 M EUR, corresponding to an increase of 0,3 M EUR (+7%) compared to the same period, mainly due to (i) higher income from investments in financial institutions by 5 M EUR, (ii) increase in income from securities by 3 M EUR, (iii) increase in net commissions by 2 M EUR and (iii) increase in structural costs by1 M EUR.

Net assets amounted to 1 146 M EUR, an increase of 141 M EUR (+14%) compared to 2017, due to: (i) increase in investments in credit institutions by 88 M EUR, (ii) increase in available-for-sale financial assets by 65 M EUR and (iii) reduction in availability in other credit institutions by 22 M EUR.

Millions of EUR, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheet				
Net Assets	818	1 005	1 146	14,0%
Loans to customers (gross)	116	72	76	5,8%
(-) Impairment	-3	-3	-2	-34,8%
Resources	737	922	1 050	13,9%
Own Funds	72	78	83	6,1%
Results				
Net interest income	7	8	9	16,0%
Non interest income	2	6	5	-4,3%
Operating income from banking activity	9	14	15	7,6%
Net Income	4	5	5	6,5%
Ratios and operation				
Transformation ratio	111,0%	70,7%	54,4%	-16 p.p.
Cost-to-income	42,6%	34,1%	40,1%	6 p.p.
Solvency ratio (BdP)	17,0%	19,8%	18,0%	-2 p.p.
Ratio of overdue loans	0,0%	0,0%	0,0%	0 p.p.
ROAE	5,2%	6,7%	6,8%	0 p.p.
Number of employees	27	32	41	9
Number of customers	605	538	622	84

In 2018, resources amounted to 1 050 M Kz, corresponding to an increase of 128 M EUR (+14%), due to: (i) increase in time deposits of other credit institutions by 124 M EUR, (ii) growth of customer demand deposits by 20 M EUR and (iii) decrease in central bank deposits by 27 M EUR.

BAI Microfinanças (BMF)

For BMF, 2018 was marked by:
i) recording of financial statements in accordance with International Financial Reporting Standards (IFRS) and (ii) capital increase by 5 000 M Kz, made by BAI shareholder, due to Notice No. 2/2018 of BNA, which established the minimum value of the capital of the banks in 7 500 M Kz.

In 2018, the net income of BMF stood at 322 M Kz, an increase of 7 M Kz (+2%) compared to 2017, influenced by the increase of:
(i) investment income held to maturity at 1 039 M Kz, (ii) net commissions by 68 M Kz and (iii) structure costs at 416 M Kz.
The asset amounted to 14 908 M Kz, representing an increase of 6 100 M Kz (+69%) when compared to the end of 2017, due to the increase:
(i) of investments held to maturity at 4 521 M Kz and (ii) of the credit portfolio by 416 M Kz.
Resources amounted to 6 872 M Kz in 2018, corresponding to an increase of 718 M Kz (+12%) in relation to the same period, explained by: (i) growth of customer deposits at 998 M Kz, (ii) increase of customer demand deposits by 666 M Kz and (iii) reduction of resources of central banks and credit institutions in 937 M Kz.

Millions of Kz, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheet				
Net Assets	8 096	8 808	14 908	69,3%
Credit to customers (gross)	498	739	1 204	62,8%
(-) Impairment	-258	-574	-623	8,5%
Resources	7 451	6 154	6 872	11,7%
Own Funds	145	2 460	7 861	216,4%
Results				
Net interest income	410	548	1 600	192,0%
Non interest income	1 101	932	567	-39,2%
Operating income from banking activity	1 512	1 481	2 167	46,4%
Net Income	3 034	315	322	2,3%
Ratios and operation				
Transformation ratio	3,7%	3,2%	8,5%	5 p.p.
Cost-to-income	88,4%	91,3%	81,6%	-10 p.p.
Solvency ratio (BNA)	16,7%	116,2%	181,0%	65 p.p.
Ratio of overdue loans	32,0%	77,0%	32,2%	-45 p.p.
ROAE	399,0%	13,0%	6,3%	-7 p.p.
Number of employees	199	184	208	24
Number of customers	102 669	110 534	122 293	11 759

BAI Cabo Verde (BAICV)

In 2018, BAICV's net income was 100 M ECV, representing a growth of 25 M ECV (+34%) when compared to 2017, mainly influenced by: (i) increase in loan income to customers by 77 M ECV, (ii) reduction of impairments by44 M ECV and (iii) increase in the costs of third party service provision by 53 M ECV.

The total assets stood at 20 607 M ECV, showing a growth of 1 242 M ECV (+6,4%) compared to the same period, influenced by: (i) increase in available-for-sale financial assets by 773 M ECV, (ii) increase in cash and availability in central banks at 808 M ECV and (iii) decrease in investments in credit institutions by 50 M ECV. Resources amounted to 18 851 M ECV in 2018, representing an increase of 1 239 M ECV (+7%), mainly due to: (i) the growth of clients' time deposits in local currency by 1 045 M ECV and (ii) the decrease in loans from other credit institutions in 259 M ECV.

Millions of CVE, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheet				
Net Assets	16 856	19 367	20 607	6,4%
Credit to customers (gross)	7 794	9 451	9 711	2,8%
(-) Impairment	-355	-360	-478	32,6%
Resources	15 164	17 612	18 851	7,0%
Own funds	1 089	1 164	1 207	3,6%
Results				
Net interest income	475	554	661	19,2%
Non interest income	129	142	104	-26,8%
Operating income from banking activity	604	696	765	9,9%
Net Income	56	75	100	33,7%
Ratios and operation				
Transformation ratio	83,4%	86,4%	76,9%	-10 p.p.
Cost-to-income	78,8%	73,2%	75,2%	2 p.p.
Solvency ratio (BCV)	15,3%	14,6%	16,1%	1 p.p.
Ratio of overdue loans	8,5%	6,3%	6,8%	1 p.p.
ROAE	5,3%	6,7%	8,5%	2 p.p.
Number of employees	79	87	100	13
Number of customers	16 414	20 128	24 865	4 737

International Bank of São Tomé and Príncipe (BISTP)

At the end of 2018, the net income amounted to 70 763 M STD, representing a growth of 31 608 STD (+81%) compared to 2017, explained by: (i) increase in credit income by 16 487 M STD; (ii) growth in trading securities income and investments in 5 748 M STD; (iii) increase in personnel compensation at 3 832M STD and (iii) reduction of impairments by 10 317 M STD.

The net assets amounted to 2 627 819 M STD, corresponding to an increase of 274 222 M STD (+12%) when compared to the previous year, due to: (i) increase in the loan portfolio by 150 216 M STD, (ii) increase in securities investments in 74 532 M STD, (iii) growth of investments in credit institutions abroad by 38 889 M STD and (iv) reduction of demand deposits abroad by 45 242 M STD. Resources amounted to 2 114 106, an increase of 189 013 (+10%) M STD over the similar period, due to: (i) increase in demand deposits at 216 092 M STD, and (ii) reduction of time deposits in 25 228 M STD.

Millions of STD, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheet				
Net Assets	2 301 469	2 353 597	2 627 819	11,7%
Credit to customers (gross)	793 389	875 619	1 040 732	18,9%
(-) Impairment	-173 255	-193 437	-208 876	8,0%
Resources	1 874 683	1 925 093	2 114 106	9,8%
Own Funds	367 099	362 264	408 683	12,8%
Results				
Net interest income	99 296	104 771	131 476	25,5%
Non interest income	98 553	118 782	115 636	-2,6%
Operating income from banking activity	197 849	223 553	247 112	10,5%
Net Income	32 832	39 155	70 763	80,7%
Ratios and operation				
Transformation ratio	33,1%	35,4%	39,3%	4 p.p.
Cost-to-income	72,7%	64,9%	58,4%	-6 p.p.
Solvency ratio	24,1%	24,8%	24,7%	0 p.p.
Ratio of overdue loans	25,9%	24,7%	23,2%	-2 p.p.
ROAE	8,9%	10,7%	18,4%	8 p.p.
Number of employees	165	164	160	-4
Number of customers	54 791	58 194	61 935	3 741

NOSSA Seguros

In 2018, the net income of Nossa Seguros amounted to 1 617M KZ, which represents an increase of 653 M Kz (+68%) compared to 2017, mainly explained by the increase of: (i) exchange rate revaluation results in 1 973 M Kz, and (ii) application income in 316 M Kz.

Assets amounted to 24 462 M Kz, in 2018, an increase of 7 278 M Kz (+42%) when compared to 2017, due to: (i) increase in fixed income securities in 2 545 M Kz, (ii) increase in collection premiums by 1 695 M Kz and (iii) increase in reinsurance technical provisions in 1 043 M Kz.

Millions of Kz, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheet				
Assets	12 269	17 184	24 462	42,4%
Liabilities	9 164	13 587	19 633	44,5%
Own Capital	3 105	3 597	4 828	34,2%
Results				
Gross written premiums	5 959	9 721	12 102	24,5%
Costs with claims	2 095	3 605	5 056	40,2%
Technical Result	2 614	2 738	3 114	13,8%
Net Income	827	964	1 617	67,8%
Ratios and operation				
Claims ratio	-35,0%	-37,0%	-41,8%	5 p.p.
Combined Ratio	-83,0%	-72,0%	-83,2%	11 p.p.
ROE	31,3%	28,8%	38,4%	10 p.p.
Solvency Margin	195%	184,0%	231,1%	-47 p.p.
Number of employees	138	127	134	7
Number of agencies	26	26	28	2

Sociedade Angolana de Ensino Superior Privado (SAESP)

SAESP's net income stood at - 217 M Kz, representing a reduction of 255 M Kz (-670%) compared to the end of 2017. Despite the increase in revenues in 224 M Kz (+17%), costs were of 439 M Kz.

Assets amounted to 7 251 M Kz in 2018, corresponding to an increase of 58 M Kz (+1%) when compared to the same period, due to the increase of: (i) accounts receivable at 90 M Kz and (ii) reduction in the availability of 79 M Kz.

Millions of Kz, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheets				
Assets	7 071	7 193	7 251	0,8%
Liabilities	203	287	562	96,0%
Own Capital	6 868	6 906	6 689	-3,1%
Results				
Income	897	1 351	1 575	16,6%
Costs	972	1 337	1 776	32,9%
Net Result	-59	38	-217	-670,3%
Ratios and operation				
ROE	-0,9%	0,6%	-3,2%	-4 p.p.
Number of employees	41	55	67	12

BAI Center

In 2018, the net income of the BAI Center was negative in 48 M ECV, mainly explained by: (i) the reduction of income from services rendered in 7 M ECV, (ii) growth in costs of supplies of third-party services 28 M ECV, and (iii) increase in personnel costs by 3 M ECV.

Total assets stood at 1 651 M ECV, representing an increase of 26 M ECV (+2%) compared to the same period of the previous year, mainly due to the increase in cash and bank deposits of 18 M ECV. Total liabilities amounted to 754 M ECV, an increase of 71 M ECV (+10%), explained, mainly by the increase of the financing obtained in 65 M ECV.

Millions of Kz, except %	Dec.16 audited	Dec.17 audited	Dec.18 preliminary	Δ 2017/2018
Balance sheet				
Asset	2 607	1 625	1 645	1,6%
Liability	623	683	754	10,3%
Own Capital	1 984	942	897	-4,8%
Results				
Income	102	104	97	-7,1%
Costs	-37	-1 083	-75	-93,1%
Net Result	-53	-1 046	-48	-95,4%
Ratios and operation				
ROE	-2,6%	-71,5%	-5,2%	66 p.p.
Number of employees	3	3	5	2

BAI Gest

BAIGEST started its activity on 12 March 2018 with the corporate purpose of the professional management of one or more Collective Investment Bodies, as well as the marketing of participation units and investment advisory provision and services.
2018 is marked by the onset of BAIGEST activity which was marked by investments made, in technical and human resources, which will allow it, in 2019, to continue its corporate purpose: the management of investment funds.

This has led to a strong investment in intangible assets, namely the acquisition of software for the management of investment portfolios, and human resources.
The net income of the exercise was negative in Kz 52 028 276,61 reflecting the effort made by the management company.
The Solvency Ratio, which is well above the required regulatory minimum of 10%, reflects the current reality of the management company, still without managed assets, so that regulatory own funds substantially cover existing risks.

Main indicators	31 Dec.18 (Preliminary)
Net Assets	93 323 921
Own Funds	8 305 305
Profitability of total assets (ROA)	-56%
Profitability of own capital (ROE)	-626%
Number of employees	7
Regulatory solvency ratio	970%
Net Result	-52 028 277

1.3.5 Risk management

BAI values an organizational structure and processes that allow independent and assertive control of the various risks incurred as a result of its activities.

The development of the banking activity, by its specific nature, leads to exposure of the institution to various types of risks. Therefore, taking such risks is at the heart of the activities of a financial institution.

BAI's risk management is made according to its the segregation, taking into account their respective nature, whose descriptions are detailed below:

Credit and counterparty risks

Possibility of occurrence of losses associated with the non-compliance by the borrower or counterparty of their respective financial obligations under the agreed terms.

Balance sheet risk

Ability of the Bank to meet its obligations (liabilities) in view of the structure of the assets available to it in its balance sheet, being subject to liquidity, interest rate and exchange risks.

Operational risk

Probability of occurrence of negative impacts on the results due to failures, deficiency or inadequacy of internal processes, people and systems, or external events.

Market risk

Possibility of occurrence of losses resulting from fluctuation in the market values of positions held by the Bank.

Key advances in 2018:
Approval of the following plans, within the scope of the implementation of the business continuity program:

- Operational continuity plan of central services;
- "BAI Tower" evacuation plan;
- Technology recovery plan;
- Operational continuity plan of the commercial network;
- Customer referral plan;
- Plan against pandemics;
- Simulation of the evacuation plan;
- Dissemination to all structure units on the concept of operational risk (RO) and importance of reporting RO events;
- Training on the operational continuity plan tto critical business areas;
- Completion of the 2018 stress test report;
- Reporting to the BNA of the regulatory solvency ratio (RSR), interest rate risk, large risks and liquidity risk under the new regulatory packages.

Government and organization of risk management

Risk management is a central element in BAI's strategy through which business risks are systematically identified, evaluated, monitored and controlled to ensure legal compliance, financial solidity and the confidence of depositors, partners and others stakeholders, in accordance with best market practices and recommendations made by supervisors and regulators.

Risk management is governed by the following principles:

Protection of the Bank's financial solidity

Monitor and control risks in order to limit the impacts of potential adverse effects on the Bank's capital and results.

Protection of the Bank's reputation

Reputation is essential for good performance and must be diligently preserved.

Transparency

Correct and proper perception of the Bank's financial situation is essential for the identification of all risks. For that purpose, the definition of risks and they should always be the most accurate and should be properly evaluated in order to support the management body in the decision-making process.

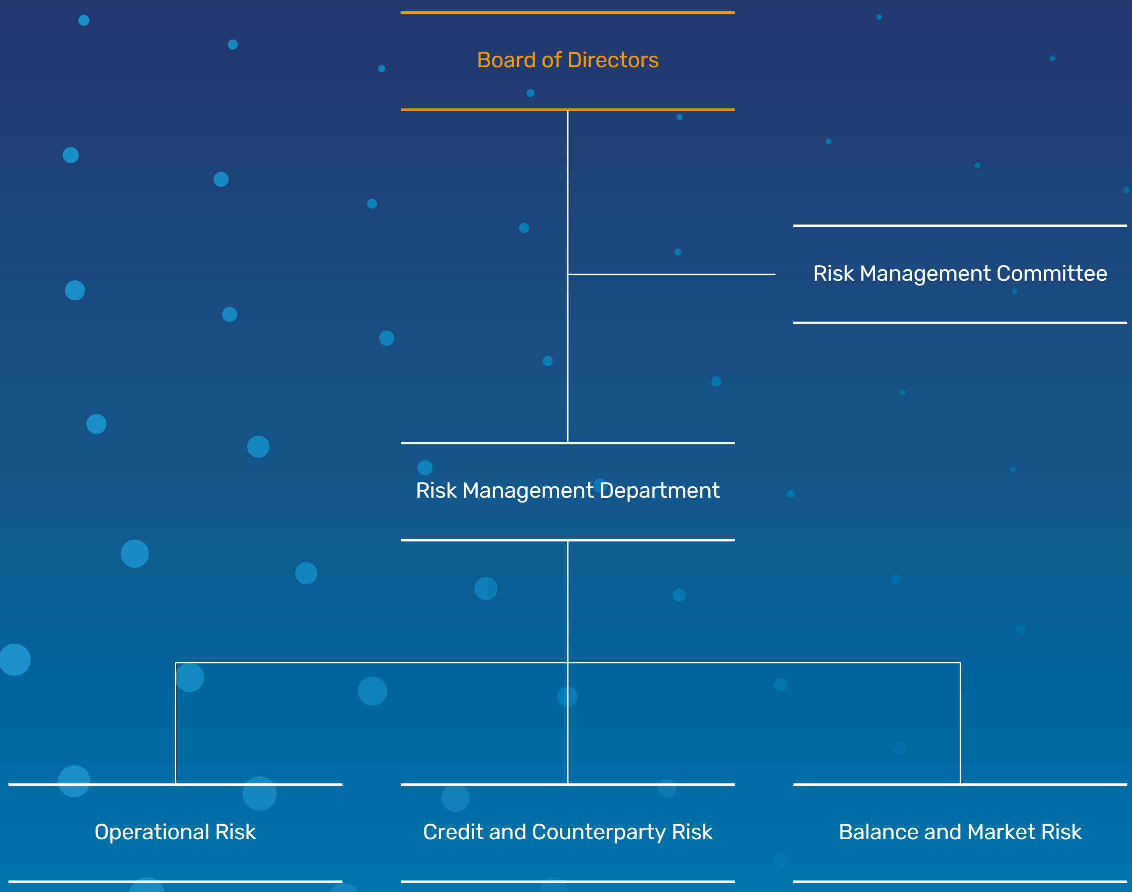
Independence

Governance structure which allows the identification, assessment, monitoring and control of risks to be carried out by an area that operates independently of the business and support areas.

Limit control

Framing of risks in intervals and regular monitoring thereof. Reputation is essential for good performance

The risk management system in BAI was defined taking into account the strategic orientation and level of risk tolerance defined by the Board of Directors (BoD) and the size, nature and complexity of the Bank's activities. The organizational structure of the risk management system includes an autonomous and independent function - the Risk Management Department (DGR) –, without direct responsibility for any risk-taking function, which is hierarchically and functionally dependent on the Board of Directors, being supervised by the Risk management department, and accompanied on a daily basis by a director appointed by the Executive Committee:



The bodies involved in the risk management system, and their respective functions, are described innote 40 of the annex to the financial statements ("Internal organization").
The bodies involved in the risk management system, and their respective functions, are the following:

Board of Directors (BoD) – responsible for defining, approving and implementing a risk management system that allows the identification, evaluation, control and monitoring of all material risks to which the Bank is exposed, in order to ensure that they are maintained at the level previously defined and shall not significantly affect the Bank's financial situation.
It also up to the BoD to:

1. Approve the operating regulation of the Risk management committee;
2. Ensure adequate material and human resources for the performance of risk management functions;
3. Ensure that risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
4. Approve the limits of exposure to the various material risks to which the Bank is subject;
5. Define general guidelines for the risk management system and definition of the Bank's risk profile, formalized in the risk management policy.

Risk Management Committee (CGR) – responsible for assessing the effectiveness of the risk management system, as well as for:

1. Advising the Board of Directors on the risk strategy;
2. Supervising the implementation of the risk strategy;
3. Supervising the performance of the Risk Management Department as provided for in Notice No. 2/13, of 19 April.

Risk Management Department (DGR) – responsible for identifying, evaluating and monitoring the risks that are materially relevant to the Bank, as well as monitoring the adequacy and effectiveness of the measures taken to correct any deficiencies in the risk management system.

Integrated Security Office (GSI) – responsible for defining policies, rules and controls that ensure proper management and monitoring of the security of electronic and computer systems and equipment, and ensure their implementation.

Bank structure units: responsible for effective control of risks and compliance with the internal procedures manuals defined by the Executive Committee.

Model of responsibilities in risk management

Risk management in BAI is composed of a structure of internal controls and evaluations defined by three lines of defense:

1st line of defense Operational management

It includes business and support units, responsible for:

- Identification of risk;
- Risk assessment and measurement;
- Acceptance of risk;
- Risk monitoring.

2nd line of defence Risk management

It includes the Risk Management Department and the Compliance Department responsible for:

- Conducting an independent analysis of the management controls of the business and support units;
- Ensuring effectiveness of the risk management system.

3rd Line of Defence Internal Audit

It includes the Internal Audit Department, responsible for:

- Regularly assess policies, methodologies and internal procedures for risk control and management.

External audit

Supervisory Authorities (BNA, CMC and AGT)

The first line of defence consists of the risk-owning areas, which must ensure effective risk management within the scope of their direct organizational responsibilities, namely:

- **Inform:** ensure that all material risks are identified, assessed, mitigated, monitored and reported;
- **Control:** ensure the implementation and compliance of all applicable policies, procedures, limits and other risk control requirements, and propose improvements in controls to ensure that any identified risks are controlled within acceptable limits and consistent with standards;
- **Plan and optimize:** align the strategies of the business areas or support functions with the risk appetite and seek to maximize the risk return profile.

The second line of defence consists of the independent review process carried out by the teams of the Risk Management Department and the Compliance Department. The risk management and compliance functions perform an independent analysis of the management control of the business and support units (first line of defence) and the processes maintained by the control functions (second line of defence). The DGR guarantees the total effectiveness of the risk management system.

Internal audit is **the third and last line of defence** in BAI and it has to regularly assess policies, methodologies and procedures to ensure that they are appropriate and are being applied effectively.

Definition of risk profile and degree of tolerance regarding risk

The Board of directors (BoD) defined as a global objective the adoption of a conservative risk profile for all material risks assumed by the Bank and consequently a low degree of tolerance regarding risk, thus ensuring the continuity of the business. This profile was determined based on the defined business strategy and the macroeconomic framework in which it operates.

Identification and evaluation of the most relevant risk categories

BAI characterizes risks according to the following categories:

	Financial	Non-Financial
Main Risks	Credit	Operational
	Liquidity	Strategy
	Interest rate	Reputation
	Exchange rate	Technologies and information systems
	Concentration	*Compliance*
	Solvency	

The stages of the risk management process are as follows:

Credit risk and counterparty

Credit risk is the likelihood of negative impacts on results or capital due to the inability of the borrower or the counterparty to meet their financial commitments to the Bank.

The credit policy defines the balance sheet items with exposure to credit risk such as liquidity applications, holdings and securities and credit.

The credit risk management system comprises:

i. A policy that defines the credit granting strategy, i.e. the guidelines and limits for granting credit;

ii. A credit risk management policy which states:

- **a.** The process of granting credit (evaluation / approval of each operation);
- **b.** Adequate monitoring and follow-up processes;
- **c.** Assets quality assessment processes and adequacy of provisions / impairments.

The BoD set the exposure limit of 50% of the regulatory own funds (FPR), without prejudice to the Executive Committee (EC) to define another more conservative limit. Accordingly, the Bank also uses maximum exposure limits to the counterparties associated with an overall analysis of their situation, using an internal model with financial and economic variables, which is approved and reviewed by the Assets and Liabilities Committee (ALCO). The limit approved internally is not applicable to the State.
It is the responsibility of the Financial Markets Department (DMF) to monitor the risk positions of domestic and foreign counterparties and to monitor compliance with the limits.

It is the responsibility of the EC to authorize the excesses to the limits of exposure to counterparts, with delegation of competences up to a certain percentage of excess, according to the following hierarchical levels:

• To the DMF Director up to a maximum of 10% of the limit;
• To the Manager of the DMF sector, up to a maximum of 25% of the limit;
• To the EC (at least, two directors), above 25% of the limit, up to a maximum of 50% of the FPR.

The Bank may increase its exposure to a particular counterparty beyond the limit calculated in the rating model, provided that the counterparty submits a collateral accepted by the Bank to secure the operation.

Regarding the credit, at the concession stage, after collecting the information required for the analysis, the commercial area must prepare an opinion about the customer. Depending on the type of credit and the amount requested, the need for the process to be transferred to the Credit Analysis Department (DAC) is verified in order to be able to carry out a risk analysis to be submitted to the competent authority for approval, in accordance with the delegation of competence envisaged.

The Bank has its own risk rating (risk factor) and scoring (rating) models to classify credit risk to companies and individuals, respectively.

Regarding companies, the assignment of the rating results from the evaluation of the (i) the company's management capacity, (ii) economic and financial situation, (iii) banking history, (iv) quality of the guarantees and (v) sector of activity. For each of these parameters, weights have been set which, when multiplied to the assigned classification, allow finding the respective score. The sum of the scores of the 5 parameters is equal to the company's rating (see table below).).

Regarding individuals, the scoring model assesses (i) commercial involvement, (ii) social stability, (iii) professional situation and (iv) the customer's economic and financial situation. For each of these parameters, there are weights that, when multiplied to the assigned classification, allow to find the score for each one. The sum of the scores of the 4 parameters is equal to the customer scoring (see table below).

Classification of credit granted

	Risk	Risk factor (Rating scale)
A	Zero	[6,5 to 7]
B	Very low	[5,5 to 6,4]
C	Low	[4,5 to 5,4]
D	Moderate	[3,5 to 4,4]
E	High	[2,5 to 4,4]
F	Very high	[1,5 to 2,4]
G	Loss	[0 to 1,4]

In addition, the Bank also has tools to assess the credit position of clients at a national and international level. In order to assess the exposure of customers in the domestic market, BAI uses the Credit Risk Information Centre (CIRC) of BNA. To evaluate the credit situation of companies or economic groups with exposure in other markets, the Bank has COFACE, which is a financial information platform for companies operating in the European market.

The Credit Committee is a collegial body whose purpose is to promote the alignment of credit granting policies and rules, to analyse and approve credit operations in accordance with the policies and limits defined by the BoD, as well as to monitor the credit portfolio in default. All decisions taken involve the participation and position of the members of the Committee, i.e. there are no individual powers to take decisions.

The executive committee has established a matrix of credit decisions, where a number of subcommittees are established which meet periodically in the light of the abovementioned objectives. The decision matrix applies only to clients with risk levels A to C resulting from the application of the BAI scoring or rating model. Any operation with a credit rating higher than C is decided at 4th step level, with the exception of renegotiation or restructuring operations, the risk of which stems from the evolution by default.
for non-compliance. The table below shows the credit decision matrix[1].

Credit decision matrix

Decision Level	Decision-making bodies[2]
1°	Commercial coordinator - Managers
2°	DAC Manager – DRC Manager – GSP Manager – DPME Manager - - Regional Managers
3° (Credit committee - CCR3)	1 Director - DAC Manager – DRC Manager – GSP Manager - Regional Managers – DGE Manager – DPME Manager
4° (Credit committee – CCR4)	Chairman of the EC - 4 Directors – Coordinating Managers – DAC Managers - – DRC Manager – GSP Manager - Regional Managers – DGE Manager - - DPME Managers
5°	Board of directors (BoD)

In order to maintain an adequate control of the credit quality of the portfolio, it is incumbent upon the Credit Recovery Department (DRC) to carry out the specific function of monitoring the overdue credit portfolio as from 45 days, which allows to alert to incidents that may occur in the evolution of the risk, with the purpose of taking actions to mitigate them. The recovery activity is structured according to the commercial segmentation of customers: Individuals and Companies, and with specific management models. The management of recoveries also respects the different management phases:
preventive management, which begins in the commercial network, and management of irregular credits, whose responsibility falls within the competence of the DRC.
The analysis and evaluation of credit risk is done at several levels, starting with the areas that take credit risk, to the support areas, with differentiated focus of action.

- DAC makes the individual analysis of credit risk by operation and / or economic group,
- DRC makes analysis of irregular credit and the management of the off-balance-sheet credit portfolio;
- makes the collective analysis of risk factors and the monitoring of credit risk limits, both regulatory and internal.

[1] DAC – Credit Analysis Department; DPN – Individual and Business department; DGE – Department of large companies; DRC – Credit recovery department; GSP – Premium Services Office; DPME – Department of small and medium companies.

The monitoring and follow-up of credit risk is done by the Executive Committee (EC) and BoD based on the analysis of monthly (EC) and / or quarterly (BoD) credit risk reports produced for this purpose. Among other internal limits established by the BoD in credit policy, the limits applicable to credit risk are as follows:

Credit limits

Indicators	Limit	Defined and accompanied by
Maximum exposure limit per customer	25% of FPR	BNA/BoD
Risk exposure limit of largest debtors	300% of FPR	BNA/BoD
Maximum exposure limit - Business segment (% total portfolio)[3]	30%	BoD
Maximum exposure limit - Private segment (% total portfolio)	10%	BoD
Maximum exposure limit - State (% total portfolio) 80%	80%	BoD
Maximum limit according to FPR (% of [(1/15%) * FPR - RCRM)	100%	BoD

The Bank has implemented the process of calculating the impairment of its loan portfolio as part of the process of fully adopting international accounting and financial reporting standards (IAS / IFRS) as from 2016. In fact, the impairment model is based on the credit life cycle after the identification of a loss event. In this way, impairment losses are calculated for operations with IBNR - Incurred but Not Reported Losses, signs of impairment (indices) and default. In operations with IBNR, the calculation of impairment losses is based on the "Collective Analysis" and on operations with indicia and default, the calculation is done based on the "Individual Analysis" or "Collective Analysis".

The activities inherent to the determination of impairment losses are carried out in the following areas:

1. Executive Committee: responsible for deciding on the guidelines and procedures inherent to the determination of impairment losses;

2. Risk management Department: Responsible for monitoring and validating the impairment loss calculation performed by the Credit Analysis Department (DAC) and the Credit Recovery Department (DRC), as well as the configurations carried out in the support tool for the calculation of the collective analysis;

3. DAC and DRC: They are responsible for the determination of impairment losses for the credit portfolio subject to individual analysis;

4. Department of individuals and business, Department of large companies (DGE), Premium Service Office (GSP), Department of Small and Medium-sized companies (DPME): They are responsible for providing support to the DAC and DRC in the determination of impairment losses, namely, regarding the monitoring and collection of information on clients and operations;

5. Information systems Department: responsible for the support in the use of the application and the extraction and maintenance of information;

6. Internal Audit Department: responsible for validating the adequacy of the processes defined for the determination of impairment losses, verification of the correct and proper implementation thereof.

The determination of impairment losses involves the following activities per cycle of realization:

1. Monthly Cycle:
   - Extraction of information;
   - Tool configuration;
   - Calculation of impairment;
   - Evaluation of results;
   - Report;
2. Quarterly cycle:
   - Individual analysis;
3. Annual cycle:
   - Sensitivity analysis, backtesting and calculation of risk factors.2. Ciclo trimestral:

For risk mitigation purposes, credit operations at BAI are subject to the provision of guarantees / collateral. The process of formalization of guarantees is of crucial importance, since it often has to comply with legal requirements, the non-compliance of which implies that the act of contracting the guarantee is vitiated and may be invalidated. The guarantees required by BAI are grouped in:

a) Real guarantees

BAI requests the following real guarantees: mortgage, pledge, public debt securities, time deposits, shares and collateral deposit.

The choice of type of guarantee depends on the type of credit operation, its term and the associated value. All real guarantees presented for credit coverage are evaluated before the credit decision is made.

b) Personal guarantees

Guarantees in which individuals or legal entities assume, as guarantors, the obligation to honour commitments relating to credit operations.
BAI requests the following personal guarantees: Promissory note with surety and guarantee.

c) Other Guarantees

BAI requests the following guarantees: Guarantee by the employer of the credits granted to its employees, pledge of mortgage, insurance and comfort letters.

Credit management and follow-up aims to detect, as early as possible, situations that may jeopardize the client's ability to comply with credit obligations established with the Bank and to implement concrete actions to avoid actual default, allow for the immediate settlement of the outstanding amount or improve the conditions for recovery.

The monitoring of credit operations is intended to minimize financial losses resulting from noncompliance by clients with contractual conditions, through a set of methodologies, namely:
a) Periodic re-evaluation of risk rating by using the existing models;
b) Periodic reassessment of existing risk mitigators;
c) Monitoring of warning signs;
d) Maintenance of a permanent and adequate relationship with the client;
e) Periodic evaluation of the credit portfolio.

Credit recovery is the responsibility of the Commercial Departments, the Credit Recovery Department (DRC) and the Legal and Litigation Department (DJC), ensuring the immediate collection of amounts in default or the establishment of payment agreements. In this sense, in credit processes with default up to 30 days, it is the responsibility of the Commercial Departments to make the first contact with the customer, in the sense of resolving the delay.

In turn, credit processes with more than 30 days in default pass into overdue credit and become the responsibility of DRC. When a process moves to the DRC, this unit becomes manager of the customer relationship with the Bank and must authorize all operations from this moment. However, the DRC must always ensure coordination with the counter to which the customer is domiciled.

Once the possibilities of extrajudicial recovery have been exhausted, the operations become the responsibility of the DJC to manage the judicial recovery process.

Counterparty risk is understood as the possibility of non-compliance, by a particular counterparty, of the obligations relating to the settlement of money market, capital and foreign exchange transactions.

In the context of counterparty risk management, the BoD set the exposure limit of 50% of the regulatory own funds (FPR), without prejudice to the EC setting a more conservative limit. Accordingly, the Bank also uses maximum exposure limits to the counterparties associated with an overall analysis of their situation using an internal model with financial and economic variables approved and reviewed by the Assets and Liabilities Committee (ALCO).

It is the responsibility of the Financial Markets Department (DMF) to monitor the Bank's overall risk positions against domestic and foreign counterparties and to monitor compliance with the limits.

It is the responsibility of the EC to authorize the excesses to the limits of exposure to the counterparts, with delegations of competences up to a certain percentage of excess, according to the following hierarchical levels:

i. To the DMF Manager, up to a maximum of 10% of the limit;
ii. To the DMF Director, up to a maximum of 25% of the limit;
iii. To the EC (at least two directors), above 25% of the limit, up to a maximum of 50% of FPR.

The Bank may increase its exposure to a particular counterparty beyond the limit calculated in the rating model, provided the counterparty presents a collateral acceptable to the Bank to secure the transaction.

Balance sheet and market risk

Balance sheet risk measures the Bank's ability to meet its liabilities (liabilities) vis-à-vis the asset structure in its balance sheet. It is subject to the following types of risks:

i) balance sheet interest rate risk, which results from assets and liabilities sensitive to changes in the interest rate;
ii) exchange rate risk;
iii) risk of liquidity both in its transactional aspect of the different assets and in the ability to fulfill its financial obligations.

The various types of risks mentioned are monitored daily by the Financial Markets Department (DMF) through reports, which are also sent to EC members.

An asset and liability management report is produced on a monthly basis and serves as the basis for the review of the Asset and Liability Committee (ALCO).

The stress test consists of a management technique that assesses the potential effects on the financial condition of an institution as a result of changes in risk factors or stress scenarios due to exceptional but

plausible events.
It is the responsibility of the administrative body and relevant organizational structures, being produced annually (analysis of scenarios and simulations) and half-yearly (inverted effort test).

BAI uses the following metrics in assessing these risks:

Risk assessment metrics

Risk	Metrics and toolss
Liquidity	Liquidity *gaps;* Evolution of liquidity ratios; Concentration of the largest depositors; Simulations
Interest rates	*Gaps* interest rates; Evolution of profitability ratios; Simulations; Analysis of monthly and portfolio interest rates; *Earning at Risk*. Exposure by maturity interval or rate reset; – Impact on Net worth and Financial Margin
Exchange	Model of Value at Risk; Simulations; Scenario analysis; Stress Test; Evaluation of exchange exposure limits

The Bank controls the balance sheet and market risks through the limits defined by the BoD, ALCO and BNA (whenever applicable). The main limits (internal and external) are as follows:

Defined limits

Indicators	Limit	Defined and accompanied by
Aggregate transformation ratio[1]	50%	BoD
Aggregate transformation ratio including Marketable securities[1]	85%[2]	BoD
Liquidity gap	(i) 0% for maturities up to 2 weeks (ii) 5% for maturities of more than 2 weeks up to 3 months	BoD
Regulatory solvency ratio (RSR)	15%	ALCO
Exchange position limit	10% of FPR applicable to long and short exposures	BoD

(1) For the calculation of the conversion ratio, compulsory reserves are excluded.
(2) The limit may be up to 120% when applied to securities with a residual maturity of less than 12 months.

Liquidity risk

Gap is the comparison between assets and liabilities distributed over periods of residual maturity, thus illustrating the flows of payments and receipts over the time horizon of operations. The Bank calculates the contractual liquidity gap and the behavioural liquidity gap.

In the contractual liquidity gap, the distribution of the amounts of the assets and liabilities is made for periods of residual maturity, and the current deposits are placed in the first-time temporal band.

On the other hand, in the behavioural gap, credits are distributed according to the financial plan of each operation and deposits according to the linear regression model that projects the future behaviour of deposits based on past information, adopting in this way a behavioural measure that does not only consider the exits of the deposits. All overdue loans and impairments are excluded from the gap.

Interest rate risk:

- Using the Earning at Risk (EaR) model to evaluate the impact of interest rate changes on its profitability.
- Monthly, the assumption is based on the variation of 200 basis points in interest rates to measure the impact on the bank's profitability;
- Using the model that quantifies the Impact on the Net worth and Financial Margin (notice No. 8/2016) of a positive or negative instantaneous shock of 200bps in interes rates, which results from a parallel movement of the yield curve;
- Interest rate risk - Through the use of the model that measures the impact on the market value of securities of a variation of 200bps in their yield.

Exchange risk

The test on this risk is done by means of the Value-at-Risk (VaR) calculation. Exchange rate VaR represents the maximum potential loss, with a confidence level of 99%, resulting from the unfavourable exchange rate evolution during a month, in the revaluation of the exchange exposure. The determination of the VaR is made on changes in the exchange rate of the United States dollar against the national currency based on historical methods.

Operational risk

BAI defines the operational risk as the probability of negative impacts on results or capital arising from failures in the analysis, processing or settlement of operations, internal and external fraud, the use of resources under a subcontracting regime, internal inefficient decision-making processes, insufficient or inadequate human resources, or the inoperability of infrastructure.

BAI manages operational risk, based on a vision by business, support and control processes, being transverse to the units of structure of the organization. This type of management is supported by principles, methodologies and control mechanisms, such as: segregation of functions, lines of responsibility, codes of conduct, Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, contingency plans, insurance contracting and internal training on processes, products, services and systems.

The operational risk is managed by the Operational Risk Area of the Risk Management Department, whose mission is to ensure the identification, evaluation and monitoring of the operational risk inherent in the Bank's activity.

Operational risk management tools

BAI uses the following tools to identify, analyse and control operational risk levels:

- **Integrated Operational Risk Matrix (MIRO):** Consisting of maps associated with the various processes of the bank, in which the risks and controls existing for each stage of the process are identified, as well as those responsible for their mitigation;

- **Database of operational risk events:** Enabling to analyse the root cause of events; identify the origin of occurrences; and understand the scale of importance of operational risk at the Bank, taking into account the impacts on results;

- **Key risk indicators (KRIs):** are metrics built to indicate or evidence bank activities with high potential for operational risk events;

Identification and analysis of operational risk

In the operational risk identification and analysis phase, the MIRO tool is used to promote the identification, evaluation and mitigation of current and potential risks in each critical process. In MIRO, risks are categorized according to the table below.

Risk categories	Description
Internal Fraud	Losses arising from acts intentionally intended to commit fraud, misappropriation of assets or circumventing legislation, regulations or business policies , with the exception of acts relating to differentiation / discrimination involving at least an internal part of the company. por parte de um terceiro.
External fraud	Perdas decorrentes de actos destinados intencionalmente à prática de fraudes, à apropriação indevida de activos ou a contornar legislação por parte de um terceiro.
Practices on employment and safety in the workplace	Losses arising from acts that are not in accordance with labour, health or safety legislation or agreements, as well as the payment of personal injury or acts related to differentiation / discrimination.
Customers, products and business practices	Losses arising from intentional or negligent breach of a professional obligation in relation to specific customers (including fiduciary and suitability requirements) or the nature or design of a product.
Damage to physical assets	Losses arising from damage or loss caused to physical assets by natural disasters or other events.
Disturbance of business activities and system failures	Losses due to disturbance of commercial activities or system failures.
Execution, delivery and process management	Losses due to failures in the processing of process management operations or process management, as well as in relationships with commercial counterparts and vendors.

The initial operational risk assessment is based on three factors that will result in the Risk Priority Number (NPR), such as the impact of the event (I), the probability of occurrence (O) and the probability of surprise (S) or the degree of ability to detect the risk.

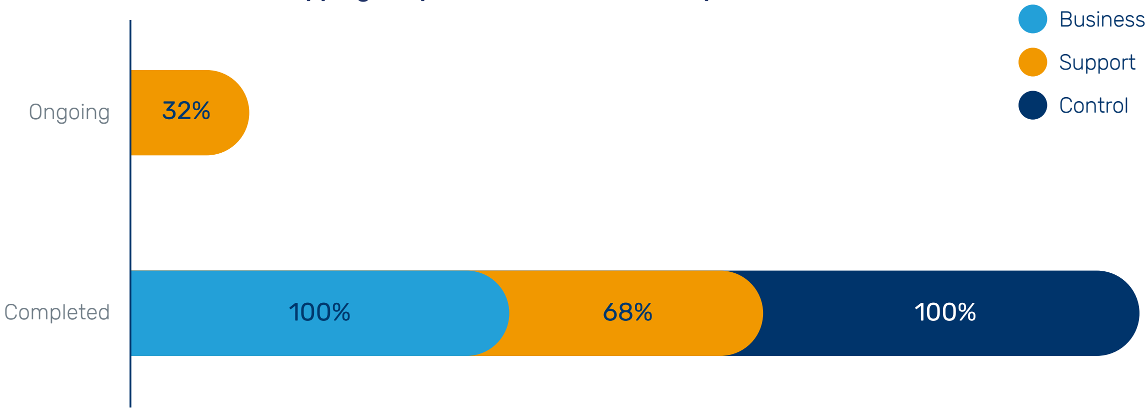
The value of NPR is between 1 – 8000, and has a positive relation with the level of operational risk, since the higher the NPR, the higher the level of operational risk of the Bank. Taking into account the value of NPR, the risk can be classified as low, medium low, medium, medium high and high. It is at this stage that the implied risk is determined. The final evaluation is carried out jointly with the owner of the process, judging the relationship between the probability of occurrence and the consequence of this exposure to the risk, if it materializes, and the quality of controls. Controls can be strong, satisfactory, require improvements, deficient and very deficient. The difference between the implied risk and the quality of the controls will give rise to the residual risk.

The operational risks identified are characterized as follows:

a) Implicit operational risk: it is the risk that has its existence implied, without the Bank adopting control measures to mitigate it;
b) Residual operational risk: it is the risk that remains, even after the mitigation measures have been implemented.

In the framework of the strategic initiative No. 7.1.3. “Mapping the risks and controls to key business bank processes, support and control." According to the BAI Process Catalog, there are 54 critical processes. The figure below shows the status of compliance with this strategic initiative:

State of the mapping of operational risk in critical processes



The table below, called the Integrated Matrix of Consolidated Operating Risks, reflects the annual and monthly variation of the number of operational risks identified and evaluated:

Integrated matrix of consolidated operational risks

Implicit risk	Controls	Residual Risk	% Risk quant. Dec.17	% Risk quant. Dec.18	% Risk quant. Δ Anual
Medium	Requires Improvement	Medium	0%	4%	^
Medium	Poor	Medium	32%	11%	v
Medium	Very poor	Medium	53%	15%	v
Medium high	Requires Improvement	Medium high	0%	2%	^
Medium high	Poor	Medium high	6%	11%	^
Medium high	Very poor	Medium high	9%	28%	^
High	Poor	High	0%	24%	^
High	Very poor	High	0%	6%	^
Total Mapped Risks			**34**	**54**	

Operational risk control

BAI uses as operational risk control tools the Operational Risk Event Database and Key indicators of operational risk.

Database on operational risk events

The collection of operational risk events consists of their identification, registration and characterization in the database and has the following objectives:

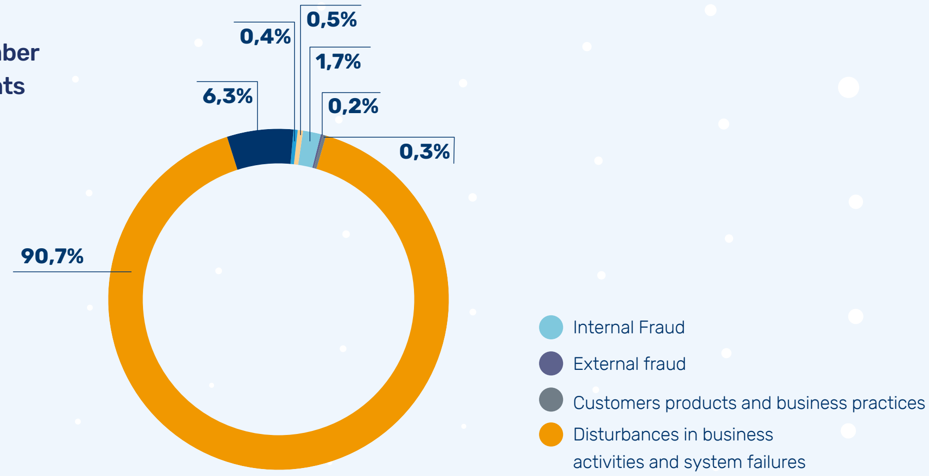
- To enable the identification and analysis of the root of the events, their causes and preventive action on the origin of the events;
- To reinforce the perception of the scale of importance of operational risk in the Bank;
- To quantify the number of times a risk could endanger the Bank;
- To serve as backtesting of the operational risk mapping results, enabling the assessment / classification assigned to the risk categories in each case.

Detection and reporting are the responsibility of all BAI employees, while registration and classification is the responsibility of the DGR. Operational risk events are categorized according to Basel II, according to the operational risk categorization table.

Of a total of 1,511 registered operational risk events, we have the following:

- The category "execution, delivery and management of processes" gave rise to financial losses;
- The category "business disruption and system failures" had the largest number of operational risk events, as shown in the following figure:

Distribution of the number of operational risk events by category



Key risk indicators (KRIs)

In the scope of the operational risk control process, Key Operational Risk Indicators are used as tools because they are metrics built to indicate or evidence activities of the bank with a high potential for operational risk events.

The main objectives of the indicators are as follows:

- Providing warnings about potential occurrences of operational risk events;
- Providing metrics and historical data that allow predicting the occurrence of operational risk events;
- Identifying areas with a potential risk increase.

During 2018, the following key operational risk indicators were analysed:

- Customer complaints: corresponding to the number of customer complaints registered by BAI. This increase corresponds to a decrease in customer satisfaction, loss of loyalty, depreciation of the Bank's image and has the effect of affecting the Bank's strategy;
- Cash shortages and surpluses, ATM and treasury: corresponding to the number of operations registered at the branches, resulting from the differences / surpluses detected by employees, at the time of the cash closing. The increase or decrease of this indicator influences the analysis of the need to allocate the subsidy of failures, as well as the risk of internal fraud (misappropriation of funds or transactions not intentionally communicated).
- Return of checks due to fraud and insufficient funds: corresponding to the total of checks returned in the compensation process, for reasons of attempted fraud or insufficient funds. Its increase corresponds to the increased risk of losses resulting from external fraud.
- Irregularities in opening the young account: corresponding to the number of accounts opened without meeting the requirements of the product sheet. The increase in this indicator reflects the increased need for review and implementation of control measures to mitigate the risk of financial losses resulting from errors or fraud.
- Reverse operations: corresponds to the number of operations that have been reversed over a given period.

The increase in the indicator corresponds to an increase in the need to strengthen control measures to mitigate the risk of financial losses resulting from system failures, errors or fraud.

- *Outsourcing*: corresponding to the number of irregularities detected in the subcontracting management process. The increase in the indicators corresponds to the increase of financial and non-financial losses resulting from system failures, errors or frauds

Awareness program on internal control.

The "PSCI" internal control awareness program aims to develop a culture of risk and internal control skills for BAI employees.

The PSCI is transversal to all the Bank's UE's and covers the following aspects:

- Basic concepts on process management, risk management and internal control;
- Technical skills in process management, risk management and internal control;
- Risk management culture and continuous improvement of the internal control system;
- Resolution of internal control deficiencies “DCI”;
- Evaluation of performance of Directors and managers;
- Internal control self-assessment.

In the context of the development of a risk culture, in order to increase technical knowledge on risk management and improvement of internal control, the control areas have carried out a training plan at Bank level for all employees.
The table below shows the activities carried out:

Trainer	Description of the training	Number of sessions	Total hours	Target public
DCL	KYC (Know your customer)	7	28h	Managers
	Annual compliance training (BC/FT)	41	164h	Luanda, Cabinda, Lubango, Malanje, Benguela, Soyo, Huambo, Cunene, Kuanza-Sul
	Operational risk	1	2h	Head of department a and technicians of DOQ
DGR	DGR Operational risk and importance of event reporting	125	204h	DGE, DPC, DOP, DCH, DRC, DSC, GSP, DJC, DBE, DPN, GSL, DAI, DOQ, DSG, DCF, DAC, GEF, GSI, employees of the branches in the regions of Luanda I, Luanda II, Noroeste, Norte, Centro, Leste e Sul.

Business Continuity Plan

Pursuant to paragraphs 1 and 2 of article 15, of Notice No. 2/2013 of April 19, of the National Bank of Angola ("BNA"), the need for financial institutions to ensure their operational continuity, defining and implementing business continuity plans that focus on information systems, infrastructure and human resources.

In 2014, In 2014, the Executive Committee approved BAI's business continuity implementation program, which will allow the continued operation of its business processes, planning and carrying out preventive and corrective actions, even at a time when the components that support them cease to operate.

The following table reflects the level of compliance of the activities planned for the implementation of the business continuity program.

Business continuity plan status point

Name	UE Actors	Status	Date
Business Impact Analysis – Business Network (DPN, DEI and GSP)	Areas	Concluded	Fev-15
Crisis management process	GSI	Concluded	Mar-15
Design and support for the implementation of an operational command centre ("CCO")	GSI	Concluded	Mar-15
Design and support for the implementation of an operational command centre ("CCO")	DSI	Concluded	Mai-16
Review of Agreements / Contracts with external suppliers considered as critical to business continuity	DJC	Concluded	Fev-17
Business Impact Analysis – Central Services	DGR, DMF, GCM, DTC, DOP, DBE, DSI	Concluded	Jun-18
Preparation of the technology recovery plan	DSI	Concluded	Jul-18
Preparation of the operational continuity plan and contingency procedures for central services	DGR, DMF, GCM, DTC, DOP, DBE, DSI	Concluded	Ago-18
Preparation of the teleworking plan	DSI	Ongoing	Dez-19
Business Impact Analysis – TI	DSI	Ongoing	Dez-19
Preparation of the emergency plan	GSI	Concluded	Out-18
Preparation of the operational continuity plan - TI	DSI	Ongoing	Dez-19
Preparation of the operational continuity plan for the commercial network	DGR e Áreas comerciais	Concluded	Nov-18
Preparation of a plan against pandemics	DCH, DSG e DSI	Concluded	Nov-18
Routing Plan for	DGR e Áreas comerciais	Concluded	Nov-18

Electronic, patrimonial and information security

In order to guarantee the security of the assets, electronics and information, the Bank has the Integrated Security Office (GSI), with the following main objectives:

- Ensuring the relationship with external security companies and supervising their performance, ensure access control and the dissemination of a security culture in the Bank.

- Management of the Bank's information and electronic security infrastructure (e.g. core systems, ERP-SAP, Antivirus, Firewall, Access Control Systems, Video Surveillance, Alarms, etc.), proposing the acquisition, testing and implementing the products and security systems in collaboration with DSI.

- Assessing and controlling the management of risks of physical and logical access, intrusion, theft, fire and sabotage that jeopardize the security of systems and technologies and information or premises, assets and persons assigned to the Bank, and establishing corrective measures based on methodologies and processes defined

- Ensure and control the correct operation of all electronic security devices (access control, CCTVs, intrusion and fire alarm), as well as their remote management and supervision.

- Defining and keeping up-to-date policies, processes and security standards and controls that ensure adequate management and monitoring of the risks to which the Bank's information structures are exposed (files, data centres, workstations, servers and networks)

- Implementing existing security policies and procedures (including encryption and digital certification procedures), defining privileges and access, control structures and their resources;

- Carry out the assessment and analysis of security risk and TSI, including forensic investigation of all attempts and incidents of intrusion into the Bank's data and communications network;

The management of information security is reviewed by the GSI at least once a year or whenever there are significant changes in order to assess its suitability and effectiveness. In the course of this review, nonconformity may be identified, an action plan for its resolution being drawn up, as well as opportunities for improvement.

Compliance risk

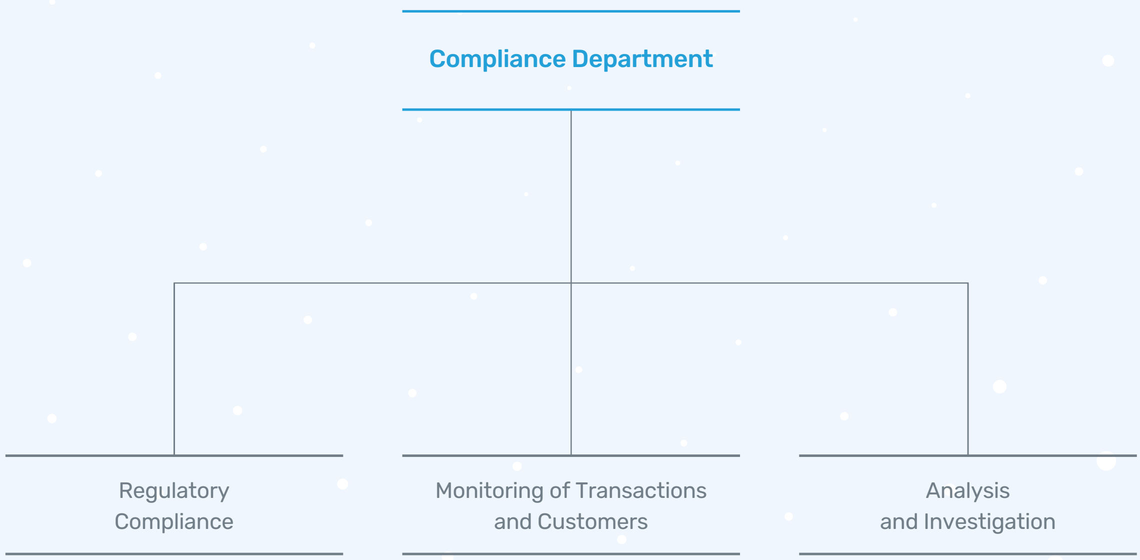
Main Developments in 2018

1. Review of the money laundering and terrorist financing policy (BC/FT);
2. Improvement of the training requirement within the scope of BC/FT in the organization;
3. Identification and application of enhanced diligence in Tradings and Offshores;
4. Treatment of the BNA self-assessment questionnaire on BC / FT;
5. Treatment of the Capital Markets Committee's self-assessment questionnaire on BC/FT;
6. Risk assessment Framework of BC/FT;
7. Preparation of the report of clients with FATCA status to the General Tax Administration (AGT).

The compliance Department (DCL) depends hierarchically and functionally on the Board of Directors (BoD). The functional monitoring of the structure unit is carried out by the Chairman of the EC and its action is national in scope, according to the specific nature of the attributions granted to it, and this action may be extended to the financial group in the framework of tasks related to the system of internal control. The DCL reports quarterly to the Internal Control Committee (CCI).

DCL underwent a restructuring process in 2016, with the objective of (i) adapting the compliance processes in accordance with the BAI Strategic Plan (Risk Management and Internal Control), (ii) responding to internal and external demands for strengthening of internal control applicable to the BC/FT combat with the Financial Crime Compliance duty, and (iii) ensuring efficient treatment of information that allows proactive action on occurrences of various natures in the corresponding units of structure and banks.

DCL organization chart



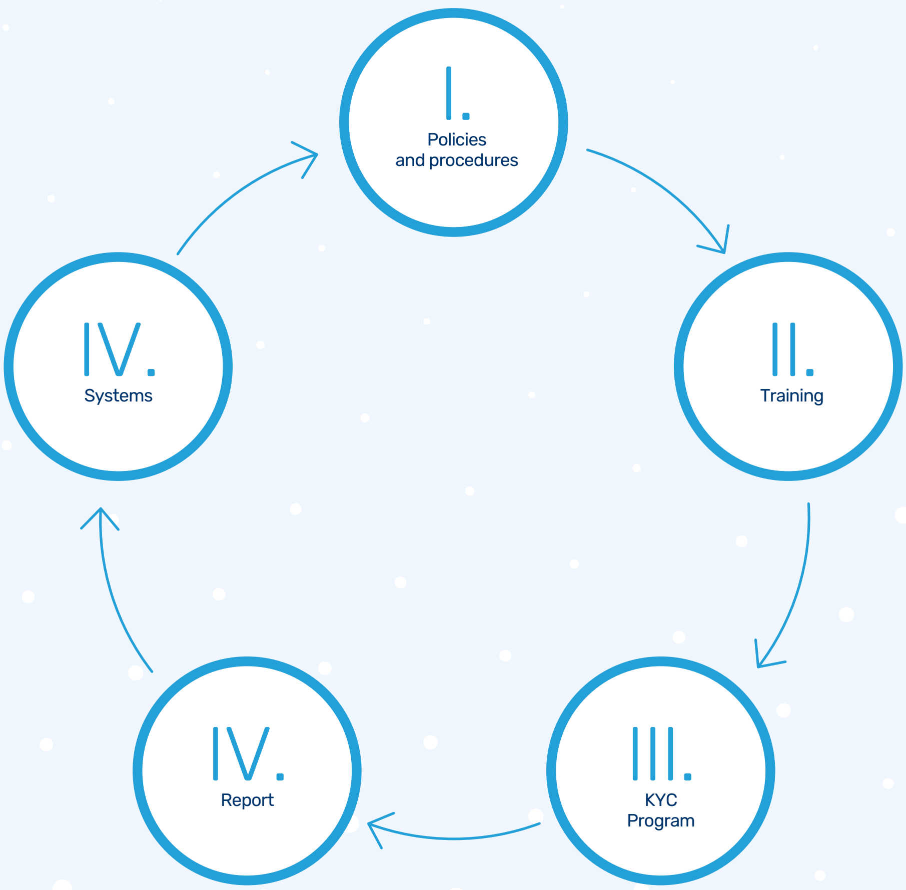
It is composed by a team of 13 employees. DCL is complemented by the figure of the “Compliance agent” in the total of 106 that act as an extension of the DCL in the several areas taking compliance risk.

Duties of key function of DCL area:

Regulatory Compliance Department (RCL)	Ensuring the planning, execution, supervision and compliance reporting of compliance with the regulatory framework unrelated to the bank's anti-money laundering and terrorist financing regulatory measures.
Transaction and Customer Monitoring (RMO)	Ensuring the effective compliance of processes and procedures related to opening and maintaining accounts, as well as the effective monitoring of all transactions originated in the bank or received against the risks of compliance and reputation from the BC / FT point of view.
Analysis and Research (RCL)	Conducting the analysis and investigation of operations on a consolidated basis for the purpose of reporting to the competent authorities, internal or external, as well as supporting the business areas in the conformity analysis of operations.

Compliance risk management model

The model adopted by the bank for compliance risk management is based on five fundamental pillars in order to ensure legal and regulatory compliance with the applicable provisions, as well as to ensure adequate risk mitigation. The model focuses on the largest risk-taking areas for the Bank, namely the commercial areas, the operations Department and the e-Banking Department. However, BAI is finalizing the first BC / FT risk assessment process, which seeks to diagnose areas with greater weaknesses in the risk of money laundering and terrorist financing and related crimes, in order to define the methods of action to mitigate the risks that may be identified.



In the management of compliance risk, a special focus is given to legislation and regulations regarding BC / FT prevention. In 2018, the BC / FT Combat Policy was revised, in accordance with BNA's internal policy and regulations. This policy applies to all employees of BAI, its subsidiaries and affiliates, who must comply with the laws and regulations applicable in the country in which they operate, if it is more demanding.

In the framework of monitoring compliance with reporting obligations to BNA, CMC and other stakeholders, the following reports are issued:

- BNA self-assessment questionnaire reports by June 30 of each year;
- CMC self-assessment questionnaire report by March 31 of each year;
- Daily report on compliance with procedures related to the movement of cash accounts to the UIF;
- Report of clients with FATCA status to the General Tax Administration (AGT).

For the management body, the following reports are issued:
- Weekly report of activities;
- Quarterly report of activities;
- Individual report of the compliance function;
- Monthly report on compliance of reports to BNA.

In the scope of opening, maintaining and moving bank accounts, an assessment of the qualitative profile of the client's risk profile is carried out and control mechanisms and procedures established to mitigate identified risks are applied.

Customers are classified according to BC / FT risk levels, which comply with the following guidelines:

Low risk customer	Only clients defined by law, namely: (i) the State or a public legal person of any nature, integrated in the central, provincial or local administration: (ii) a public authority or body, subject to transparent accounting practices and inspection - simplified due diligence procedures apply.
Normal risk client	All clients who do not fall into low or high-risk levels the normal due diligence procedures apply.
High risk customer	Clients defined by law, such as politically exposed persons (PEP), non-profit organizations; and other clients identified by the Bank as having high risk profile, the enhanced due diligence procedures apply.
Unacceptable risk custome	Clients defined by law, such as shell banks, and other customers identified by the Bank as being at unacceptable risk, the business relationship should not be established or if existing, should be terminated.

The bank has a BC / FT risk assessment matrix for its customers, but does not yet address all applicable requirements and good practices and it is expected to be fully updated for 2019.

To strengthen the compliance function, the following tools will be rolled out in 2019:

• AMdeC: Workflow for opening and maintaining accounts. It assists in the fulfilment of identification obligations and allows the classification of high-risk accounts, already implemented in 49 branches.

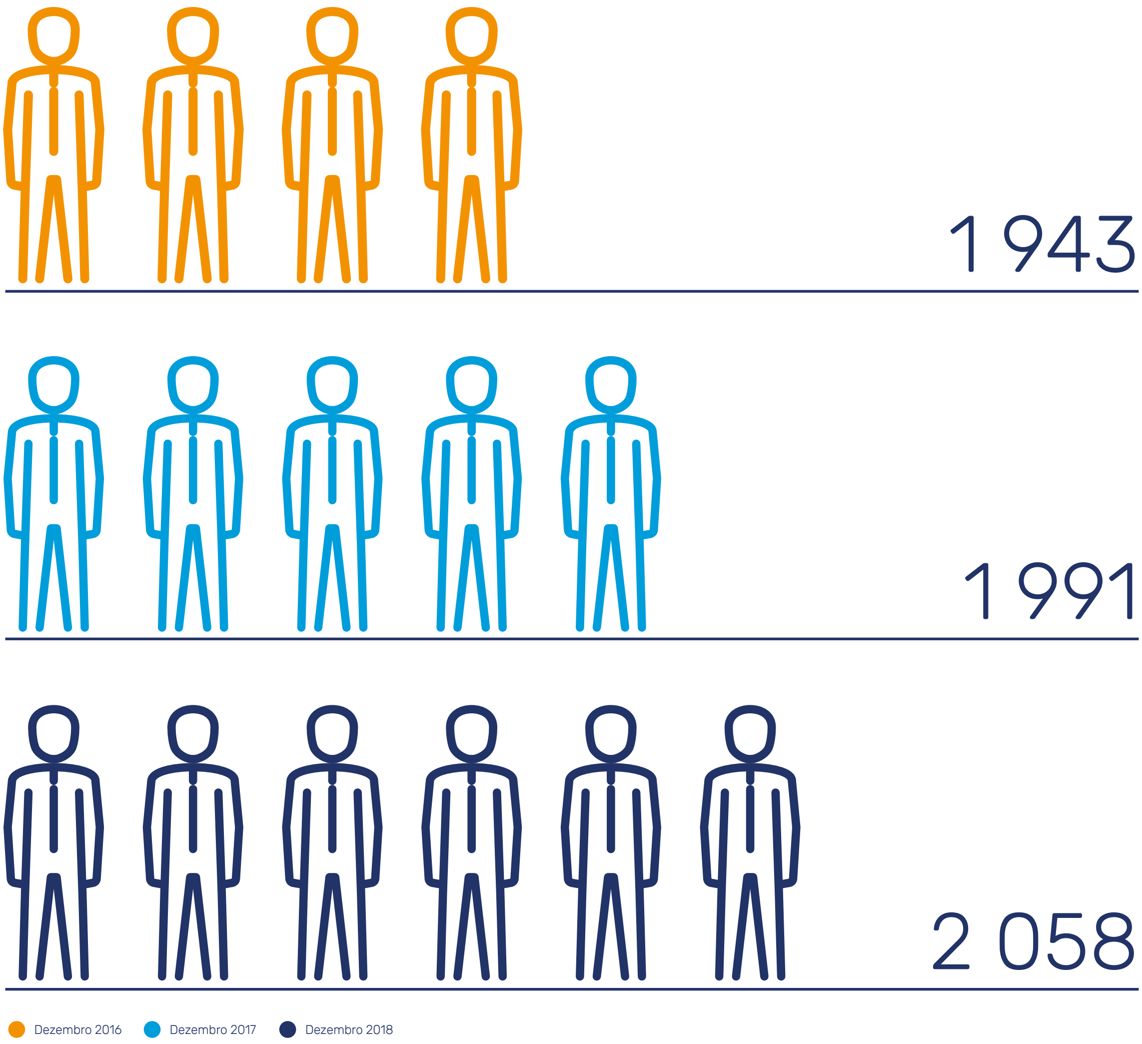
• Argus: Monitoring system for customers and transactions under review of rules for transaction monitoring (KYT), including split transactions.

1.3.6. Human capital

Regarding human capital management policies and practices, in 2018, BAI sought to strengthen ties with its employees and promote continuous professional development, focusing on actions that stimulate gender equity, recognition of individual performance and work as a team, of professional ethics and reinforcement of values.

Establishment plan

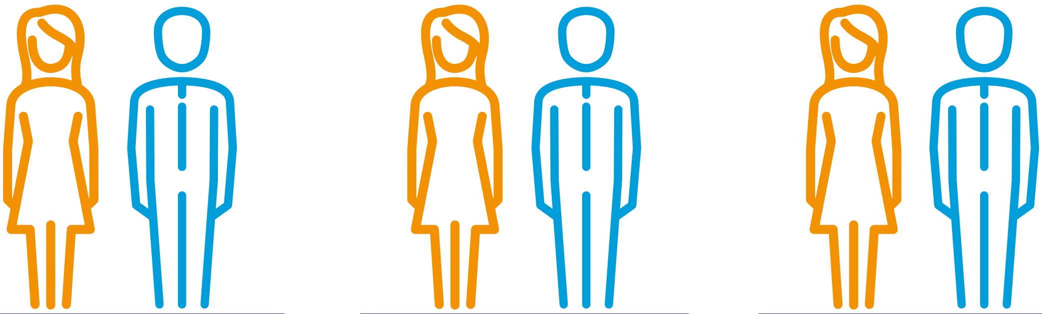
In 2018, the bank's total workforce stood at 2 058 employees, an increase of 3% compared to the same period last year, 96% of whom were in active employment, 1% in service contracts with associated companies and 3% with suspended employment relationship.



In terms of gender composition, at the end of the study period, it was found that of the total number of employees, 898 are female (44% of the total) and 1 160 are male (56% of the total).
The employees' age structure in 2018 was mostly represented by employees over 35 years old, representing 45% of the staff. On average, employees' age by grade was 36, one year more than the previous year.

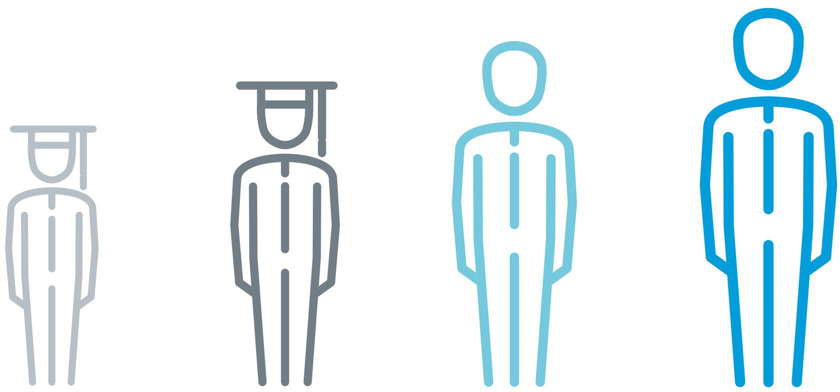
Distribution by gender

December 2016		December 2017		December 2018	
43%	57%	43%	57%	44%	56%



On the other hand, the stability of the employment relationship and the quality of the working conditions are also demonstrated by the seniority of the employees. In 2018, approximately 80% of the employees had 5 or more years of effectiveness in the institution, which compared to the previous year represents an increase of 13%.

Education Level



	PhD or Master's degree	Postgraduation or bachelor's degree	Primary or secondary or medium or pre-university education	Bachelor's degree or university attendance
December 2016	2%	21%	36%	41%
December 2017	2%	23%	34%	41%
December 2018	2%	26%	22%	40%

Regarding the literacy of the staff, 28% of the employees have a higher education, e.g. undergraduate, postgraduate and master's degree, which represents an increase of 3% compared to the previous year.

The distribution of the staff into the Bank's areas was as follows: 1% of the employees were allocated to the Governing Bodies, 4% to the Control areas, 40% to the Support areas and 55% to the Business Areas.

Staff distribution per area

Area	Acronym	Head	Jobs	Governing body	Control	Sup.	Bus.	Total
General Meeting Board		Domingos Viegas	Chairman Gen. M. B.	2				2
Supervisory board	CF	Júlio Sampaio	Chairman of superv. board	6				6
Board of Managers	BoD	José Paiva	Chairman of the BoD	6				6
Executive Committee	EC	Luis Lélis	Chairman of the EC	7				7
Office of the Chairman of the Executive Committee	GPM	Alexandre Morgado	Coordinating Manager			10		10
Information Security Office	GSI	Luis Martins	Manager		14			14
Compliance Department	DCL	Nadhia Victorian	Manager		17			17
Planning and Control Department	DPC	Carlos Guerra	Manager			8		8
Risk management Department	DGR	António Buta	Manager		15			15
Internal audit department	DAI	Selma Coelho	Manager		23			23
Investment Banking Office	GBI	João Lourenço	Manager			1		1
Institutional and international relations office	GRI	Ulanga Martins	Manager			1		1
New business development office	GDN	Helena Faria	Manager			4		4
Exchange control office	GCC	Manuel Cardoso	Manager		5			5
Business and private department north	DPNN	Mário Lima	Manager			5	92	97
Business and private department luanda I	DPNLI	Celmira Santos	Manager			5	331	336
Business and private department luanda II	DPNLII	Henrique Santos	Manager			5	254	259
Business and private department northwest	DPNNO	Rui Santos	Manager			1	65	66
Business and private department east	DPNL	Rui Fançony	Manager			1	72	73
Business and private department centre	DPNC	Carlos Gonçalves	Manager			4	155	159
Business and private department south	DPNS	Helder Real	Manager			5	146	151
Commercial Support Department	DSC	Petra Mangueira	Manager			33		33
Department of large companies	DEI	Paula Lélis	Manager			127		127
Loengo services office	GSL	Adalgiza Gonçalves	Manager			4		4
Premium Services Office	GSP	Nzola Rangel	Manager			4	16	20
Economic and financial studies office	GEF	Diogo Silva	Manager			6		6
Electronic Banking Department	DBE	Ivano Garrido	Manager			67		67
Communication and brand management office	GCM	Maria Neto	Manager			12		12
Department of financial markets	DMF	Calisto Ebo	Manager			20		20
Operations department	DOP	Antónia Cardoso	Manager			65		65
Credit analysis department	DAC	Gisela Fonseca	Manager			32		32
Credit recovery department	DRC	Paulo Assis	Manager			33		33
Human capital department	DCH	Irene Graça	Manager			35		35
General services department	DSG	Carlos Torres	Manager			110		110
Accounting and finance department	DCF	Juvelino Domingos	Manager			21		21
Information systems department	DSI	Duarte Lazaro	Manager			66		66
Marketing department	DMR	Fábio Correia	Manager			19		19
Organization and quality department	DOQ	Diala Monteiro	Manager			23		23
Legal and litigation department	DJC	Ebb Colsoul	Manager			13		13
Treasury and custody department	DTC	Garibaldina Silva	Manager			36		36
Department of small and medium-sized companies	DPME	Jorge Silva	Manager			5	7	12
Administration support	SA					13		13
Other (BAI affiliates)						33		
Total Dec.2018				19	74	828	1 138	2 058
Total Dec.2017				17	74	632	1 268	1 991
Total Dec.2016				17	68	652	1 206	1 943

Distribution of staff per area

Administration:

December 2016:
17 Employees
December 2017:
17 Employees
December 2018:
19 Employees

Control:

December 2016:
68 Employees
December 2017:
74 Employees
December 2018:
74 Employees

Support:

December 2016:
652 Employees
December 2017:
632 Employees
December 2018:
828 Employees

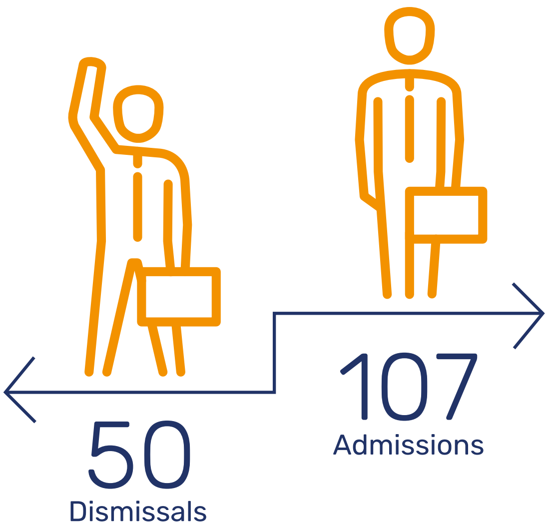
Business:

December 2016:
1 206 Employees
December 2017:
1 268 Employees
December 2018:
1 138 Employees

Current processes

Admissions

In 2018, 107 employees were admitted, 39 more compared to the previous year, of which 77% were allocated to the commercial network and 23% to the central services.



Dismissals

During the period under review, 50 contractual termination proceedings were concluded, 38% at the employee's initiative, 32% due to retirement, 16% due to disciplinary dismissal, 6% due to work abandonment and 8% due to the employee's death. However, overall, there were less 20 contractual termination processes compared to 2017.

Reason for termination of employment	2016	2017	2018
Work abandonment	7	2	3
Disciplinary dismissal	17	17	8
End of service commission	2	0	0
Employee’s initiative	35	29	19
Retirement	0	21	17
Death	0	1	4
Total	**61**	**70**	**51**

Internal mobility

Regarding the internal mobility of employees, in 2018, there was an increase, mainly in the commercial area, which represented 84% of the total mobilities that occurred in that year, as shown below:

Commercial area > Central Services
December 2016: 32 Employees
December 2017: 15 Employees
December 2018: 32 Employees

Central Services > Central Services
December 2016: 24 Employees
December 2017: 22 Employees
December 2018: 26 Employees

Central Services > Commercial area
December 2016: 1 Employee
December 2017: 1 Employee
December 2018: 8 Employees

Commercial area > Commercial area
December 2016: 0 Employees
December 2017: 159 Employees
December 2018: 351 Employees

The continuous commitment to the development and growth of employees, based mainly on the recognition of merit and individual commitment, resulted in 31 promotions taking place, while there was a decrease of 9% compared to the same period of the previous year. In terms of functional reconversions, there were 25 in 2018, 19 more than in the previous year. For the management career, 69 employees were appointed in 2018, in overall terms, 9 more employees compared to 2017.

Training and capacity building

In 2018, 359 training courses took place, of which 345 took place in the country and 14 took place outside the national territory, more specifically in the following countries: Switzerland, Portugal, USA, Germany, Spain, Morocco, Zambia, Mozambique, Republic of Seychelles, Rwanda and Australia.

77 993	5 223	359
Hours	Employees	Training Sessions

2018

Training given	Participants	Training hours
Welcome to new employees	140	986
Audit	13	316
Money Laundering and Fraud Prevention	597	3 406
Accounting and Business Analysis	360	8 057
Bank Ethics and Deontology	91	364
Management of Commercial Activity	502	10 314
Process Management	58	792
Human Resources Management	346	2 122
Risk Management	524	3 964
Asset Management	5	160
Tax and Contribution Legislation	2	12
Leadership and Team Management	281	3 501
Languages	307	6 156
Financial markets	104	2705
Banking Operations and Techniques	496	19526
Critical Thinking: Logical and Numerical Reasoning	120	3896
Post-graduation - Banking Management	116	1481
Banking Products and Services	292	2 074
Customer Service Quality - Customer Service	329	4 033
Computer Systems	540	4 128
Total	**5 223**	**77 993**

1.3.7. Social responsibility

BAI is strongly engaged in improving the quality of life of the populations and developing communities by supporting the reconstruction and construction of schools and hospitals throughout the country.
In the same area, it also supports nursing homes for children and adults such as Beiral, supporting it with donations, also supporting Hospitals across the different provinces in the country.
BAI is a strong ally and supporter of Sports, Education, Health, Arts and Culture, Environment and Tourism.

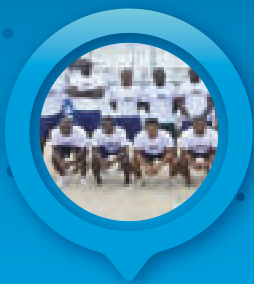
African Women's Day
On 31 July, a presentation took place on the role of African Women in Banking, with the following speakers: Juliana Lourenço, Noelma Abreu, Cláudia Fernandes and Catarina Fortes.

Poetry Recital
On 17 September, a poetry recital shall take place in reference to the day of the national hero.

Pink October (Outubro Rosa)
During the month of October several activities were carried out, themed Pink October, in reference to the fight against breast cancer.

Blue November (Novembro Azul)
During the month of November, the following activities were carried out: Solidarity Bazaar, visits from Schools to BAI facilities, donation handover to Beiral, Cancer screening exams.

November BAI art



November Opening of Arena BAI

Barefoot Combat Program
During the month of December 2017, under the barefoot combat program, slippers and donations were handed over to the community of Cazenga, Lar da Nazaré and the community of Berila, Bengo.

Sanatorium Hospital of Moxico

Offer of a check of AKZ 1 000 000 to the Sanatorium Hospital of Moxico, in order to meet some substantial needs existing in this hospital unit.

Aldeia Osivambi Project

David Bernardino Hospital

Tisa-Huambo school

Social Housing Construction

Barefoot Combat Program

On 27 December a visit took place to a community in Berila, in the Province of Bengo, where food and basic essentials were donated and slippers were distributed.

Launch of the book Regina II

On 22 December, an event took place, the Solidary Christmas as well as the launch of the book Regina II, with the children of Lar da Nazaré in the Municipality of Cacuaco.

Solidary Christmas Lar da Nazaré

Aldeia das Artes, Mussulo

Campaign to collect toys, books and the event "Make a child smile" by handing over toys to the Aldeia das Artes program.

02

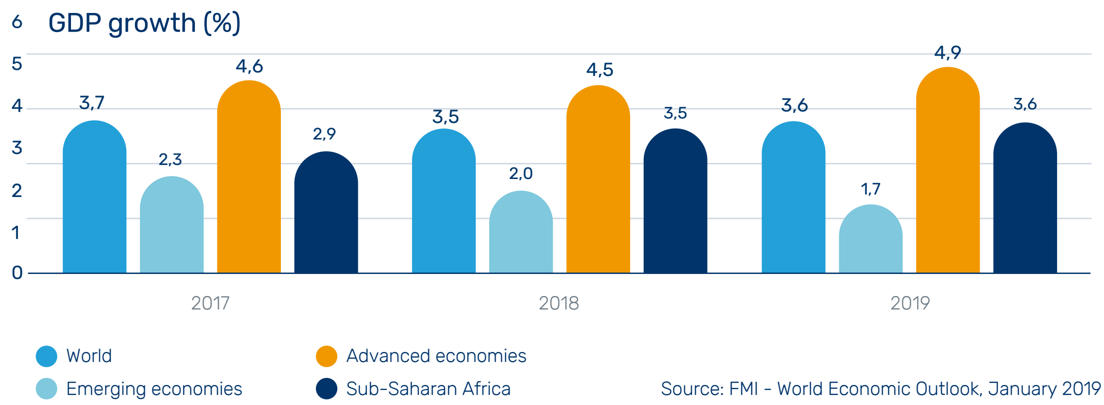
Economic Context

The future is built from the present. Trusting in the future is to believe that present performance instils hope of employees, customers and society in general. BAI and its team of professionals are available to be a support pillar for building a promising future.

2.1. International Context

The International Monetary Fund (IMF) in the World Economic Outlook of January 2019 kept estimates of world growth for 2018 at 3.7%. Last year was marked by increases in oil prices (before the reversal of the raw material trajectory in the fourth quarter), fears of inflationary pressures, deterioration of the macroeconomic indicators of emerging economies and slowing of several advanced economies.

In the markets, when taking stock of the year, it is understood that this was a period of losses for investors. US stock markets ended the month of December with the worst result since 2008, and trade tensions between the US and China led to a loss of 2.4 thousand million dollars of the value of Chinese equities. In Europe, the Euro Stoxx 600, which aggregates the top 600 European shares, also accumulated losses due to the uncertainties surrounding Brexit and the budget crisis in Italy.



Source: FMI - World Economic Outlook, January 2019

Evolution of economic activity

The latest data on the growth of the North American economy point to an increase of 3,4% (YoY) in the third quarter of 2018, the highest since the second quarter of 2015. This was due to the increase in consumer spending, which resulted from the robustness of the labour market. Between September and November, the US unemployment rate stood at 3.7%, the lowest level since December 1969, before ending the year at 3.9%. Despite this data, inflation in the country slowed down and reached 1.9% in December, a decrease of 1 percentage point (p.p.) against the peak of the year (which occurred in June and July).

With respect to the dollar, it appreciated 4,8% last year. The rise against its counterparts was based on the good moment of the economy and the rise of the interest rate by the Federal Reserve (Fed). The Fed rose four times the interest rate in 2018, raising the Fed Funds Rate to between 2.25% and 2.50%. Meanwhile, for 2019, the discourse on further increases in interest rates was moderate, and indications regarding the number of increases to be made have been eliminated.

As for growth, the IMF anticipates an expansion of 2.5% (-0.9 p.p. compared to that estimated for 2018).

In the Euro zone, the economy slowed down throughout 2018. Preliminary data for the last quarter of the year showed a year-on-year expansion of 1.2%, after growth of 1.6% in the third quarter. In accumulated terms, it is estimated that the economy of the bloc will have grown by 1.8%, the lowest rate since 2014. On the basis of the slowdown were factors such as the fall of the automobile sector in Germany, the effect of yellow jackets in France, the uncertainty surrounding the Italian debt and the slowdown in world trade.

The euro lost strength against the dollar during the year. The decline reflected not only the poor performance of the European economy, but also the difference between the policies of the European Central Bank (ECB) and the Federal Reserve. For 2019, the IMF forecasts a growth of 1.6%, a decrease of 0.2 pp compared to what the organization estimated for 2018 and a downward revision (-0.3 pp) against the October World Economic Outlook.

Emerging economies have gone through a difficult period in the financial markets in 2018 and a series of currency depreciations. There was a sell-off in some markets and, later, a contagion effect. In Turkey, tensions with the US triggered a feeling of investor distrust, which led the Turkish lira to record lows, with annual inflation reaching 25,24%, which corresponded to July 2003 highs. In Argentina, the peso reached its lowest value in September and resulted in inflationary pressures. Meanwhile, due to imbalances in public finances, the country reached an agreement with the IMF, which will involve a loan of EUR 57.1 thousand million (the largest in the history of the Bretton Woods organization), provided within three years.

The IMF's estimates for sub-Saharan Africa's growth for 2018 were revised downwards by about 0.3 pp to 2.9%. However, the forecast remained above the growth observed in 2017, which reflects the increase in commodity prices. In 2019, Sub-Saharan Africa is expected to grow 3.5% (+0.6 pp vs. 2018), a revised down 0.3 pp against the latest projections.

Commodities market

The average world demand for oil increased in 2018 by about 1.5 million barrels per day (Mbpd). The offer, according to the OPEC Monthly Oil Market Report published in January 2019, increased by about 2.5 Mbpd. As shown in the following table, the increase in production came mainly from countries not members of the Organization of Petroleum Exporting Countries (OPEC).

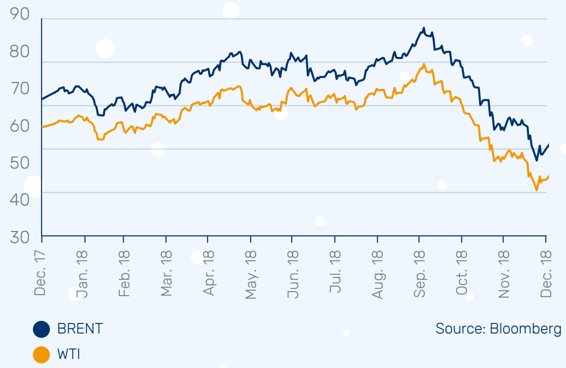
The increase in demand and the indications that the cartel countries continued to cut during the third quarter contributed to the appreciation of the raw material. In addition, oil prices were positively influenced by expectations regarding the sanctions that would be applied to Iran. The combination of these factors led crude oil to surpass USD 85 on October 3.

Oil market

Mbnd	2017	2018				
		I Tri	II Tri	III Tri	IV Tri	Year
Global demand	**97,29**	**97,80**	**98,02**	**99,35**	**99,94**	**99,78**
OECD countries	47,42	47,69	47,24	48,16	48,36	47,87
Non-OECD countries	49,87	50,11	50,78	51,19	51,58	50,91
Global offer	**96,40**	**97,79**	**97,99**	**99,48**	**100,31**	**98,90**
OPEC countries	32,02	31,80	31,59	31,97	32,09	31,86
Non-OPEC countries	59,45	61,07	61,44	62,53	63,18	62,06
OPEC natural gas	4,94	4,92	4,96	4,98	5,05	4,98
Oversupply	**-0,89**	**-0,01**	**-0,03**	**0,13**	**0,37**	**0,12**

Source: OPEC Monthly Oil Market Report January 2019

Oil price (USD/Bbl)



Source: Bloomberg

Gold price (USD/ounce of gold)

Source: Bloomberg

However, after reaching the peak, the price of oil began to slip, due to:

1) instability in financial markets (sell-off4 in the stock exchanges);
2) increase in US oil inventories;
3) increased supply levels due to increases in the three largest producers.

So as to combat the decline, OPEC and its allies, at the meeting held on 6 December in Vienna, proposed to withdraw about 1.2 Mbpd from the market. Despite the announcement, the raw material kept its downward trajectory and ended 2018 with the barrel being worth less than at the beginning of the year, something that had not happened since 2015.
As for gold, it benefited from the perception of increased risk in stock exchanges, serving as a refuge for investors.The average price of this metal increased about 1% over 2017 and ended 2018 at USD 1,269.0 per ounce.

2.2. National Context
Foreign accounts and foreign exchange market

The balance of the Assets Account stood at 24,1 thousand million USD in 2018, representing a decrease of 43,1% compared to 2017. This variation was due to the cumulative increase of 30,1% in the value of exports, which was higher than the 12.2% rise in imports. Foreign purchases accrued the equivalent of 13,7 thousand million USD, while sales to the rest of the world reached a total of 37,8 thousand million USD. The increase in exports was mainly driven by the increase in the amount raised from oil sales.

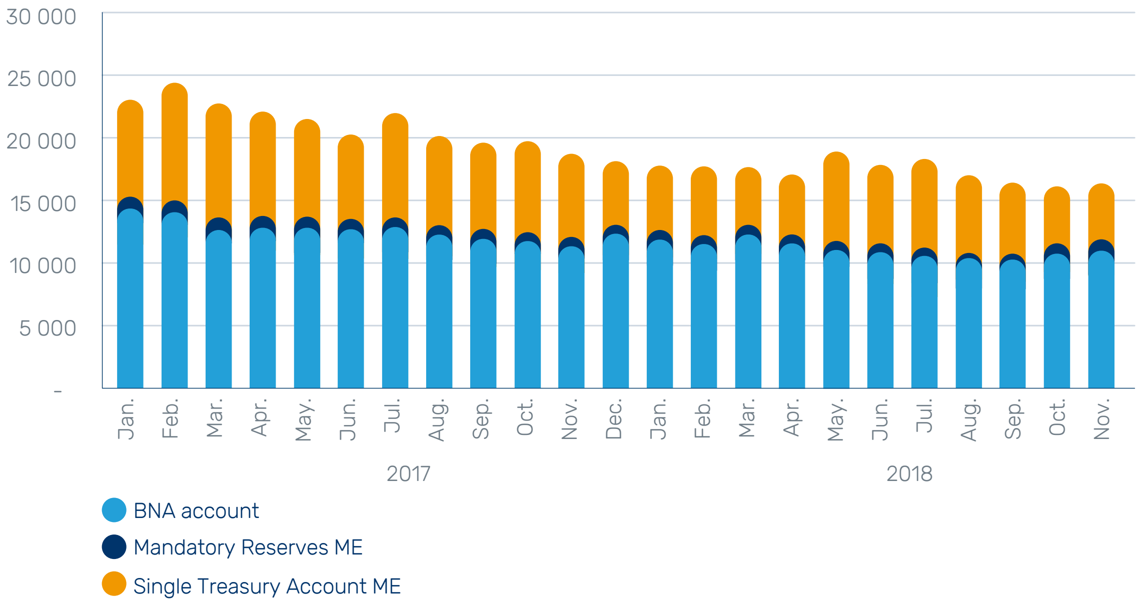
Although a number of measures were implemented to mitigate the erosion of the country's foreign exchange resources, gross international reserves (GIRs) continued to decline, recording a cumulative decline of 8,7% in 2018, reaching 16,6 thousand million USD. Meanwhile, net international reserves (NIRs) fell about 18,2% to 11,1 thousand million USD in the same period.

Among the items that comprise the GIR are the Government deposits in foreign currency found in the Treasury Single Account in foreign currency (CUT ME), which fell close to 17,2% over the year, notwithstanding the capture of about 3,5 thousand million USD, obtained through the issuance of Eurobonds in May and the increase in oil tax revenues. This account has been falling since July, probably with the MINFIN appealing more to CUT ME to pay tax expense.

Also, in the GIR are the mandatory deposits of the banking system in ME, which rose by 13.6% in the period under analysis, and another part held by BNA itself, which declined by 6.6%. It should be noted

[4] There was a widespread divestment in October that led to the fall of shares of several companies, affecting several assets, including oil. Investors were reacting to a number of factors, including poor third-quarter results reported by listed companies and uncertainties regarding the impact of trade wars on the robustness of the global economy.

Evolution of gross international reserves (mM USD)

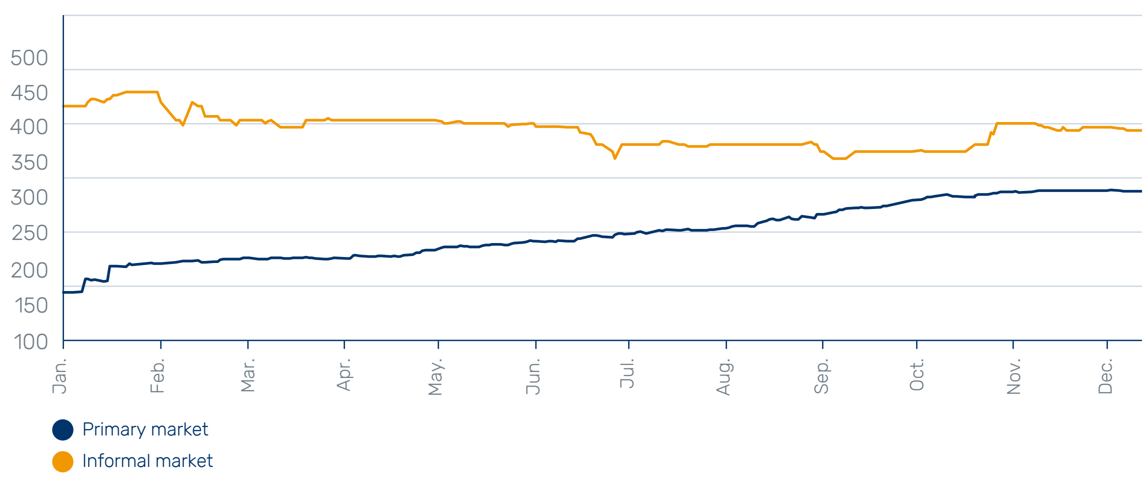


that BNA's short-term obligations increased by 18.9% over the year.
Much of this increase occurred in December, with the first portion of IMF financing being accounted for.

The exchange market was marked by the introduction, at the beginning of the year, of a new exchange rate regime, following the new measures of the Government, under the Macroeconomic Stabilization Program (MSP), granting greater flexibility to the exchange rate.
Under this new regime, the BNA made available to the market throughout 2018 foreign currency amounting to EUR 11.5 thousand million, which corresponded to a raise of 4,8% in year-on-year terms. Between May and August, the National Bank of Angola accentuated the amounts sold to the market to settle arrears. Here, we highlight the settlement of debts to airlines, which at the beginning of the year amounted to EUR 460 million.

A considerable part of the available currencies corresponded to direct sales. However, as from 1 October, access to foreign currency by banks began to occur exclusively through auctions

USD average exchange rate



of prices and quantities.
As for the exchange rate movements in the primary market, the exchange rate of the dollar and the euro closed 2018 at USD 308,607 / Kz and EUR 353,015 / Kz, which reflects depreciation of the kwanza by 54% and 53% respectively.

Meanwhile, in the informal market, depreciations were less expressive. The kwanza lost 8% against the dollar and 4% against the euro, at 400 USD / Kz and 470 EUR / Kz, respectively. Thus, the spread between the two markets was close to 30% at the end of the year.

Tax accounts and public indebtedness

Evolution of tax revenues

The sale of oil during 2018 allowed the Government to raise more 111% of taxes levied on operators in the sector (about 1 163,6 thousand million Kz), while Sonangol's revenues amounted to 2 167,3 thousand million Kz (+103,8%). This increase is mainly due to the increase in the average price of the Angolan oil to 70,0 USD per barrel (+37,3% YoY), although the quantity exported fell by 9.9% to 537 M barrels of Petroleum. Meanwhile, it should be noted that the amount collected was slightly lower than expected by the Government in the review of macroeconomic programming for 2018 (2 399,1 thousand million Kz).

The tax revenue collected between January and November 2018, with the sale of diamonds reached 1.1 thousand million Kz (+ 55.8% over the same period in 2017). Of this amount, 371 tKz relates to the industrial tax, while the 742 tKz came from the royalties. The average price per carat has risen from 34.2% to USD 153.7, while the quantity exported was 8.4 M carats (+ 5.5% YoY).

Total non-oil tax revenues for the year 2018 amounted to 1 693.1 thousand million KZ, an increase of 29% year-on-year. This figure is below the 1 594.4 thousand million Kz which were foreseen in the review of the Government's macroeconomic programming for the first eleven months of 2018.

Evolution of oil revenues

Thousand million Kz	2017	2018	Δ YoY
Exported quantity (M Bbls)	596	537	-10%
Average export price (USD/Bbl)	51	70	37%
Revenue from the concessionaire	1 063	2 167	104%
Operator taxes	552	1 164	111%
IRP[1]	416	777	87%
IPP[2]	136	262	92%
ITP[3]	0,2	125,2	79 875%
Total revenue	**1 616**	**3 331**	**106,2%**

[1] Tax on oil yield; [2] Tax on oil production; [3] Tax on the oil transaction

Primary debt market

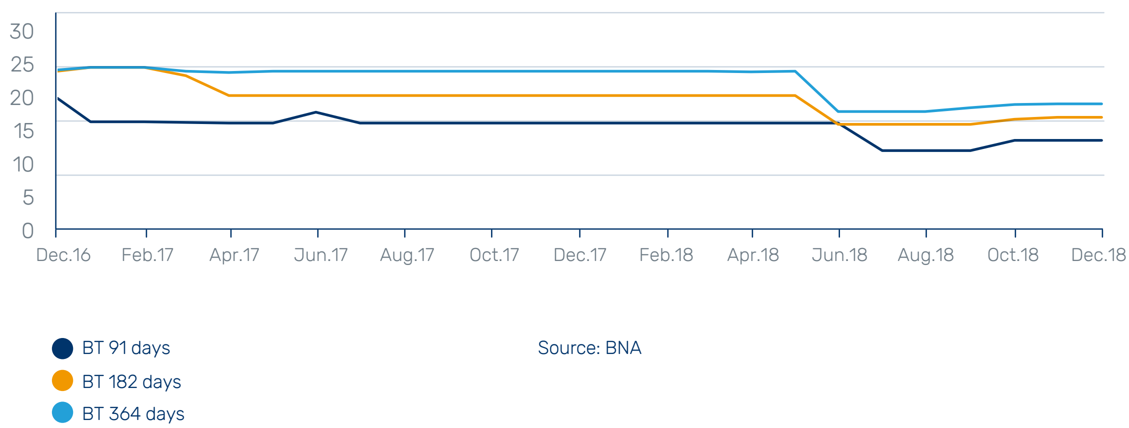
The issuance of public debt in 2018 was 43% below that of 2017. About 722.0 thousand million Kz were issued in Treasury bills (BT) and 918,9 thousand million Kz in Treasury bonds (OT).
These figures fell short of the amounts offered in the primary market by the Debt Management Unit (UGD) of the Ministry of Finance, evidencing deviations from the Annual Debt Plan for 2018 (PAE). Compared to PAE 2018, there was a weak execution of the debt titled. The Government planned to issue a total of 2 219.6 thousand million KZ in BT during the year, of which only 32.5% were executed. As for OTs, only 37,5% of what was programmed (2 448,5 thousand million Kz) was effective.

Primary debt market

Thousand million Kz	2017	2018	Degree of implementation[1]	Δ YoY
BT offer	2 445	1 769		-28%
BT issue	1 709	722	32,5%	-58%
BT redemption	1 492	1 300	65,5%	-13%
BT net C.	217	579		
OT offer	1 632	1 586		-3%
OT issue	1 185	918	37,5%	-22%
OT redemption	874	1 086	66,1%	24%
OT net C.	311	168		

[1] Compares the value of the issue and the effective redemptions in relation to the Annual Debt Plan of 2018*; [2] The 2018 issue includes 365 thousand million Kz in OTNR and 10,1 thousand million Kz in OTiBT; [3] Total of the year up to October 2018

BT Interest rate (%)



Source: BNA

As for redemptions, numbers were also below what was expected. The UGD, through the BNA, redeemed OT in the amount of 1 644,9 thousand million Kz, corresponding to an execution rate of 66.1% in relation to the forecast in PAE 2018. Focusing on the BTs, it was verified that the amount amortized was 1 985,6 thousand million Kz, and an execution rate of 65.5% was achieved.

In this way, it is understood the intention to rebalance the government's short-term commitments, in order to reduce the pressure on the state treasury.

In addition, the year of 2018 was marked by the discontinuity of the securities indexed to the exchange rate, the realization of debt rollovers with commercial banks and the issuance of Treasury Bonds indexed to the BT. In this sense, the interest rates of the BT closed 2018 at 13.6%, 17.06% and 19.04%, for the terms of 91, 182 and 364 days, respectively, being significantly below those observed at the end of the previous year.

Executive macroeconomic programming revised for 2018

In November 2018, the Government approved the General State Budget (OGE) for 2019.
The document includes a review of the executive macroeconomic programming for 2018, according to which revenue from fiscal revenues for 2018 would reach about Kz 5,625.0 thousand million, approximately 27.7% above projected revenues.

As a justification for the upward revision, the expected increase in oil revenues (+ 36.9%) and non-oil revenues (+ 25%) was estimated at Kz 5 319.1 thousand million and Kz 1 713.8 thousand million, respectively.
In the oil sector, revenues would be higher than expected because of the increase in the average price per barrel of oil, which went from USD 50 to USD 71.9 per barrel, as did the exchange rate revision, compensating for the fall of 10.2 % in exported quantities.

The revision of fiscal expenditure was also above the initial targets, corresponding to 104.6% of the budgeted at Kz 5 450 thousand million. Among the expenditure items, only "transfers" were down (-12.6%) from what was anticipated, with tKz 524.3. Expenditure on interest payments on debt would be higher than expected (+22,1%), standing at Kz 1 823,3 thousand million.

Rating agencies and sovereign debt assessment

In 2018, there were four pronouncements regarding the evolution of the country's public debt. In general terms, the rating agencies indicated the increase in oil prices and the adoption of a series of fiscal and exchange rate reforms as factors that improve Outlook for the country's economy:

- **i.** In April, the rating agencies, Moody's and Fitch, improved their outlook for the evolution of the Angolan debt, from negative to stable. These revisions were based on Angola's adhesion to the IMF's Policy Coordination Instrument, which initially did not involve a financial agreement. This reinforced the idea that the Government has engaged in the process of economic reforms contained in the Macroeconomic Stabilization Program;
- **ii.** In August, Standard & Poor's (S & P) maintained the country's rating on B- and assigned a stable outlook. However, the rating attributed by S & P is at the last level of the "highly speculative" grade, reinforcing the agencies' increased perception of risk. S & P has warned of the risk that the country's public debt will continue to grow as a result of the depreciation of the national currency and successive budget deficits;
- **iii.** At the end of the year, Fitch announced the withdrawal of Angola from the list of countries whose rating is under observation.
  The agency decided to maintain the country's rating in B, with a stable outlook. Fitch expects more fiscal consolidation in 2019 and 2020 through the implementation of VAT, which could help reduce the high level of public debt.

Latest sovereign debt rating changes

Agência de *rating*	Long term				Short term			
	ME		MN		ME		MN	
	date	*rating (Outlook)*	date	*rating*	date	*rating*	date	*rating*
Moody's	27/04/2018	B3 (Stable)	27/04/2018	B3	-	-	27/04/2018	NP
	07/02/2018	B2 (Under Revision)	07/02/2018	B2	-	-	07/02/2018	NP
S&P	11/08/2017	B- (Stable)	11/08/2017	B-	19/05/2010	B	19/05/2010	B
	12/08/2016	B (Negative)	12/02/2016	B	19/05/2010	B	19/05/2010	B
Fitch	28/12/2018	B (Stable)	25/04/2018	B	28/12/2018	B	-	-
	25/04/2018	B (Stable)	25/04/2018	B	25/04/2018	B	-	-

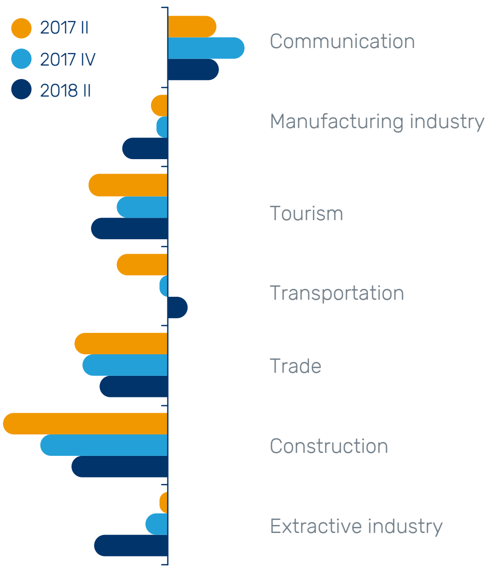
Source: Bloomberg

Economic activity and growth prospects

After having risen throughout 2017 and beginning of the following year, the country's economic climate indicator deteriorated in the last two quarters, remaining negative, reaching sixteen negative points in the third quarter of 2018, comparing with fifteen negative points in the last quarter of 2017.

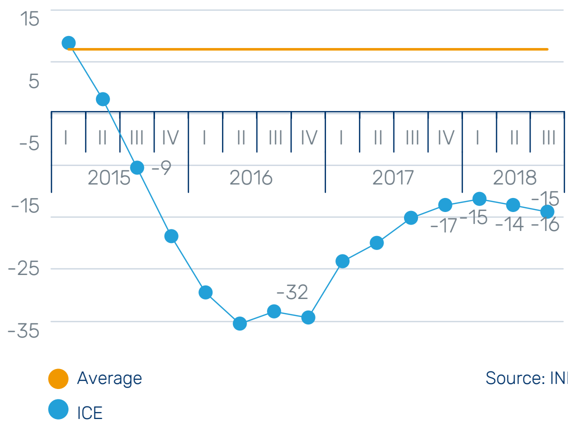
Factors considered as constraints to economic activity include limitations on the acquisition of raw materials and equipment, difficulties in accessing bank credit and electricity, excessive state interference and regulations, scarcity of specialized human resources, too high sales prices and the resulting reduction in demand, high absenteeism of staff to work and stock breakdowns.

Economic climate indicator by sector



Source: INE

Economic climate indicator



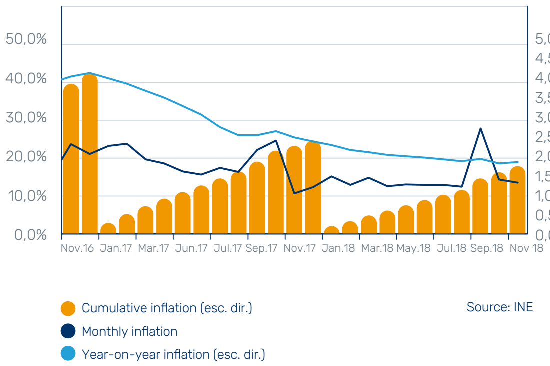
Source: INE

The data of the National Institute of Statistics (INE) for 2017 have undergone some corrections. The annual GDP fall of 2.5% in annual national accounts was revised to 0.1% in the last quarterly publication of 2018. Oil GDP growth, on the other hand, had a less favourable revision, from an expansion of 8.1% to a contraction of 10.6%.
For 2018, the INE indicated an annual GDP contraction of 4.5% in the third quarter of 2018.
The main sectors of economic activity fell sharply, corroborating the results of the economic climate indicator previously mentioned.

It is evident that the evolution of the economy has also been conditioned by the current situation and the exchange rate adjustments. For example, there are many constraints in the trade sector. In this area, there has been a lower import capacity and, on the demand side, a reduction in the buying power of economic agents, thus affecting the absorption capacity of the available goods and services. Regarding the growth prospects, in the OGE 2019 proposal, it is estimated that in 2018 the national economy decreased by 1.1%. This projection is justified by the reduction of the oil GDP by 8.2% (including LNG natural gas production), as well as the 1.0% decline in the non-oil sector. For 2019, the Government expects growth to return to positive ground, with a rate of 2.8% expected, although it is below the 3.5% projected in the 2018-2022 National Development Plan.

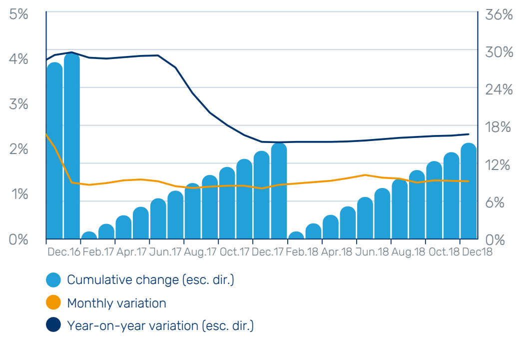
This growth will be supported by a 3.1% increase in the oil and gas sector due to new projects to start in 2019 and 2.6% of the non-oil economy resulting from a further acceleration of growth in diamond (15.5%) and agricultural (6,8%) production.

National inflation rate



Source: INE

IPG variation



Annual inflation continued to decline throughout most of 2018, with the exception of September and November. The National Consumer Price Index (IPCN) increased by 18.36% in the last 12 months, below that recorded at the end of 2017 (23,67%).

The biggest increase in prices was verified in housing, water, electricity and fuels.
The accumulated variation in these sectors reached 50,9%, significantly above the variation of 10.4% registered in the previous year. Meanwhile, growth in educational class prices declined further, from 60% in 2017 to 15.8% in 2018. The maintenance of the restrictive monetary policy of the BNA, which limits the growth of the monetary base, as well as the weak demand for certain goods and services, as a result of the lower purchasing power of economic agents in general, has been generating mitigating effects on the acceleration of price increases.

Regarding the Wholesale Price Index (IPG), the year-on-year change went from 15.47% in December 2017 to 16.86% at the end of 2018. In monthly terms, the IPG varied by 1, 30%, above the 1.20% increase recorded in the same period.

Monetary and financial overview

Monetary policy and liquidity

2018 was marked by adjustments in the foreign exchange market and the consequent liquidity management of the interbank market. In July, the Central Bank reduced the BNA Rate from 18% to 16,5% AND maintained at 0% the interest rate of the liquidity absorption permanent facility. Also, the national reserve requirement coefficients for deposits of the private sector, Central Government and Local Governments were cut to 17%.

The measures aimed at alleviating the liquidity difficulties experienced by banks following the change in the mechanisms for complying with mandatory reserves at the end of 2017, and also because of the contractionary effect on the availability of banks caused by purchases of foreign exchange.

Synthesis of Other Monetary Financial Institutions

Thousand million Kz	Dec.17	Dec.18	Δ% YoY
Credit to central adm. (net)	-179	-256	44
Credit to central adm.	851	1 264	48
Responsibilities regarding central adm.	1 030	1 521	48
MN	182	214	18
ME	848	1 307	54
Credit to other monetary financial institutions	385	315	-18
MN	379	305	-20
ME	6	10	55
Credit to the private sector	57	50	-11
Monetary base	1 620	1 706	5
Banknotes and coins in circulation	528	498	-6
Bank reserve	1 093	1 208	11
Mandatory deposits	892	841	-6
MN	770	584	-24
ME	122	257	111
Excess Deposits	201	367	82
MN	156	215	38
ME	45	152	235
Other liabilities vis-à-vis other monetary institutions	66	88	32

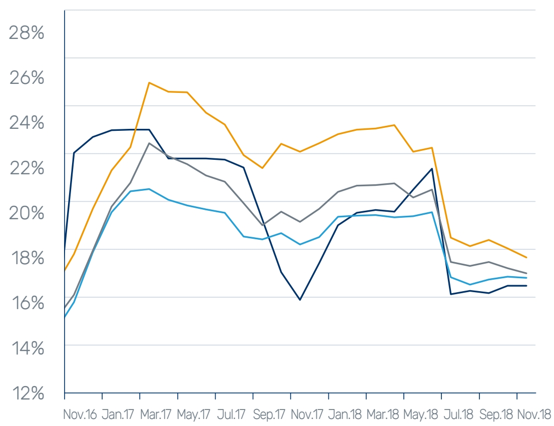
Source: BNA

During 2018, the banks made liquidity swaps in the Interbank Money Market (MMI) equivalent to 9068.1 thousand million Kz, significantly above the 2353.7 thousand million Kz of the same period of the previous year. This is the largest volume traded since 2014. Despite these increases, there was a liquidity limitation on banking institutions, explained by the following factors:

i. The change in the mechanisms for compliance with mandatory reserves at the end of 2017;
ii. The need to have available reserves for the purchase of foreign currency in BNA auctions and for settlement of previously opened letters of credit;
iii. Continued existence of amounts invested in open market operations, despite interest rates being reduced;
iv. The reduction of the amounts of securities to be amortized.

The MMI interest rates showed reductions between 1.02 pp and 5.06 pp. At the end of the period under review, interest rates on maturities of 1,3,6,9 and 12 months stood at 16,83 %, 17.10%, 17.32%, 17.67% and 18.02% respectively.

Luibor evolution



Monetary Overview

Banks granted credit to the Central Government in 2018 in the amount of 4 279.1 thousand million Kz, representing an increase of 15.1% over the value observed at the end of 2017. This growth was lower than that of deposits and other government liabilities, which grew by 29.4%, implying a 10.2% increase in the net central government debt position with commercial banks.

The amount of credit granted to the private sector stood at 4 200.4 thousand million Kz. This figure indicates a positive variation of 27.4%, mainly explained by the reconversion of credit granted in foreign currency.

The national currency component grew 21.7% to 3230.4 thousand million Kz. Foreign currency credit grew by 67.9%, but when converted into USD, there was a decrease of 9.7% from this heading to around USD 3.1 thousand million. By sector of activity, most of the credit was concentrated in only 5 of the 17 sectors presented in the BNA's monetary accounts. Some 76% of the total credit was distributed in the commercial (22%), real estate (16%), private (14%), construction (12%) and services (12%) sectors. Meanwhile, international bodies and other extraterritorial institutions, families with employed persons and fisheries continue to be the sectors with the lowest credit stocks.

During 2018, deposits of the financial system increased by 26.8% to 7 731.1 thousand million Kz, with demand deposits totalling 12.5% to 3 727.7 thousand million Kz and time deposits reaching 4003,4 thousand million Kz (+43,7%).
When analysing the currency deposits, the exchange rate effect on the deposit variations is evident. Deposits in local currency increased by 0.6%, while the foreign currency component, converted into USD, decreased by 2,9%.

For its part, banknotes and coins held by the public contracted by about 11.4% in the period under analysis, to 371.0 thousand million Kz. Thus, the monetary aggregates M3 and M2 expanded both 24%, to 8 111.5 thousand million Kz and 8 102.1 thousand million Kz, respectively.

Monetary Overview

Thousand million Kz	Dec.17	Dec.18	Δ%
Credit to central administration (net)	2 766,5	3 050,0	10,2
Credit to central administration	3 716,4	4 279,1	15,1
Responsibilities regarding central administration	949,9	1 229,1	29,4
Credit to the National Bank of Angola (net)	879,7	1 145,5	30,2
Credit to BNA	1 284,5	1 425,7	11,0
Deposits in BNA	404,8	280,2	-30,8
Credit to non-monetary financial institutions	9,4	13,4	41,6
Credit to the public sector, excl. central administration	103,2	94,9	-8,1
Credit to the private sector	3 231,6	4 200,4	30,0
MN	2 653,8	3 230,4	21,7
ME	577,7	969,9	67,9
M3	6 521,7	8 111,5	24,4
M2	6 517,7	8 102,1	24,3
M1	3 732,2	4 098,7	9,8
Banknotes and coins held by the public	418,7	371,0	-11,4
Demand Deposits	3 313,4	3 727,7	12,5
MN	2 406,4	2 422,1	0,7
ME	907,0	1 305,6	43,9
Time Deposits	2 785,5	4 003,4	43,7
MN	1 695,9	1 704,4	0,5
ME	1 089,6	2 299,0	111,0
Other instruments comparable to deposits	4,0	9,4	132,9

Source: BNA

Stability of the banking sector

As mentioned above, 2018 represented a period of change for the Angolan financial system. Banking system indicators were strongly influenced by the introduction of the new exchange rate regime at the beginning of the year. The depreciation of the national currency impacted the quality of the asset portfolio, profits and returns. As for auctions of foreign exchange have been felt in the levels of liquidity of the bank. On the other hand, the year ended with the requirement that the banks increase the capital stock to 7.5 thousand million Kz, in order to guarantee greater solidity to the financial system.

The difficulties encountered in complying with credits granted in foreign currency (ME) and / or indexed to the exchange rate led to an increase in default levels, causing an increase in provisions. Overdue loans stood at 28.2% in December 2018, representing a decrease of 0.6 pp compared to 2017.

Quality of the asset portfolio (%)

	Dec.17	Dec.18	Δ p.p.
Loans overdue/ total loans	28,8	28,2	-0,6
Loans overdue - provisions for overdue loans /FPR	43,2	19,8	-23,4

The limitation of the foreign exchange position and the reduction in the issuance of treasury bonds indexed to the exchange rate will have contributed to the decline in exchange exposure, which stood at 37,0% (-9,1 p.p.). Conversely, credit in foreign currency, depending on total credit, increased to 28,1% (+3,0 p.p.). Foreign currency liabilities also rose to 46,3%, representing an increase of 12,8 p.p..

Sensitivity and Mutations of the Foreign Exchange Market (%)

	Dec.17	Dec.18	Δ p.p.
Net open exchange rate exposure / Own Funds	46,1	37,0	-9,1
ME credit/ Total Credit	25,1	28,1	3,0
ME liabilities/Total liabilities	33,5	46,3	12,8

In terms of yields, the depreciation of the national currency benefited the banks with long exchange positions. The results on assets more than doubled in 2018, standing at 4,5% (+2,4 p.p.), and ROE stood at 27,0 (+12,5 p.p.).

On the other hand, cost-to-income dropped sharply (-21.9 pp) to 29.9%, due to the increase in results, which also benefited from the increase in the spread between deposit and loan rates, which reached 27,3 p.p. (+3,5 p.p.).

Contrary to what was observed in 2017, in which the financial margin was the main item of the banking product, through volume and interest rate of public securities traded in 2018, the depreciation of the exchange rate meant that the banks' results were mostly explained by the complementary margin, through revaluation of assets. It can be seen that the weight of net interest income stood at 43.4%, a year-on-year decline of 28,9 p.p.

Profit and return (%)

	Dec.17	Dec.18	Δ p.p.
ROA	2,1	4,5	2,4
ROE	14,5	27,0	12,5
Cost-to-income	51,8	29,9	-21,9
Loan rate - Spread (p.p.)	23,8	27,3	3,5
Rate of savings deposits	9,7	4,5	-5,2
Financial Margin / Gross Margin of Intermediation	72,3	43,4	-28,9

[2] In addition to the depreciation effect on the assets exposed to the exchange rate, sales of Treasury bonds indexed to the exchange rate, which occurred despite the fact that the PAE foreseen its discontinuation and the auctions / other type of foreign exchange sale of the BNA destined for exchange repositions also help to explain this phenomenon.

Liquidity levels (%)

	Dec.17	Dec.18	Δ p.p.
Net Assets / Total Assets	33,8	41,9	8,1
Net Assets / Short-term liabilities	43,2	28,8	-14,4
Total credit/Total deposits	49,3	44,2	-5,1

As regards capital adequacy in the financial system, improvements were observed.
Here, it should also be noted that, in addition to the relatively high exposure of the banking system to the State, which has zero weighting in the risk-weighted assets, considerably higher own funds results were incorporated, which helps to explain this improvement. Thus, the solvency ratio stood at 24.5%, comfortably above the 10% required by the BNA, while the ratio which considers own funds against risk-weighted assets stood at 22,0%.

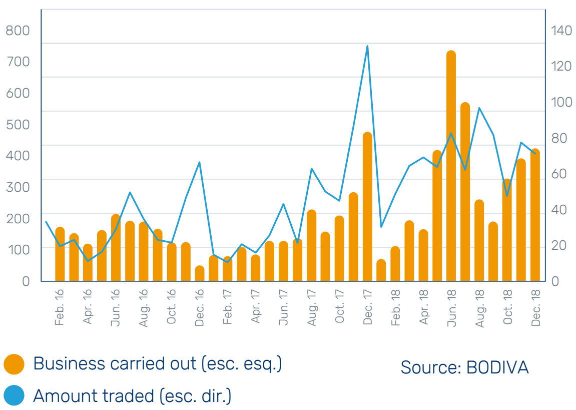
Capital Adequacy (%)

	Dec.17	Dec.18	Δ p.p.
Solvency = FPR/(APR+ECRC/0,10)	18,9	24,5	5,6
Base own funds (Level 1)/APR	17,6	22,0	4,4

Debt market

Throughout 2018, approximately 3,800 businesses were traded on the Angola Securities Debt Market (Bodiva), with 86,1 million securities traded, with a predominance of Treasury bonds indexed to the exchange rate.

Transactions at BODIVA (thousand million Kz)



Source: BODIVA

According to data from BODIVA's monthly reports, of the total turnover, about Kz 573.3 thousand million were executed in the Treasury Stock Market (MBTT), KZ 220.8 thousand million were traded on the Market for Registration of Securities Transactions (MROV) and the remaining Kz 700 million resulted from the Private Bond Exchange Market (MBOP).

It should be noted that the latter, considered as a landmark for the Angolan financial system, refers to the issuance of bonds issued by Standard Bank Angola, which inaugurated BODIVA's private securities market.

As for trading partners, as in 2017, Banco de Fomento Angola had the largest market share (45%), followed by Standard Bank Angola (22%) and Angolan Investment Bank (15%).

Relevant legislation published in the period

Legal instruments published by the BNA

Instrument	Topic	Issue	Publication
Notice No. 12/2018	Foreign exchange policy	Limit of foreign exchange position of commercial banks	27/12/2018
Instruction No. 21/2018	Foreign exchange policy	Extension of the Temporary Suspension of Licensing of Foreign Exchange Transactions for the Import of Goods	11/12/2018
Directive No. 06/DMA/ 2018	Foreign exchange policy	Delivery of information from the interbank foreign exchange market	11/12/2018
Directive No. 06/DEF/DRO/ 2018	Bankita deposit account interest rate	Change in the interest rate of the Bankita a Crescer product	04/12/2018
Instruction No. 20/2018	Foreign exchange policy	Reference Exchange Rates - Calculation Methodology - Exchange Rates of Banking Financial Institutions	03/12/2018
Instruction No. 19/2018	Foreign exchange policy	Foreign Currency Purchase and Sale Auctions - Organization and Operating Procedures	03/12/2018
Instruction No. 18/2018	Financial system	Conversion of Credits Granted in Foreign Currency to Individuals	30/11/2018
Instruction No. 17/2018	Repatriation of financial resources	Operational Rules	30/11/2018
Instruction No. 16/2018	Foreign exchange policy	Foreign Currency Selling Limits Applicable to Payment service provision companies and Exchange Houses	30/11/2018
Notice No. 11/2018	Payment service provision	Operational Rules of the Securities Shipment Service	30/11/2018
Notice No. 10/2018	Financial system	Delay of Submission of Periodic Information	30/11/2018
Notice No. 09/2018	Exchange Houses	Operational Rules	30/11/2018
Notice No. 08/2018	Financial system	Adequacy of Minimum Capital Stock and Regulatory Own Funds of Non-Bank IFs	30/11/2018
Notice No. 07/2018	Financial system	Requirements and Proceed. for the Authorization of Const. of Non-Banking IFs of Non-Banking Financial Institutions	30/11/2018
Instruction No. 15/2018	Foreign exchange policy	Sale of foreign currency to foreign exchange offices and payment service provision companies	19-11-2018
Instruction No. 14/2018	Foreign exchange policy	Remuneration of collateral deposits associated with letters of credit	19-11-2018
Instruction No. 14/2018	Foreign exchange policy	Delivery of information on the needs map	06-11-2018
Instruction No. 13/2018	Foreign exchange policy	Prevention of money laundering and terrorist financing in international trade operations	21-09-2018
Instruction No. 12/2018	Foreign exchange policy	Hospital and school expenses payments	14-09-2018
Instruction No. 11/2018	Interbank money market	Liquidity lending operations of development banks	14-09-2018
Directive No. 05/DSB/DRO/DMA/2018	Exchange position limit	Report of daily information	22-08-2018
Notice No. 06/2018	Foreign exchange policy	Exchange position limit	15-08-2018
Directive No.03/DRO/2018	Financial system	Guide on the implementation of stress testing program	31-07-2018
Instruction No. 10/2018	Money policy	Mandatory Reserves	19-07-2018
Instruction No. 09/2018	Foreign exchange policy	Limits on exchange transaction of goods	19-07-2018
Directive No.4/DSP/DRO/2018	Payment system	Requirements for the calculation and fulfilment of mandatory reserves	19-07-2018
Directive No.05/DMA/DRO/2018	Money market	Requirements for access to the permanent liquidity overnight lending facility - FCO	18-07-2018
Directive No.04/DMA/2018	Money market	BNA rate – Notice No. 10/2011	17-07-2018
Notice No. 05/2018	Foreign exchange policy	Rules and procedures applicable to foreign exchange transactions involving imports and exports of goods	17-07-2018
Instruction No. 08/2018	Foreign exchange policy	Temporary suspension of licensing of foreign exchange transactions for the import of goods	21-06-2018
Instruction No. 07/2018	Foreign exchange policy	Creation of an independent exchange control function in banking financial institutions	21-06-2018
Instruction No. 06/2018	Foreign exchange policy	Limits of foreign exchange operations on family aid	21/06/2018
Instruction No. 05/2018	Money policy	Mandatory Reserves	25/05/2018
Directive No. 01/DMA/2018	Exchange position	Daily exchange position	09/04/2018
Notice No. 04/2018	Transfers	Sanctioning measures applicable in the case of non-compliance with the rules on transfers	22/03/2018
Notice No. 03/2018	Banking services	Exemption from charging fees to minimum banking services	09/03/2018
Notice No. 02/2018	Share capital	Adequacy of minimum capital stock (7.500 M Kz)	09/03/2018
Directive No. 01/ DCC/2018	Map of needs	Delivery of information on needs maps	31/01/2018
Notice No. 01/2018	Exchange position	Exchange position limit of commercial banks	22/01/2018
Instruction No. 04/2018	Transfers of liquidity	Liquidity lending operations of development banks	22/01/2018
Instruction No. 01/2018	Exchange regime	Definition of the rules of the new exchange rate regime	19/01/2018

03
Brand, Products and Services

In BAI, we continuously seek innovative solutions in terms of the quality of the service provided, the procedures used and the relationship with customers.
For us, innovation means continually enhancing our technical and relational skills so that we can create new paths, new strategies, new products and /or services to ensure the best banking experience.

3.1. The Brand

It is with great pride that the BAI brand is recognized nationally and internationally. This recognition is due both to the results presented in recent years and to the partnership relationship developed with companies and individuals.

Because a brand is much more than a symbol, the BAI brand represents the whole essence of the bank:

Transmitting its values - respect, integrity, innovation, ethical conduct and customer orientation.

Transmitting its dynamic, pioneering, committed, attentive, preoccupied and ever-present character;

All this is reflected in a way of thinking and acting, transversal to all the teams that offer a service of excellence and gain recognition, enhancing the BAI brand in all interactions with the external and internal public.

BAI's reputation

Reputation is essential to generate confidence in the financial market and here the BAI brand generates immediate identification with customers and partners, demonstrating the bank's commitment to make the difference in the market. Throughout the Angolan territory, BAI is present with its agencies, offices, branches, Premium Customer Service Centres and Company Service Centres and marks the difference by the continuous effort in the improvement of products and services, by the solidity and institutional robustness, by the constant search for innovation and firm support to the national business sector, families and the State.

At the international level, the recognition of BAI is reinforced by the various awards won in recent years.

But the reputation of the BAI brand is also built by a social aspect of extreme relevance to the communities. It is in this context that BAI Foundation carries out a set of philanthropic initiatives in the areas of education, art and culture, sport, social welfare and health (which include support to hospitals, schools, associations, nongovernmental organizations, churches and universities), assuming a relevant role with a strong impact on Angolan society.

BAI's culture

The BAI brand is a proud aggregator for the whole team. It represents Organizational Culture - the set of values, principles, habits and attitudes - that conditions, sustains and strengthens the spirit of unity among all employees.

As such, BAI is a brand made up of human capital and values its greatest asset: a team in constant learning, transformation and evolution; a team that has always present its BAI DNA, based on trust, commitment, cordiality, collaboration, consistency, coherence and cordiality.
Each employee is an essential part of the BAI brand. It represents it and builds its future, contributing to the perception that others have of it.
For this, each one must be cordial, secure and self-confident, diligent, collaborative, humble, responsive and proactive and versatile, in order to nourish the spirit of the brand in all its actions, with colleagues or with customers.

3.2. Products

BAI offers solutions available to the needs of private and business customers, including specific savings, investment and credit products.

With regard to financial investments, BAI offers a range of products covering fixed or variable interest rates and short- and medium-term maturities depending on the specific needs of each customer.
In the case of BAI credit solutions, these include products targeted both to support corporate and private customers.
In the case of BAI credit solutions, these include products targeted both to support corporate and private customers.
Whatever the nature and purpose of the relationship between customers and BAI, the priority is always to offer the best service, with products suited to the needs of each one.

3.3. BAI Direct

BAI Directo is a digital platform, accessible via the Internet or smartphone - Mobile and Internet Banking - which, due to its simplicity, speed and accessibility, conquers new users every day.

BAI Directo enables users to perform operations through the platform without having to go to a BAI desk or request such operations from the account manager. In this way, BAI Directo has made the lives of users more convenient and safer, since the customer can do banking operation anywhere and anytime, as long as he has access to the internet.

In 2018, the focus was on the evolution of the platform: reinforcing security and quality, which made it possible to extend the solutions of payment services, top-up mobile phones, queries of credit movements and transfers. In addition, for exclusive subscription to BAI Directo, savings products were created with special and differentiated conditions.

3.4. Customer services

BAI works daily in the sense of being closer to all its customers, promoting a relationship and the quality of the services provided.

To meet the needs of the most demanding customers - with financial availability, savvy and knowledgeable in the market - specialized offices have been created that offer a personalized service based on proximity, trust, speed and efficiency; a service capable of offering all the solutions to the different challenges of each client.
In this sense, the Office of Premium Services and Loengo were created - two prestigious services that seek to provide a personalized and high-quality treatment.

Premium Services Office

The Premium Services Office (GSP) is a unit created to provide excellent service.

This office, with a mission to provide personalized and distinct services, to know customers deeply, as well as their needs and expectations, and to look for solutions that respond to their needs, has a team of specialized professionals, with differentiated channels and products tailored to the needs of customers. It currently has thirteen managers divided between two service centres.

The performance of the GSP is based on the pillars of dedication, loyalty, rigour, discretion and preservation of the patrimony of its customers, always with the aim of being a national reference in the provision of services and solutions for customers with a Premium profile.

Loengo service

Loengo is a service created for those who like to have a unique treatment in an exclusive space. With the mission of managing, monitoring activities and streamlining commercial action with current and potential customers, adapting the offer to the real needs of each one and ensuring a relationship of proximity and trust, Loengo is a differentiating, fast and efficient service, specially designed for customers with a focused, individualistic and dynamic profile.
At the moment there are 59 branches and 81 managers to carry out the Loengo service distributed in the North, South, Centre and Luanda Bengo.Norte, Sul, Centro e Luanda Bengo.

SABE BEM UM SERVIÇO ASSIM

Who are the Loengos?

They are focused

They know what they want and know the best way to get there. They recognize the power of anticipating a plan and a good partner.

They are energy drivers

Enterprising and active, they distinguish themselves by a doing and achieving spirit.

They are individualists

They are aware of their success, at work, in the family and at leisure. They feel unique but part of a community that in a way deserves special treatment

"Sorria" (Smile) Campaign

Among the various initiatives to improve the service, we highlight "Sorria", a project of rapprochement between BAI and customers, in the name of a service in permanent evolution, towards excellence.

In this context, the Executive Committee and the Governing Body carried out, on a regular basis during the year, follow-up visits to agencies and dependencies of the Bank with the highest rates of complaints or operational problems.
The objective was to better understand the reality of the agencies and the needs of customers, so as to take measures capable of enhancing the quality of the service provided.

04

Analysis by business unit

We are guided by a principle of collaboration which leads us to help our clients reach their goals, grow steadily, and excel at all times. We try to ensure that our clients are rigorously informed, served with respect, cordiality and sympathy and corresponded in their requests.

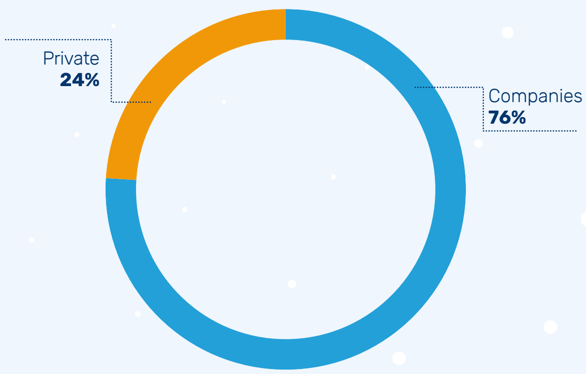
Corporate	Individuals
Large Companies and Institutions	Premium
Small & Medium Business	Loengo
Microcompanies	*Mass Market*

In 2018, BAI had a relative visibility in the Angolan market in terms of deposits and credit, with a market share of 15.58% for deposits and 16.43% for credit. By marking its presence throughout the country and with a customer-oriented strategy, BAI has guided its performance by offering the best banking experience to all segments.

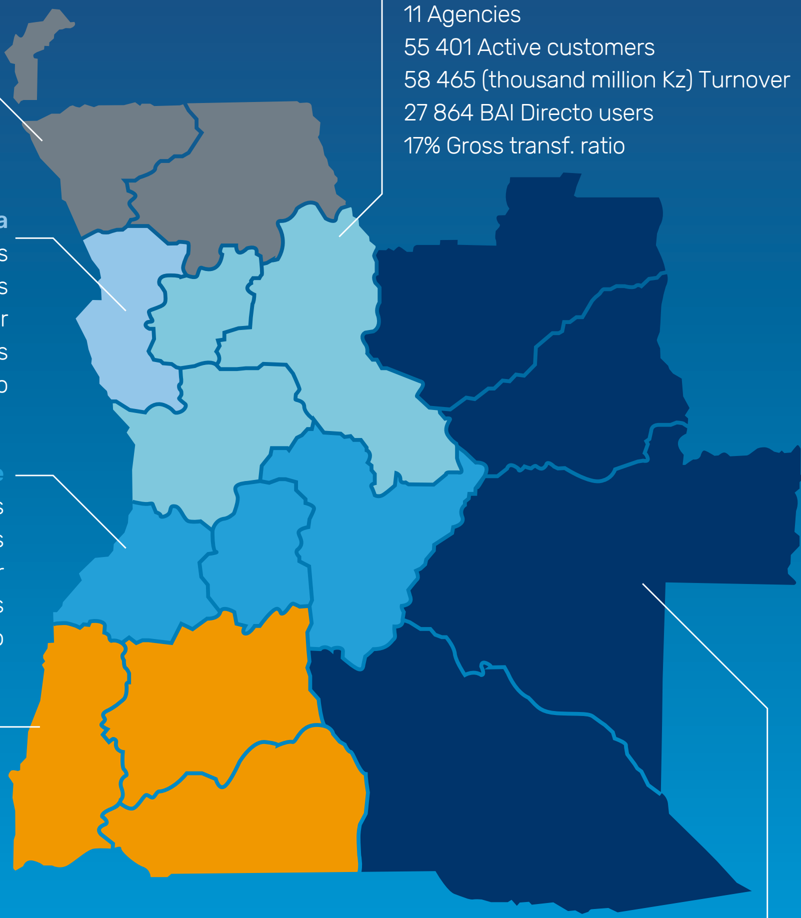
BAI's turnover reached Kz 2 363 thousand million in 2018, representing an increase of Kz 814 thousand million over 2017. In this sense, the business segment represents 76% of turnover, reaching an amount of Kz 1,786 thousand million, comparable to the 577 thousand million Kz recorded in the private segment.

Turnover in 2018

Composition of turnover in 2018



4.1. Geographical presence



North
12 Agencies
61 775 Active customers
9 183 (thousand million Kz) Turnover
36 115 BAI Directo users
23% Gross transf. ratio

Northwest
11 Agencies
55 401 Active customers
58 465 (thousand million Kz) Turnover
27 864 BAI Directo users
17% Gross transf. ratio

Luanda
88 Agencies
584 648 Active customers
2 211 403 (thousand million Kz) Turnover
423 278 BAI Directo users
31% Gross transf. ratio

Centre
17 Agencies
131 727 Active customers
66 159 (thousand million Kz) Turnover
93 529 BAI Directo users
27% Gross transf. ratio

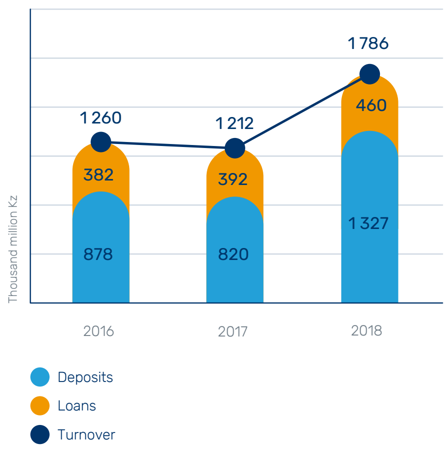
South
16 Agencies
85 639 Active customers
7 849 (thousand million Kz) Turnover
61 203 BAI Directo users
11% Gross transf. ratio

East
9 Agencies
62 951 Active customers
12 878 (thousand million Kz) Turnover
38 799 BAI Directo users
21% Gross transf. ratio

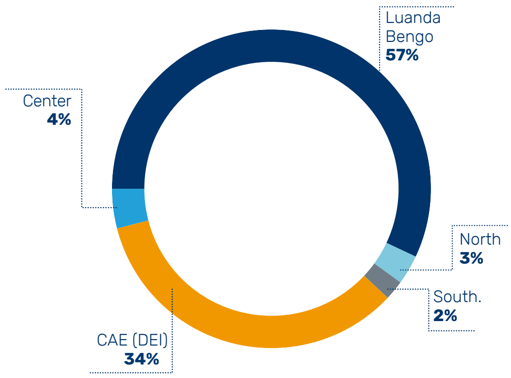
4.2 Commercial banking

Commercial banking encompasses Small and Medium Business (PME) and Public Institutions. At the end of 2018, it comprised 63,352 customers, representing an increase of 7,982 customers (14%) compared to 2017. This is the highest value segment for the Bank, supported by a deposit portfolio of Kz 1 327 thousand million and a credit portfolio in the amount of Kz 460 thousand million corresponding to respectively 83% of the total credit granted and 73% of deposits raised by the Bank.

Turnover – Companies



Customers per area



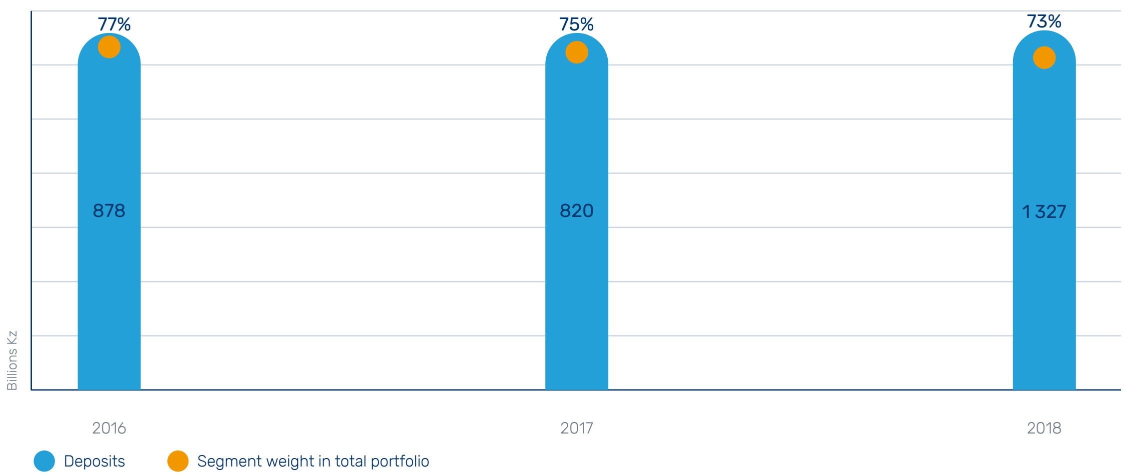
Distribution per Area

Area	No. of Customer
CAE (DE)	1 943
Centre	238
Luanda Bengo	3 280
North	171
South	141
Total	**5 773**

Deposit portfolio

Although the national economy is experiencing a contraction in economic activity, the higher level of execution of payments abroad has had an inverse impact on deposits. In 2018, there was an increase in the volume of deposits of the portfolio allocated to the business segment.
Deposits of this segment stood at Kz 1 327 thousand million, showing and increase of Kz 507 thousand million compared to 2017 (Kz 820 thousand million). The weight of this segment in the bank's portfolio stood at 73%, 76 p.p. less than in 2017.

Deposit portfolio

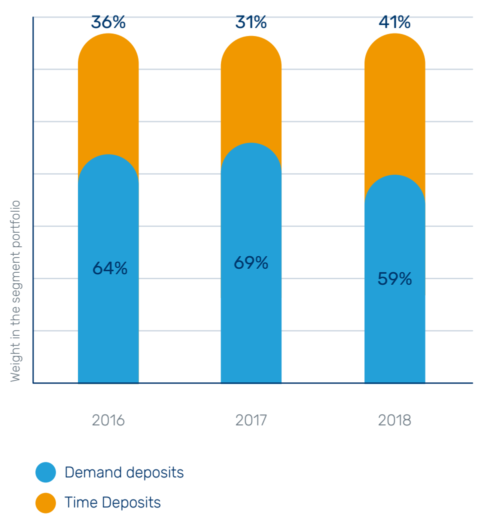


The increase in the deposits of the segment was influenced by the increase of demand deposits in foreign currency by 59% (Kz 217 thousand million), rising to Kz 568 million in 2017, as demand deposits in foreign currency increased by 77% (198 thousand million), standing at Kz 456 million in 2018.

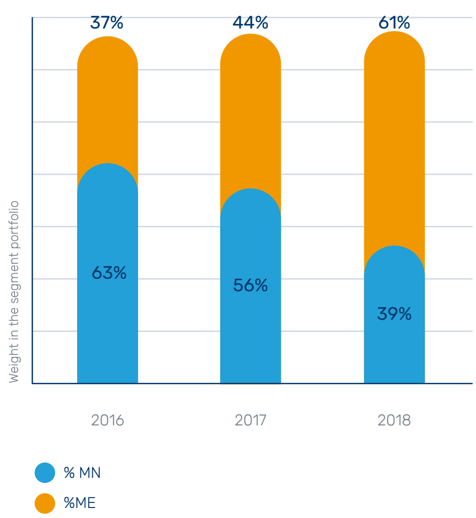
The deposits of the segment by currency, in 2018, registered an increase in national currency (MN) of 14% (Kz 62 thousand million), standing at Kz 520 thousand million. Similarly, there was an increase in foreign currency deposits (ME) of 121% (Kz 442 thousand million), reaching KZ 807 thousand million.

This evolution implied a reduction in the weight of deposits in the national currency of 56%, in 2017, to 39%, in 2018.

Deposits per type



Deposits per currency

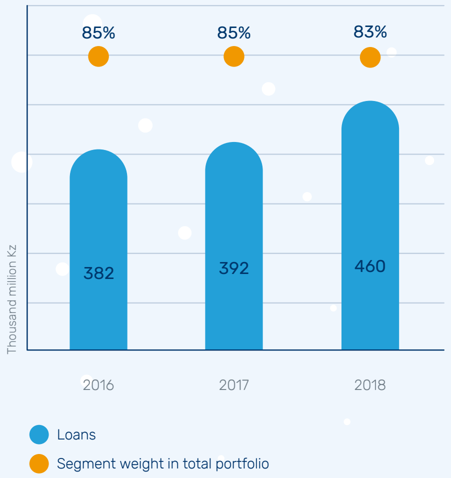


Loans portfolio

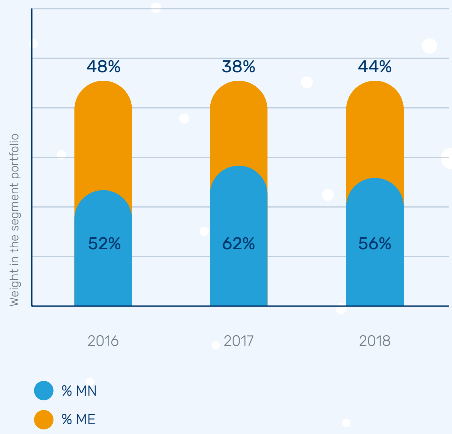
In 2018, there has been an increase in the credit volume of the portfolio allocated to the business segment. Credit for this segment stood at Kz 460 thousand million, an increase of Kz 70 thousand million compared to 2017 (Kz 392 thousand million). The weight of this segment regarding the Bank's portfolio remained at 83% compared to 2017. Medium and long-term credit stood at Kz 410 thousand million, 89% of the total portfolio in this segment, anincrease of Kz 64 thousand million compared to 2017, mainly explained by the increase in disbursements to the non-financial corporate private sector in Kz 6 thousand million, the central government sector increase in Kz 52 thousand million and the increase of the non-financial corporate public sector in Kz 5 thousand million.

Short-term loans increased by Kz 7 thousand million compared to 2017, at the end of the year standing at Kz 50 thousand million, corresponding to 11% of the total portfolio in this segment. This increase is mainly explained by the increase of the private non-financial business sector in Kz 24 thousand million and by the reduction of the non-financial public sector business of Kz 16 thousand million.
The loans in MN stood at Kz 264 thousand million, corresponding to 56% of disbursements to customers in this segment, a reduction of 5 pp compared to the previous year. On the other hand, the credit in ME stood at Kz 204 thousand million, representing 44% of the total and corresponding to an increase of 5 pp compared to the same period.

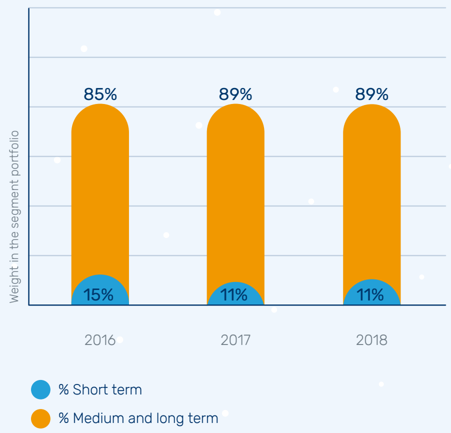
Loan portfolio



Loan per currency



Loan by maturity

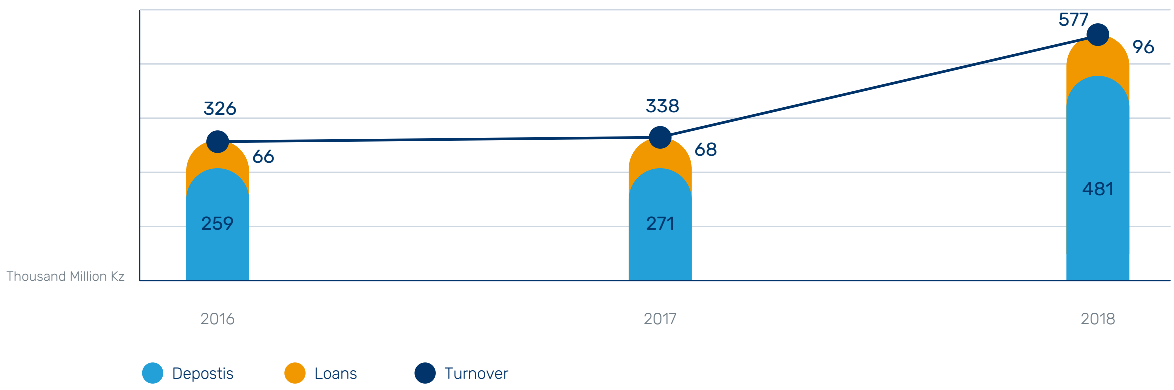


4.3. Retail banking

Retail banking encompasses customers in the Loengo, Premium, Employees, Large Corporate and Small and Medium Business segments. Currently, it has 918,789 active customers distributed through the 153 branches of the commercial network. In 2018, 18 counters were opened, which,in addition to the 135 counters of the previous year, totalled 153 counters at national level, 90located in Luanda and 63 in the other Provinces.

In the same period, the number of private customers in the Premium segment increased by 133 (+ 10%) compared to the same period of last year, reaching a total of 1 499 active customers. This increase results from the commitment to improve the services provided to customers through their portfolio distribution in specialised service centres.

Turnover - Individuals



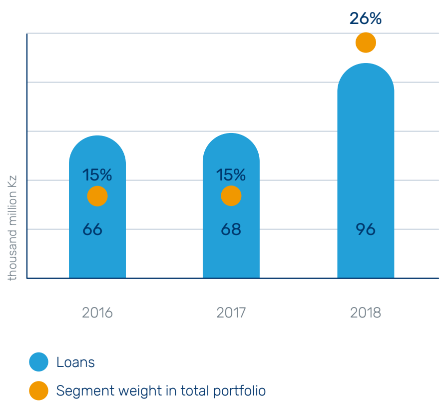
Despite the restrictive nature of the monetary scenario recorded during 2018, retail banking turnover was Kz 577 thousand million, representing an increase of Kz 239 thousand million over the previous year (Kz 338 thousand million) influenced by greater collection of private deposits.

Deposit portfolio

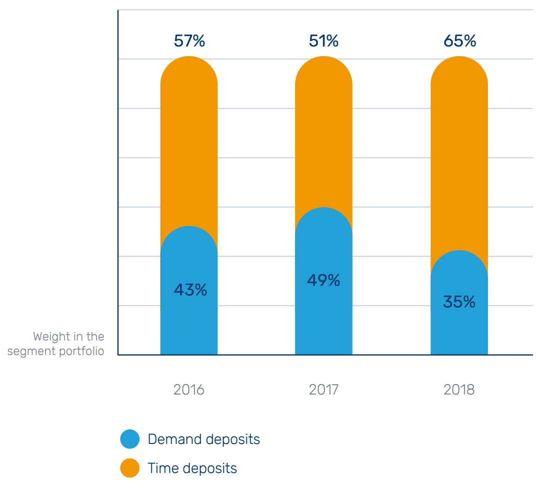
In 2018, the retail banking deposit portfolio totalled Kz 481 thousand million, revealing an increase of Kz 210 thousand million compared to 2017 (Kz 271 thousand million). The weight of this segment compared to the Bank's total deposit portfolio stood at 27%, plus 2pp compared to 2017.

In addition, MN deposits accounted for 40% of deposits in this segment, reaching Kz 194 thousand million, an increase of Kz 41 thousand million compared to 2017 (Kz 153 thousand million). On the other hand, foreign currency deposits accounted for 60% of total deposits in the segment, reaching Kz 287 thousand million, an increase of Kz 170 thousand million over the same period (Kz 118 thousand million).

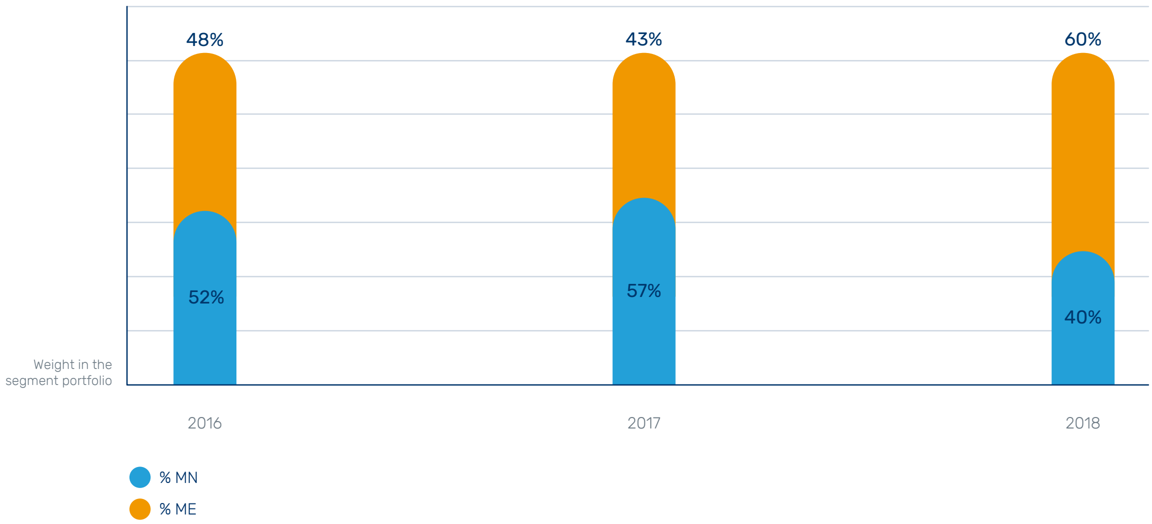
Loans portfolio



Deposits per type



Loan per currency



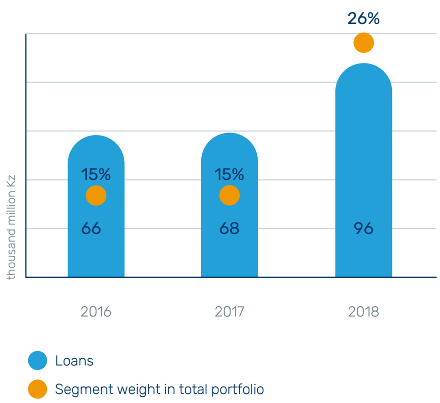
Loans portfolio

In 2018, the private sector loans portfolio stood at Kz 96 thousand million, an increase of Kz 27 thousand million compared to Kz 68 thousand million the previous year. The weight of this segment regarding the Bank's portfolio increased from 15% in 2017 to 26% in 2018.

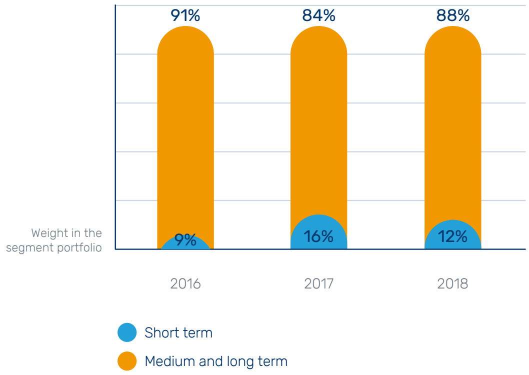
As for the maturity of loans granted to individuals, it was found that of the Bank's total loan portfolio, only 26% was allocated to individuals, with short-term loans totalling Kz 12 thousand million, representing an increase of 7% against the Kz 11 thousand million achieved in the previous year.

Meanwhile, medium- and long-term credit totalled Kz 84 thousand million, 46% higher than the previous year, Kz 57 thousand million.

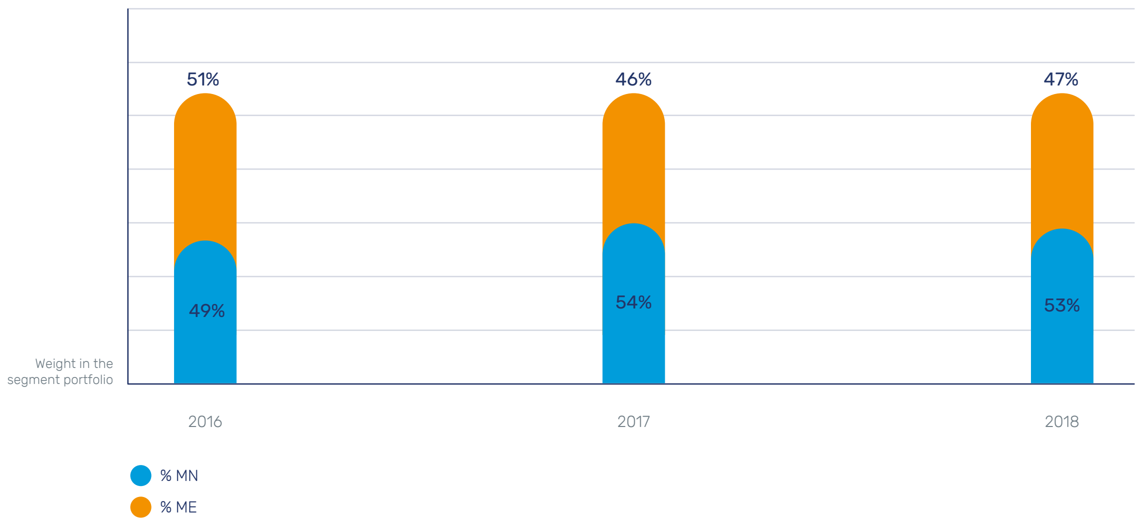
Loans portfolio



Loans by Maturity



Deposits per currency



Loans stock in MN stood at Kz 50 thousand million, representing 53% of disbursements to private customers, a reduction of 2 pp compared to 2017.

On the other hand, loans stock in foreign currency stood at 46 million Kz, which represents 47% of the total of this segment, representing a 2 p.p. increase over 2017, mainly influenced by the exchange rate effect of the devaluation of Kwanza.

4.4. Electronic Banking

In 2018, BAI In 2018, Banco BAI continued to focus on non-presence channels, with the aim of modernizing and simplifying the use of digital channels, so as to be closer to its customers and boost increased supply of digital services. In this context, new functionalities have been added and improvements have been made to extend the range of services and products available to customers to significantly improve customer satisfaction and experience.

BAI Directo, as a non-face-to-face service station, allows the provision of services and products through electronic devices (mobile phones, tablets, computers, among others). It allows making transfers, payments of public services, opening of online account, time deposits, withdrawal of cash without Multicaixa and other services.
BAI Directo is attractive because of its intuitive, simple, convenient, safe and fast use in the subscription process. In 2018, 7,034 open accounts, 7 502 operations carried out and 1 217 withdrawal operations without Multicaixa card were registered.

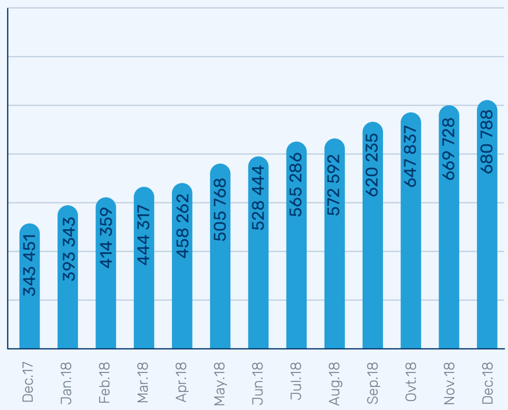
The number of adhesions in 2018 amounted to 680 788, plus 337 337 members than in the same period, corresponding to an increase of 98%. The volume of transactions in BAI Directo has doubled, with Kz 69 thousand million, compared with Kz 33 thousand million in 2017, which corresponds to a growth of 110%.

BAI was the first financial institution to set up the automatic deposit machine (MDA) system in Angola which took place, in the first phase, in only six branches in the province of Luanda, namely: Head office, Comandante Loy, Avenida, Morro

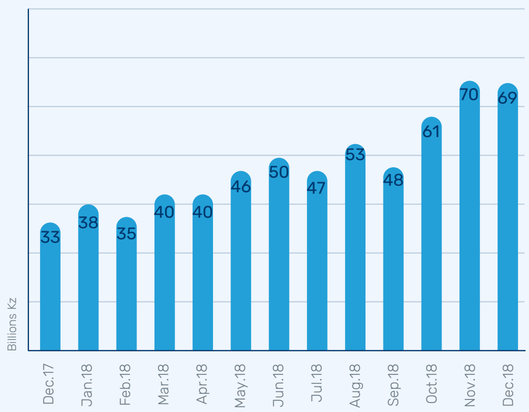
Bento, Kikolo and Viana. This initiative aims to ensure the decongestion at desk services.

Regarding the number of registered deposits, the agencies Avenida, Morro Bento and Kikolo stood out, registering a number of deposits of 5 637, 4 855 and 4 243, respectively. As for the volume of deposits, Kz 223 998 million were registered in the MDA of Morro Bento agency, Kz 196. 864 million in the Avenida agency and Kz 164 521 million in the Kikolo agency.

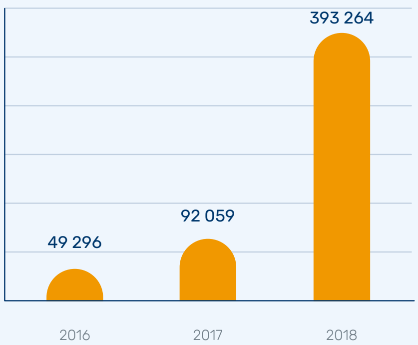
BAI Directo - Users



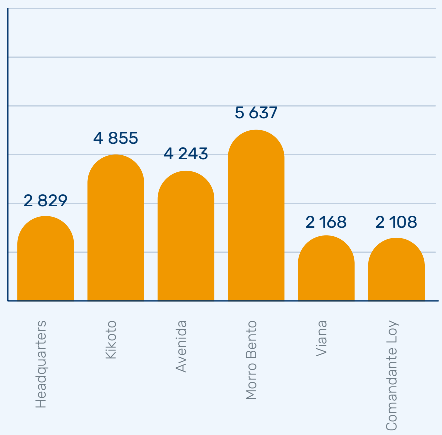
BAI Directo -Volume of transactions



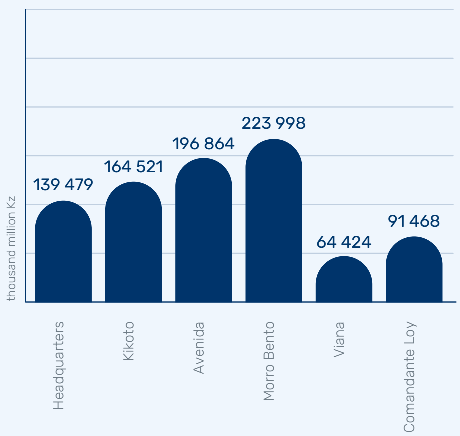
BAI Directo -Number of transactions



MDA - Number of deposits



MDA - Volume of deposit



Banking terminals (ATM and TPA)

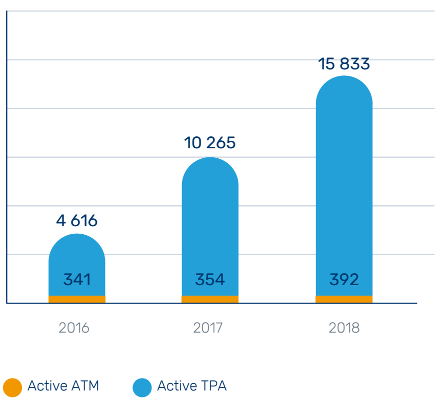
In 31 December 2018, BAI had an expressive increase of its Automatic Payment Terminals (TPA) network and moderate growth of the Automatic Teller Machines – (ATM).

With regard to the active ATM network, it followed the growth trend of the branch network, totalling 392 ATMs at the end of 2018 (38% more than in 2017), which represented an increase of 11%, allowing BAI to take second place, with 13% market share.

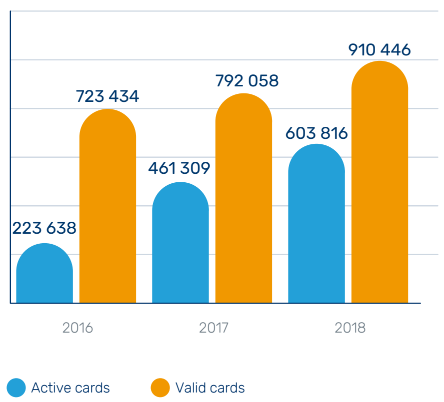
The number of TPAs stood at 15 833 in 2018 (10 265 in 2017), having a growth of 54%, guaranteeing BAI with the first place in the market, with a 25% share.

During the reporting period, BAI recorded an operating ratio of 98% for ATMs and72% for TPAs, resulting in a 1 p.p. increase in ATMs and a 3 p.p. reduction in TPAs compared to the same period of 2017.

BAI Bank Terminals



Multicaixa debit card

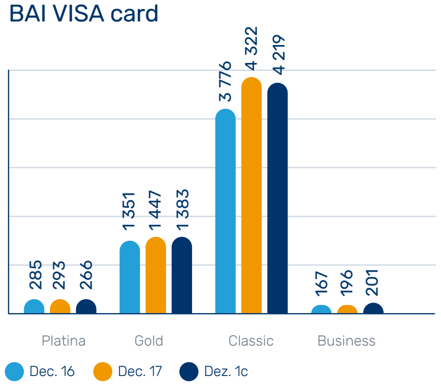


Payment cards

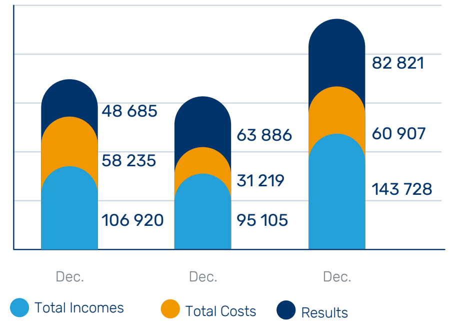
On 31 de December 2018, active and valid Multicaixa cards increased by 31% and 15%, respectively. Active cards reached 603 816 (an increase of 142 507 compared to 2017), while valid cards totalled 910 446 (an increase of 118 388 over the previous year).

The number of international cards in the Visa network amounted to 6 069, corresponding to a decrease of 3% compared to the same period last year. Visa Classic cards continue to have the largest share of total registered cards.

BAI VISA card



BAI Income and costs



05

Financial analysis

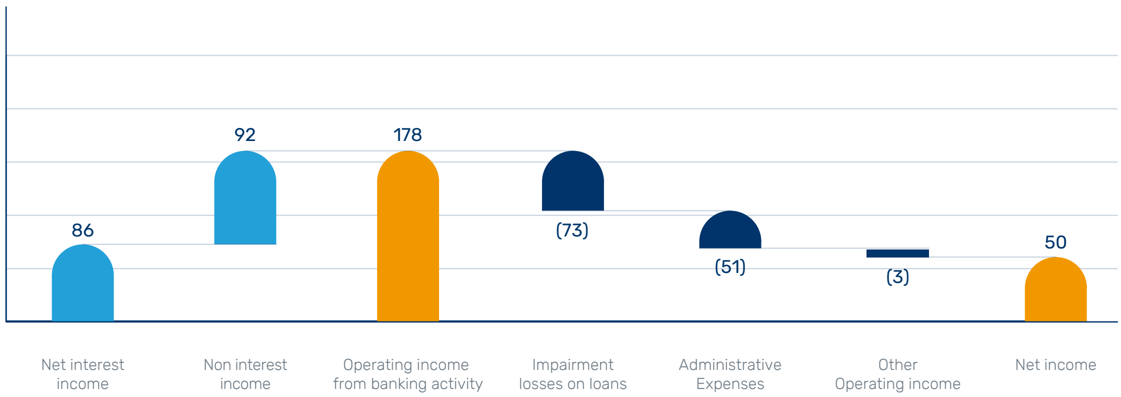
Despite the investment in strengthening the Balance sheet stability, through the increase in loan impairments, BAI recorded results of 50 thousand million Kz, largely due to the increase of the net interest income in 6% and the non interest income in 200%.

5.1. Net Income

BAI achieved Net Income of 50 thousand million Kz, a reduction of 8% when compared to December 2017.

The sharp growth in the operating income was opposed to a 306% increase in loan impairment, which, together with the increase in structural costs, led to a year-on-year reduction in net income.

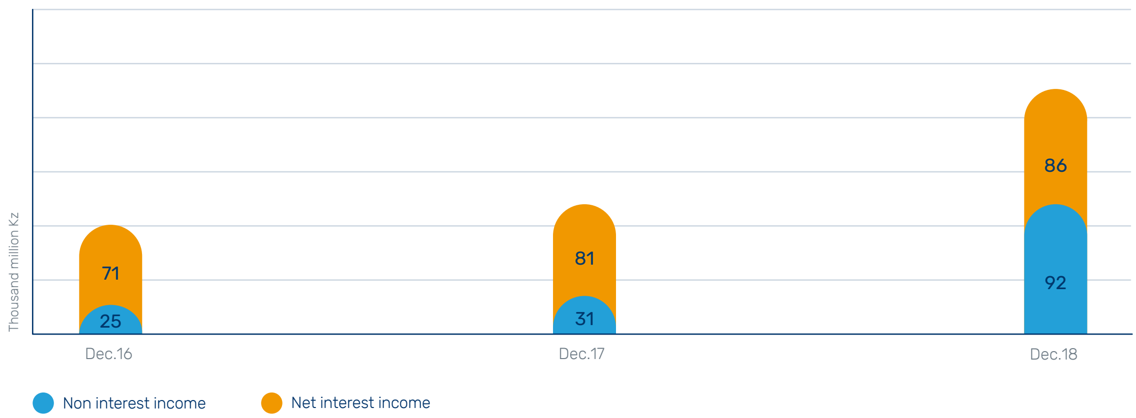
thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ 2017/2018
Interest and similar income	92	108	122	13%
Interest and similar charges	(21)	(27)	(36)	33%
Net interest income	**71**	**81**	**86**	**6%**
Income from equity instruments	0	1	0	(52%)
Net commissions	10	10	19	102%
Results of financial assets and liabilities measured to jv through results	3	1	(2)	(488%)
Foreign exchange results	18	26	80	210%
Results from disposal of other assets	()	1	1	(38%)
Other operating income	(6)	(7)	(7)	(2%)
Operating income from banking activity	**96**	**112**	**178**	**59%**
Staff expenses	(14)	(18)	(26)	42%
Third-party supplies and services	(13)	(18)	(21)	19%
Depreciation and amortization for the year	(3)	(3)	(4)	19%
Administrative expenses	**(31)**	**(39)**	**(51)**	**30%**
Provisions net of reversals	1	2	(3)	(298)
Impairment on loans credit net of reversals and recoveries	(16)	(17)	(69)	306%
Impairment on other financial assets net of reversals and recoveries	1	(2)	( )	(96%)
Impairment on other assets net of reversals and recoveries		( )	(4)	3 126%
Income/(loss) before tax	**51**	**55**	**50**	**(8%)**
Deferred taxes assets	(1)	0	()	(923%)
Net Income/ (loss) for the year	**50**	**55**	**50**	**(8%)**



Operating Income from banking activity

The Operating income from banking activity amounted to 178 thousand million Kz, corresponding to an increase of 59% over 2017, greatly boosted by the non interest income, increasing from 31 thousand million Kz in 2017 to 92 thousand million Kz in 2018, influenced by foreign exchange results, due to the strong depreciation of the Kwanza against the Euro, 90% in relation to the end of 2017, and the results of commissions. The net interest income contributed with a growth of 6%, reaching 86 thousand million Kz.
The non interest income in 2018 accounted for 52% of BAI's banking product whereas the net interest income represented only 48% reflecting a reversal in the composition of the Bank's results.

Operating income from banking activity



Net interest income

The net interest income stood at 86 thousand million Kz, 6% more than in December 2017, due to the adequate management of investments in central banks and other credit institutions benefiting from the demand for liquidity in the interbank money market, rise in interest rates on liquidity applications and average interest rates. The latter factor also had an impact on improving credit results.
Also noteworthy is the growth in costs with customer resources.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ 2017/2018
Loans	42	44	47	5%
Investments in central banks and other ICs	3	4	14	258%
Investments and Financial Assets	47	56	60	7%
Commissions received associated with the amortized cost	0	3	1	(85%)
Deposits	(21)	(27)	(36)	33%
Total	**71**	**81**	**86**	**6%**

Non interest income

2018 was marked by the depreciation of the Kwanza and the results of the Bank are also very influenced by this. BAI's long-term foreign exchange position and the composition of its investment portfolio boosted foreign exchange results, which represented an increase of around 210%.

Commission results increased by 102%, reaching 19 thousand million Kz, largely due to the increase in the volume of tax collection, commissions for open documentary credits, acceptance and endorsements and the uploading of prepaid Visa card.

The other results were negative by 8 thousand million Kz, 2 thousand million Kz less when compared to the same period of last year due to the reduction of the results of financial assets and liabilities measured at fair value through results in 2 thousand million Kz.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ Dec. 17/Dec. 18
Result of commissions	10	10	19	102%
Foreign exchange results	18	26	80	210%
Other results	(3)	(5)	(8)	(62%)
Total	**25**	**31**	**92**	**200%**

Foreign exchange results

Increase in foreign exchange result in 54 thousand million mainly explained by the increase in the reassessment of assets and liabilities, due to the exchange rate fluctuation of indexed treasury bonds which offset the additional costs arising from the revaluation of customer funds, namely indexed term deposits.
The results of the purchase and sale of foreign currency presented a significant reduction explained by the prioritization of the documentary letter of credit for imports.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ% Dec. 17/Dec. 18
Revaluation of currencies - Spot	(1)	(6)	2	(128%)
Reassessment of assets and liabilities	(4)	0	32	52 633%
Exchange differences -Navision	0	0	0	5 565%
Buying and selling of foreign currency	9	32	16	(49%)
Revaluation of indexed term deposits	(1)	0	(26)	(711 196%)
Indexed OT Exchange fluctuation	15	0	56	982 766%
Total	**18**	**26**	**80**	**210%**

Administrative expenses

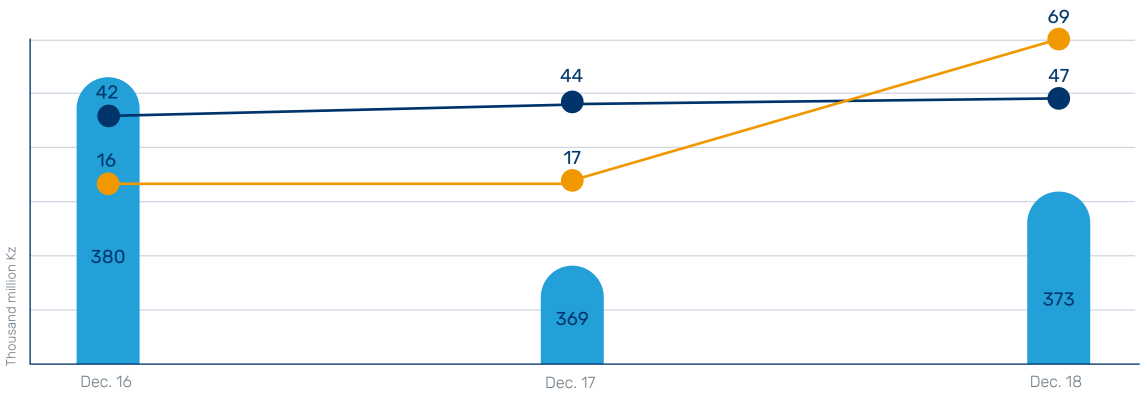
Administrative costs increased by 30%, 12 thousand million Kz more compared to the same period of the previous year, which was heavily influenced by the 39% salary increase which compensated for the loss of workers' purchasing power. Monitoring and controlling costs of third-party supplies and services allowed them to grow at the same pace as inflation, despite pressure from costs in foreign currency, such as software licenses.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ Dec. 17/Dec. 18
Cost with staff	14	18	26	42%
Third-party supplies and services	13	18	21	19%
Depreciation and amortization	3	3	4	19%
Total administrative costs	31	39	51	30%
Cost to income ratio	32,0%	35,3%	28,6%	(19%)

Impairment losses on loans

BAI recognized impairment charges for customer loans net of reversals and recoveries in the amount of 69 thousand million Kz, an increase of 306% compared to 2017.

Impairments for customer loans net of reversals and recoveries



5.2. Balance sheet

Total assets amounted to 2 045 thousand million Kz, an increase of 49% compared to 2017.

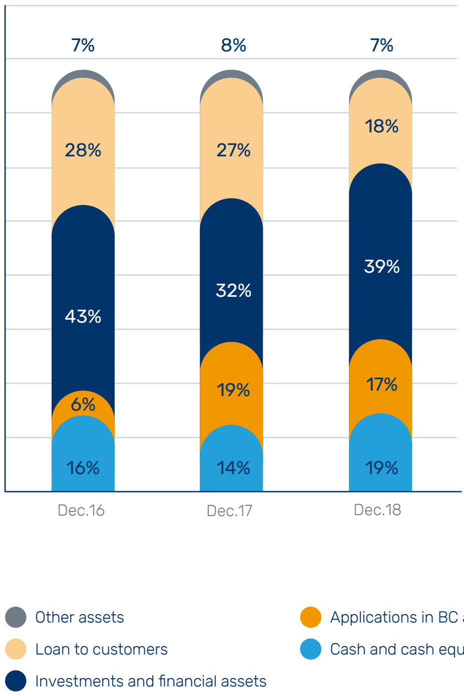
In 2018 BAI adopted the IFRS 9 – Financial Instruments- standard, which includes issues such as classification, measurement and impairment of financial assets.

In terms of impairments, IFRS 9 introduced an expected credit loss model, replacing the loss model incurred, as set forth in IAS 39, which led to a strengthening of loans impairment and to the impairment for other assets that had not hitherto been subject to that. Thus, impairments were created for public debt securities denominated in foreign currency.

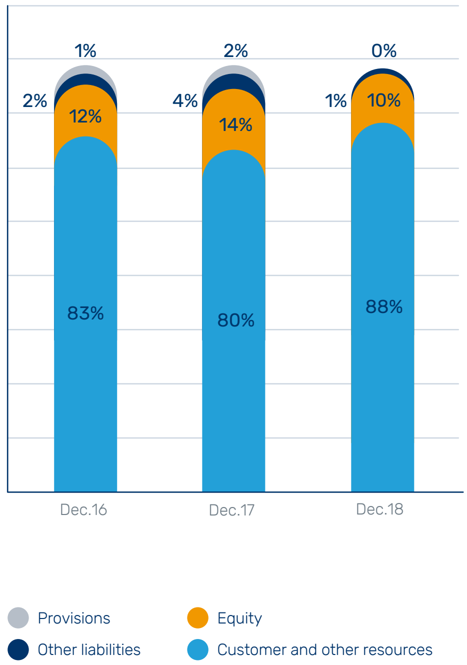
thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ 2017/2018
Cash and cash equivalents	220	190	380	100%
Applications in central Bank (CB) and other Institutions	77	255	351	38%
Investments and financial assets	583	441	802	82%
Loans to customers	380	369	373	1%
Investments in subsidiaries, associates and joint ventures	8	7	8	101%
Tangible and Intangible assets	50	52	58	12%
Non-current assets held for sale	16	19	19	-33%
Current tax assets	2	1	1	7%
Deferred tax assets	3	3	3	309%
Other assets	28	32	40	27%
Total assets	**1 366**	**1 369**	**2 045**	**49%**
Resources from central banks and other credit institutions	19	28	4	-88%
Customer resources and other loans:	1 137	1 093	1 808	65%
On demand deposit	675	700	953	36%
Time Deposit	463	392	855	118%
Provisions	8	4	7	86%
Other liabilities	34	49	26	-48%
Own capitals	167	196	199	2%
Total liabilities and equity	**1 366**	**1 369**	**2 045**	**49%**

Equity, in particular the retained earnings caption, was affected by -21 thousand million Kz for the recognition of adjustments arising from events and transactions prior to the opening balance sheet date in accordance with IFRS 9.

Assets Structure



Liability Structure



The changes in the asset structure were due to (i) Kwanza's depreciation effect, (ii) an increase in the impairment burden of 9%, leading to a reduction in the weight of loans, (iii) an increase in investments and financial assets implied by the increase in the portfolio of financial assets and investments by 39%, (iv) increase in cash weight and availability originated by the increase in availability in other institutions.
In the structure of liabilities and equity, the changes occurred due to an increase in customer funds by 88% and reduction of the weight of equity by retained negative results.

Balance sheet by currency

thousand million Kz	Dec. 17 MN	Dec. 17 Indexed to ME	Dec. 17 ME	Dec. 18 MN	Dec. 18 Indexed to ME	Dec. 18 ME
Cash and cash equivalents	223		222	208		523
Investments and financial assets	198	42	201	320	153	329
Loans to customers	206		164	163		210
Other Assets	106		7	130		8
Total Assets	**733**	**42**	**594**	**821**	**153**	**1 070**
Deposits	586	25	482	661	52	1 094
Other liabilities	19		62	25		13
Shareholder´s equity	196		0	200		(0)
Total Liabilities + Shareholder´s equity	**801**	**25**	**544**	**885**	**52**	**1 107**
Exchange exposure EUR			**268**			**(105)**

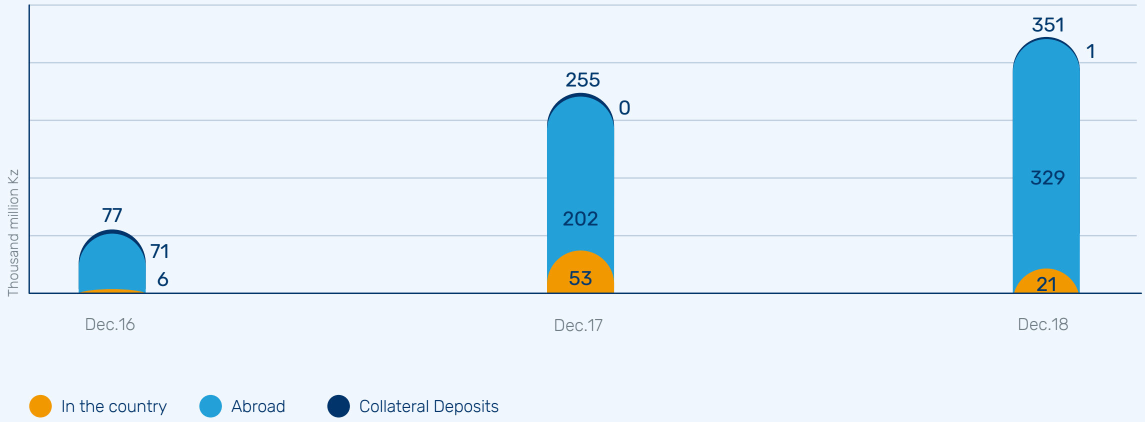
Availability and investments in the central bank and other credit institutions

Increase in availability by 100%, compared to 2017, standing at 380 thousand million Kz. This increase was influenced by the increase in investments in other credit institutions by 117 thousand million KZ and by the availability of 55 thousand million KZ in foreign currency in the Central Bank.

The increase was particularly noticeable in available investment in foreign institutions, resulting from the strategy towards foreign currency profitability.

Cash and availabilities

Investment in central banks and other credit institutions

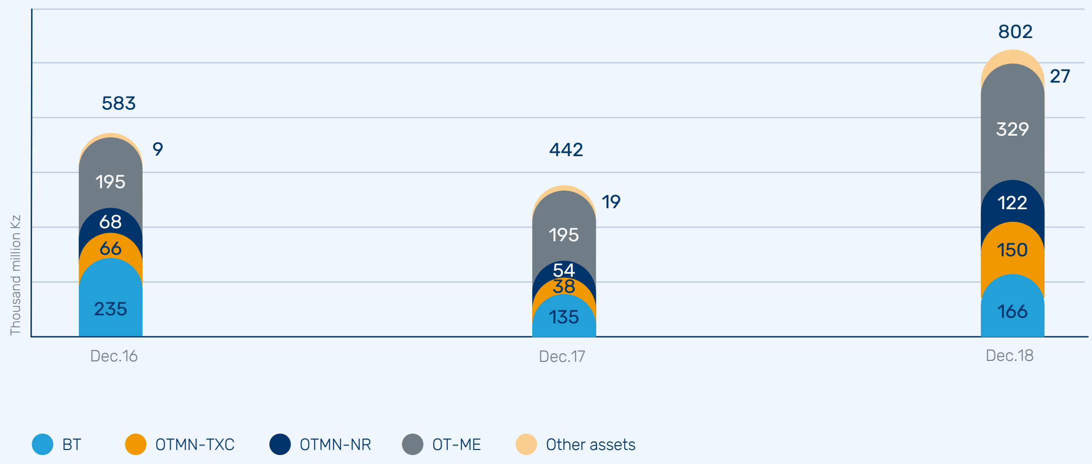


Investments and financial assets

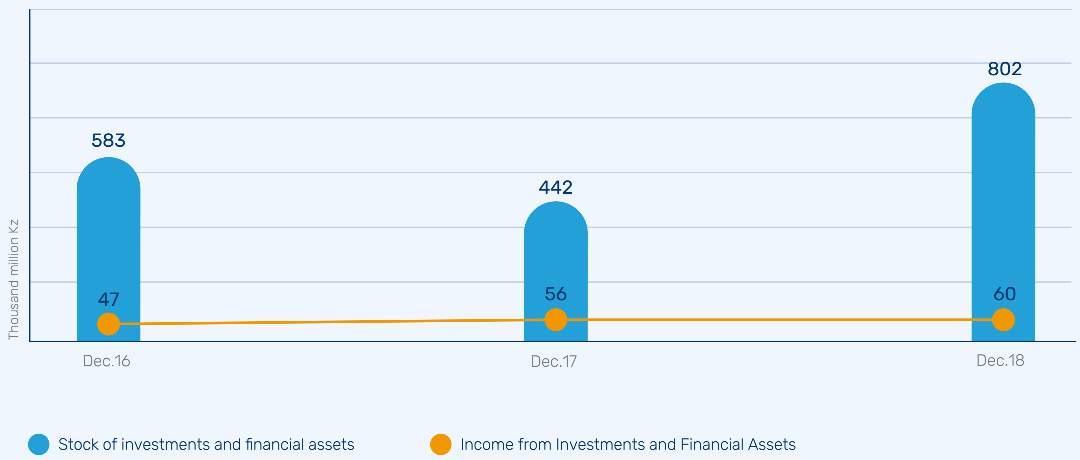
The portfolio of investments and financial assets remains the most representative asset on the balance sheet, reaching 802 thousand million Kz in 2018. An increase of 82% compared to 2017, influenced by the increase in OT-ME and the increase in OTMN-TXC justified by the positive exchange rate effect.

In December 2018, the income from investment in financial instruments stood at 60 thousand million Kz, an increase of 7% compared to the one registered in 2017.

Investments and Financial Assets Stock



Stock of Income from Investments and Financial Assets



Loans to customers

Increase in customer credit by 4 thousand million Kz in December 2018, a 1% growth in net terms, influenced by the positive impact on foreign currency credits of the Kwanza depreciation.

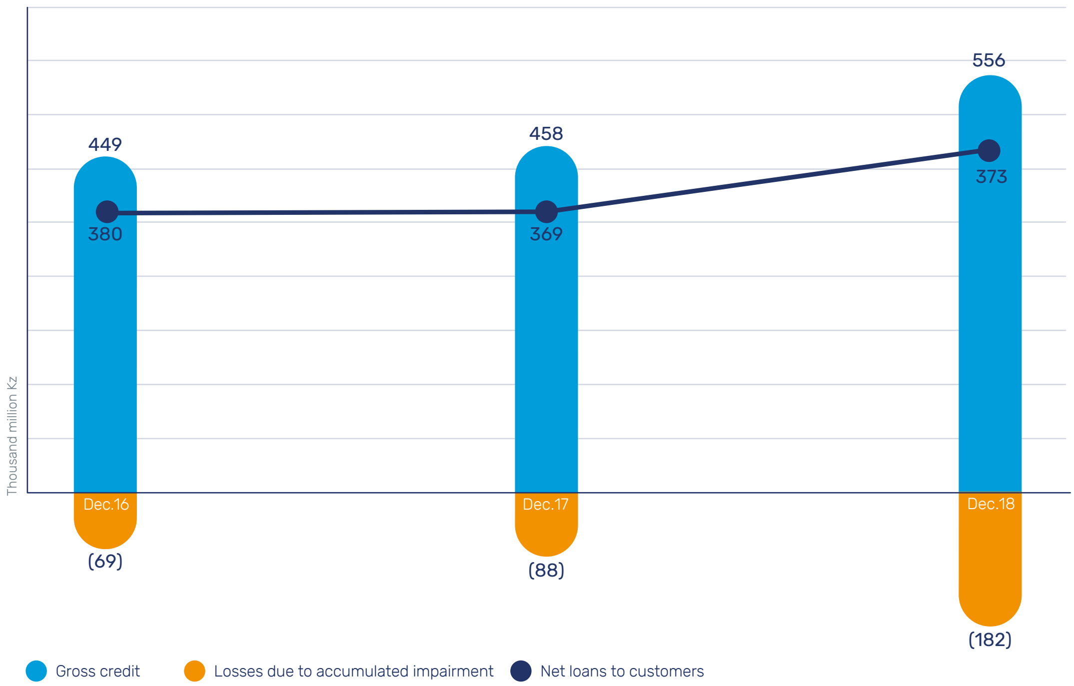
Overdue loans reached 139 thousand million KZ, an increase of 18 thousand million Kz compared to 2017. The highest growth maturity was that of over 90 days which grew 34%.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Δ% Abs	2017/2018
Performing loans - MinFin	117	106	162	56	52%
Performing loans – Other sectors of economic activity	271 209	232	23	11%	
Performing amount	**388**	**315**	**394**	**79**	**25%**
Non-performing loans	**42**	**122**	**139**	**18**	**14%**
Up to 30 days	9	26	29	3	12%
From 30 to 90 days	14	21	10	(11)	(54%)
More than 90 days	19	75	101	26	34%
Accrued interest - Minfin	2	1	3	2	165%
Accrued interest- Others sectors of economic activity	17	20	20	(0)	(1%)
Accrued interest	**19**	**21**	**22**	**1**	**6%**
	449	**458**	**556**	**98**	**21%**
(-) Accumulated impairment losses	(69)	(88)	(182)	(94)	106%
Net loans to customers	**380**	**369**	**373**	**4**	**1%**
Off-balance credit provisions	8	4	8	4	114%
Letters of credit	52	23	202	179	795%
Guarantees provided	10	11	16	4	39%
Credits write-offs of which	107	122	198	76	63%
Principal	88	87	139	52	60%
Interest (More than 90 days)	19	35	60	24	69%
Ratios p.p				**p.p**	
Impairment on non performing loans	162,6%	72,6%	130,7%	58	80%
Overdue loans +30 days	7,4%	21,0%	19,9%	(1)	5,2%
Non performing loans (+90 days) [1]	4,3%	16,5%	18,2%	2	10,3%

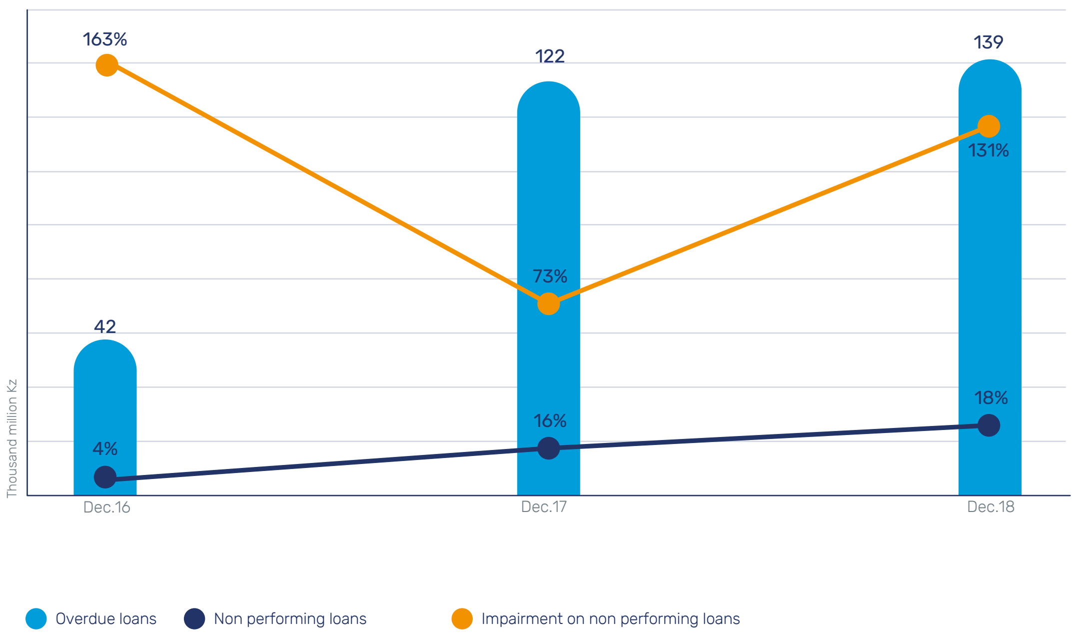
[1] Non performing loans of more than 90 days for total loans
[2] Non performing loans of more than 90 days for total loans excluding MINFIN

The Bank's objective was to have a coverage ratio of more than 100%, benefiting from high exchange rates to strengthen balance sheet soundness. In this sense, 2018 ended with coverage of non perfoming loans for impairment of 131%.
The transformation ratio, net credit on deposits, stood at 20.6%, a year-on-year decrease of 13 p.p., influenced by the significant increase in the deposit portfolio.

Loans to customers



Overdue loans



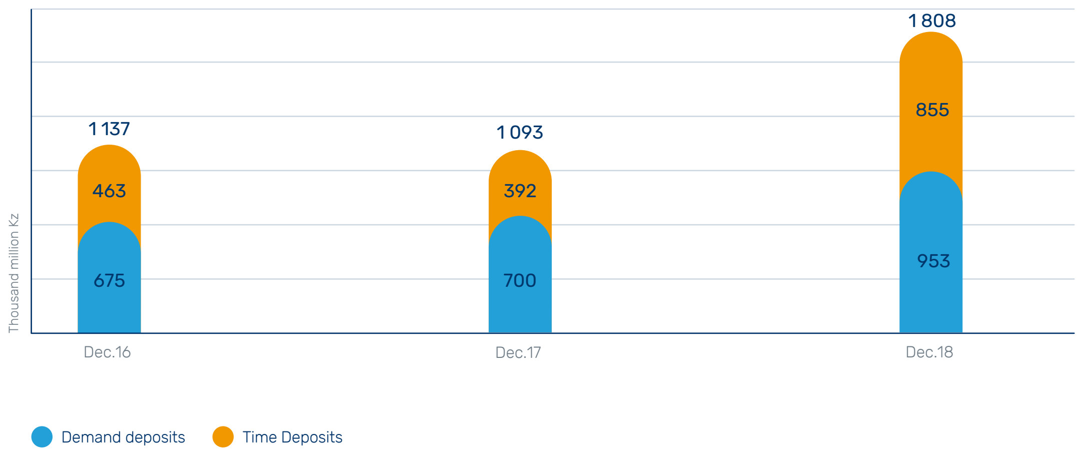
Customer resources and other Borrowings

Customer deposits stood at 1 808 thousand million Kz in December 2018, an increase of 65% compared to December 2017.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Abs	Δ 2017/2018 %
OSFP – Financial Auxiliaries	0	0	0	(0)	(78%)
OSFP – Other Financial Intermediation	0	0	0	(0)	(53%)
Central Government	28	9	21	13	148%
Local Governments (Provinces)	0	0	0	0	145%
Local Authorities	0	0	0	(0)	(73%)
Autonomous Public Funds and Services	8	6	3	(3)	(48%)
Social Security Funds	62	48	78	30	63%
Non-Financial Business Public Sector	7	10	26	15	148%
Non-Financial Business Private Sector	448	383	388	5	1%
Non Profit Institutions	2	2	3	1	57%
Individuals	135	153	194	41	27%
Domestic Currency:	**691**	**610**	**713**	**103**	**17%**
OSFP - Financial Auxiliaries	0	0	0	0	51%
OSFP – Other Financial Intermediation	0	0	1	1	2 051%
Central Government	17	13	25	12	91%
Local Governments (Provinces)	0	0	0	0	81%
Autonomous Public Funds and Services	0	0	4	4	2 492%
Social Security Funds	0	0	1	0	87%
Non-Financial Business Public Sector	0	10	12	2	23%
Private non-financial business sector	302	339	760	421	124%
Non Profit Institutions	2	3	4	1	56%
Individuals	124	118	287	170	144%
Foreign currency:	**446**	**482**	**1 094**	**612**	**127%**
Deposits in ME (million EUR)	2	3	3	0	19%
Type:					
Demand deposits - MN	446	407	444	37	9%
Demand deposits - ME	228	293	509	216	74%
Demand deposits - ME (million EUR)	1	0	1	1	142 005%
Time Deposits - MN	244	203	270	66	33%
Time Deposits - ME	218	189	585	396	209%
Time Deposits - ME (million EUR)	1	0	2	2	253 083%
Total	**1 137**	**1 093**	**1 808**	**715**	**65%**
FC Deposits	**446**	**482**	**1 094**	**612**	**127%**
DC Deposits	**691**	**610**	**713**	**103**	**17%**
Total customers deposits and other borrowings	**1 137**	**1 093**	**1 808**	**715**	**65%**

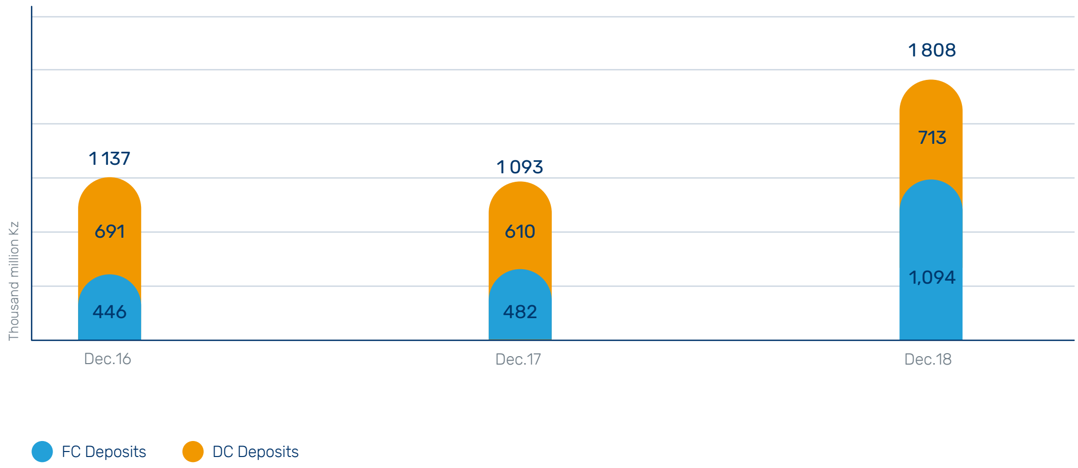
Time deposits accounted for the largest increase in the portfolio, standing at 855 thousand million Kz (2017: 392 thousand million Kz) and representing an increase of 118% due to the Kwanza depreciation, which had a positive impact on foreign currency deposits. Demand deposits stood at 953 thousand million KZ (2017: 700 thousand million Kz), an increase of 36% compared to 2017, explained by the increase in non-financial corporate public sector deposits, social security funds and individuals.

Customer resources and other borrowings



Foreign currency deposits represent, at the end of 2018, 61% of deposits, while deposits in domestic currency represent 39%.

Customers resources and other borrowings by currency



Regulatory Solvency Ratio

The Regulatory Solvency Ratio determined in accordance with BNA Notice No. 2/2016 stood at 14.49% at the end of 2018, remaining above the minimum limit of 10% set by the regulator.

thousand million Kz	Dec. 16	Dec. 17	Dec. 18	Variation 2017/2018
Regulatory Own Funds Requirements				
Operational Risk	11	14	21	7
Market Risk	7	8	13	5
Credit and Counterparty Risk	41	58	114	56
Total	**60**	**81**	**149**	**68**
Regulatory Own Funds	**115**	**154**	**195**	**41**
Regulatory Solvency Ratio	**19,19%**	**19,00%**	**13,10%**	**(5,9 p.p.)**

5.3. Profitability

Return on Average Equity (ROAE) stood at 25,4%, an increase of 4.8 percentage points over 2017, due to the increase in average net asset value by 1.1 percentage points.

Dec. Profitability Splitting	Dec. 16	Dec. 17	Dec. 18	Δ% 2017/2018
Interest and similar income	7,5%	7,9%	7,1%	(0,8 p.p.)
Interest and similar charges	(1,7%)	(2,0%)	(2,1%)	(0,1 p.p.)
Net interest income	**5,8%**	**5,9%**	**5,1%**	**(0,9 p.p.)**
Income from equity instruments	0,0%	0,0%	0,0%	(0,0 p.p.)
Net commissions	0,8%	0,7%	1,1%	0,4 p.p.
Results of financial assets and liabilities measured to jv through results	0,2%	0,0%	(0,1%)	(0,1 p.p.)
Foreign exchange results	1,5%	1,9%	4,7%	2,8 p.p.
Results from disposal of other assets	0,0%	0,1%	0,1%	(0,0 p.p.)
Other operating income	(0,5%)	(0,5%)	(0,5%)	0,1 p.p.
Operating income from banking activity	**7,8%**	**8,2%**	**10,4%**	**2,3 p.p.**
Staff expenses	(1,2%)	(1,3%)	(1,5%)	(0,2 p.p.)
Third-party supplies and services	(1,0%)	(1,3%)	(1,2%)	0,1 p.p.
Depreciation and amortization for the year	(0,3%)	(0,2%)	(0,2%)	0,0 p.p.
Administrative expenses	**(2,5%)**	**(2,9%)**	**(3,0%)**	**0,1 p.p.**
Provisions net of reversals	0,1%	0,1%	(0,2%)	(0,3 p.p.)
Impairment for customer credit net of reversals and recoveries	(1,3%)	(1,2%)	(4%)	(2,8 p.p.)
Impairment for other financial assets net of reversals and recoveries	0,1%	(0,2%)	(0,1%)	0,1 p.p.
Impairment for other assets net of reversals and recoveries	0,0%	(0,0%)	(0,3%)	(0,3 p.p.)
Income/(loss) before tax	**4,1%**	**4,0%**	**2,9%**	**(1,1 p.p.)**
Current tax	(0,1%)	0,0%	(0,0%)	(0,0 p.p.)
Deferred tax assets	0,0%	0,0%	(0,0%)	(0,0 p.p.)
Return on Average Assets (ROAA)	**4,0%**	**4,0%**	**2,9%**	**1,1 p.p.**
Leverage	8,46	7,53	8,6	1,1 p.p.
Return on Average Equity (ROAE)	**34,20%**	**30,1%**	**25,4%**	**4,8 p.p.**

06

Proposed application of the net income

We have strengthened our market leadership position in terms of deposits and have garnered international recognition as the 20th largest bank in Africa and the strongest in Angola.

6.1. Proposed application of results and approval of the Board of Directors

The Board of Directors proposes, taking into account the legal and statutory provisions, that the net result of AKZ 50 065 689 305,56 (Fifty thousand million, sixty five million, six hundred and eighty-nine thousand, three hundred and five kwanzas and fifty six cents) for the year ended December 31, 2018, has the following application:

	%	Kwanzas
For free reserves	70%	35 045 982 513,89
For dividends	30%	15 019 706 791,67

Luanda, March 28, 2019

BOARD OF DIRECTORS

José Paiva
Chairman of Board of Directors

Mário Barber
Director

Theodore Giletti
Director

Jaime Bastos
Director

Omar Guerra
Director

Carlos Chaves
Director

Luis Lélis
Director

Inokcelina Santos
Director

Simão Fonseca
Director

Helder Aguiar
Director

João Fonseca
Director

Irisolange Verdades
Director

José Manuel
Director

07

Financial Statements

The Bank complies strictly with the laws and regulations of the country applicable to banking, and observes the rules and other regulations issued by regulatory authorities, such as the National Bank of Angola, the Capital Markets Committee, the General Tax Authority, among other.

7.1. Balance sheet

INDIVIDUAL BALANCE SHEET ON 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of kwanzas - tKz except when expressly stated)

	Notes	31-12-2018			31-12-2017
		Amount before impairment and amortization	Impairment and amortization	Net value	Net value
ASSET					
Cash and cash equivalents at central banks	4	253 867 188	-	253 867 188	180 950 674
Cash and cash equivalents at other credit institutions	5	125 398 411	-	125 398 411	9 389 469
Applications in central banks and other credit institutions	6	351 389 740	226 927	351 162 813	254 537 675
Financial assets at fair value through profit or loss	7	49 351 693	-	49 351 693	-
Financial assets held for trading and at fair value through profit or loss	7	-	-	-	4 078 615
Financial assets at fair value through other comprehensive income	8	30 160 357	-	30 160 357	-
Available-for-sale financial assets	8	-	-	-	19 333 516
Investments at amortized cost	9	727 345 653	4 684 157	722 661 496	-
Held-to-maturity investments	9	-	-	-	418 053 626
Loans to customers	10	555 535 606	182 282 323	373 253 283	369 345 264
Non-current assets held for sale	11	24 946 099	5 835 613	19 110 486	18 852 930
Other Tangible Assets	12	75 098 218	18 250 110	56 848 108	50 439 113
Intangible assets	12	4 742 664	3 228 145	1 514 519	1 814 610
Investments in subsidiaries, associates and joint ventures	13	7 721 074	1 920	7 719 154	7 006 806
Current tax assets	14	949 020	-	949 020	890 511
Deferred tax assets	14	11 807 312	-	11 807 312	3 045 421
Other Assets	15	47 750 650	6 959 681	40 790 969	31 568 891
Total Assets		**2 266 063 685**	**221 468 876**	**2 044 594 809**	**1 369 307 121**
LIABILITIES AND EQUITY					
Resources from central banks and other credit institutions	16	3 942 530	-	3 942 530	27 687 755
Customer resources and other borrowings	17	1 807 522 210	-	1 807 522 210	1 092 660 008
Deferred tax liabilities	14	78 679	-	78 679	415 510
Provisions	18	8 226 487	-	8 226 487	3 850 472
Other liabilities	19	25 615 511	-	25 615 511	48 950 551
Total Liabilities		**1 845 385 417**	**-**	**1 845 385 417**	**1 173 564 296**
Share capital	20	14 786 705	-	14 786 705	14 786 705
Share capital revaluation reserves		28 669	-	28 669	28 669
Issuance premiums	20	(9 204 478)	-	(9 204 478)	(9 204 478)
Share premium	20	(739 335)	-	(739 335)	(739 335)
Other reserves and retained earnings	21	144 272 142	-	144 272 142	136 166 912
Individual net income for the year		50 065 689	-	50 065 689	54 704 352
Total Equity		199 209 392	-	199 209 392	195 742 825
Total Liabilities and Equity		2 044 594 809	-	2 044 594 809	1 369 307 121

The attached notes are an integral part of these financial statements.

7.2. Income statement

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts expressed in thousand kwanzas - tKz except when expressly stated)			
	Notes	31-12-2018	31-12-2017
Interest and similar income	22	121 954 940	108 131 380
Interest and similar expenses	22	(35 841 926)	(27 014 227)
Net interest income		86 113 014	81 117 153
Income from equity instruments	23	278 430	578 277
Fee and commissions income	24	23 564 633	11 877 897
Fee and commission expense	24	(4 111 745)	(2 259 887)
Net income on financial assets and liabilities measured at fair value through profit or loss	25	(2 407 968)	620 710
Foreign exchange operations	26	80 396 774	25 927 517
Proceeds from sale of other assets	27	1 228 003	888 174
Other operating income	28	(7 255 528)	(7 107 806)
Operating income from banking activity		177 805 613	111 642 035
Staff expenses	29	(25 739 916)	(18 112 176)
Third-party supplies and services	31	(21 291 634)	(17 847 258)
Depreciation and amortization for the year	32	(4 058 596)	(3 403 500)
Provisions net of cancellations	33	(3 026 858)	1 573 293
Impairment for loans and advances to customers net of reversals and recoveries	34	(68 878 865)	(16 928 278)
Impairment for other financial assets net of reversals and recoveries	35	(85 692)	(139 157)
Impairment for other assets net of reversals and recoveries	36	(4 488 976)	(2 101 178)
Income /(loss) before tax		50 235 076	54 683 781
Income tax			
Deferred taxes	14	(169 387)	20 571
Income/(loss) after tax		50 065 689	54 704 352
Net income/(loss) for the year		50 065 689	54 704 352

The attached notes are an integral part of these financial statements.

7.3. Comprehensive income statement

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts expressed in thousands of kwanzas - tKz except as expressly stated)			
	Notes	31-12-2018	31-12-2017
Individual net income for the year		50 065 689	54 704 352
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss for the year			
Variations resulting from gains / losses on equity instruments at fair value through other comprehensive income			
Gross value	21	(534 560)	-
Fiscal impact	14	160 367	-
		(374 193)	-
Items that will be subsequently reclassified to profit or loss for the year			
Fair value debt instruments through other comprehensive income			
Changes in fair value	21	(1 065 927)	1 143 411
Transfer to results for impairment recognized in the period	21	230 787	-
Fiscal impact	14	319 778	(242 205)
		(515 362)	901 206
Result not included in the income statement		(889 555)	901 206
Total individual comprehensive income for the year		49 176 135	55 605 558

The attached notes are an integral part of these financial statements.

7.4. Statements of changes in Shareholders' Equity

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Share capital	Issuance premiums	Own shares	Revaluation reserves Fair value reserves
Balances on 31 December 2016	14 786 705	-	-	(336 060)
Application of the net profit for the year:				
Transfer to other reserves	-	-	-	-
Distribution of dividends	-	-	-	-
Acquisitions of own shares, net of disposals	-	(9 204 478)	(739 335)	-
Individual comprehensive income for the year	-	-	-	901 206
Balances on 31 December 2017	14 786 705	(9 204 478)	(739 335)	565 146
IFRS 9 Transition adjustments (Note 41)				
Gross value	-	-	-	(448 159)
Taxes	-	-	-	196 449
Balances on January 1, 2018	14 786 705	(9 204 478)	(739 335)	313 437
Application for individual net profit for the year:				
Transfer to other reserves	-	-	-	-
Distribution of dividends	-	-	-	-
Individual comprehensive income for the year	-	-	-	(889 555)
Balance on 31 December 2018	14 786 705	(9 204 478)	(739 335)	(576 118)

The attached notes are an integral part of these financial statements.

(Amounts expressed in thousands of kwanzas - tKz except as expressly stated)

Revaluation reserves	Other reserves and retained earnings				Individual net income for the year	Total Equity
Subtotal	Legal reserve	Other reserves	Retained earnings	Subtotal		
(336 060)	14 786 705	88 512 163	-	103 298 868	49 740 873	167 490 386
-	-	32 331 567	-	32 331 567	(32 331 567)	-
-	-	-	-	-	(17 409 306)	(17 409 306)
-	-	-	-	-	-	(9 943 813)
901 206	-	-	-	-	54 704 352	55 605 558
565 146	14 786 705	120 843 730	-	135 630 435	54 704 352	195 742 825
(448 159)	-	-	(29 432 413)	(29 432 413)	-	(29 880 572)
196 449	-	-	8 591 513	8 591 513	-	8 787 962
313 437	14 786 705	120 843 730	(20 840 900)	114 789 535	54 704 352	174 650 215,5
-	-	30 087 394	-	30 087 394	(30 087 394)	-
-	-	-	-	-	(24 616 958)	(24 616 958)
(889 555)	-	-	-	-	50 065 689	49 176 135
(576 118)	14 786 705	150 931 124	(20 840 900)	144 876 929	50 065 689	199 209 392

7.5. Cash flow statements

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 E 2017

(Amounts expressed in thousands of kwanzas - tKz except when expressly stated3)

	Notes	31-12-2018	31-12-2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest, commissions and other similar income received		145 888 745	109 559 736
Interest, commissions and other similar costs paid		(33 839 691)	(29 261 839)
Payments to employees and suppliers		(40 290 077)	(39 328 544)
Payments and contributions to pension funds and other benefits		(1 254 701)	(357 252)
Recovery of loans written off		-	1 847 535
Other Results		80 396 774	25 937 517
Cash flows before changes in operating assets and liabilities		150 901 050	68 397 153
(Increases) / Decreases in operating assets:			
Applications in central banks and other credit institutions		(96 603 594)	(177 038 294)
Financial assets at fair value through profit or loss		(47 719 196)	-
Financial assets held for trading and at fair value through profit or loss		-	12 404 509
Financial assets at fair value through other comprehensive income		(12 044 020)	-
Available-for-sale financial assets		-	(480 081)
Investments at amortized cost		(307 425 540)	-
Held-to-maturity investments		-	132 112 953
Credit to customers		(103 210 270)	(4 862 694)
Non-current assets held for sale		5 379 019	(2 481 455)
Other Assets		(13 867 197)	(4 735 267)
Net cash from operating assets		(575 490 798)	(45 080 329)
Increases / (Decrease) in operating liabilities:			
Resources from central banks and other credit institutions		(23 737 158)	8 478 946
Customer resources and other loans		708 746 368	(44 654 688)
Other liabilities		(31 044 875)	14 945 651
Net cash from operating liabilities		653 964 335	(21 230 091)
Net cash from operating activities before income taxes		229 374 586	2 086 734
Net cash from operating activities		229 374 586	2 086 734
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Dividends received		278 430	578 277
Acquisitions of other tangible assets, net of disposals		(10 344 825)	(3 870 425)
Acquisitions of intangible assets, net of disposals		(311 565)	(898 720)
Acquisitions of interests in subsidiaries, associates and joint ventures, net of disposals		(5 000 000)	-
Net cash from investing activities		(15 377 960)	(4 190 868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisitions of own shares, net of disposals		-	(9 943 813)
Distribution of dividends		(25 071 170)	(17 139 914)
Net cash from financing activities		(25 071 170)	(27 083 727)
Change in cash and cash equivalents		188 925 456	(29 187 861)
Cash and cash equivalents at the beginning of the period		190 340 143	219 528 004
Cash and cash equivalents at end of the period		379 265 599	190 340 143
Cash and cash equivalents include:			
Cash	4	22 059 052	19 840 697
Demand deposits at the National Bank of Angola	4	231 808 136	161 109 977
Cash and cash equivalents at other credit institutions	5	125 398 411	9 389 469
		379 265 599	190 340 143

7.6. NOTES (APPENDICES) TO THE FINANCIAL STATEMENTS ON DECEMBER 31ST 2018 AND 2017

1 – Introductory Note

The Banco Angolano de Investimentos, S.A. (hereinafter also the "Bank" or "BAI"), with headquarters in Luanda, is a private equity Bank, part of which from non-resident entities. The Bank was incorporated on November 13th 1996. Commercial operation started on November 4th 1997. On January 11th 2011 the Bank changed its name from Banco Africano de Investimentos, S.A. to Banco Angolano de Investimentos, S.A.

Banking is the corporate object of the institution, pursuant to and within the framework established by the Banco Nacional de Angola (hereinafter "BNA"), engaging in the raising of third party funds in the form of deposits, certificates of deposit and cash bonds which, combined with its own funds, are applied to the granting of loans, deposits at BNA, applications in financial institutions, purchase of securities and other assets for which it is duly authorized. The Bank provides other banking services and performs various types of foreign currency operations, relying on a nationwide network of 153 points of service.

2 – Accounting policies

2.1 Basis of presentation

As provided in BNA's Aviso no. 6/2016 of June 22nd, BAI's individual financial statements are prepared in the assumption of operational continuity and in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). These financial statements reflect the Bank's individual operation as at December 31st 2018.

The IAS/IFRS cover the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and by their predecessor bodies.

The individual financial statements are expressed in thousand Kwanzas (tKz), rounded to the nearest thousand, and were prepared in accordance with the principle of historic cost, with the exception of assets recorded at fair value, namely financial assets at fair value from profit & loss and financial assets at fair value from other comprehensive income.

The preparation of financial statements in accordance with IAS/IFRS requires the Bank to make judgements and estimates and to use assumptions that affect the application of the accounting policies and the amounts of profits, losses, assets and liabilities. Alterations to such assumptions or any discrepancies thereof from reality may have an impact on current estimates and judgements. The areas involving a higher level of judgement or complexity, or where significant assumptions and estimates are used in the preparation of the financial statements, are analysed in Note 3.

The BNA, the Associação Angolana de Bancos ("ABANC") and the Bank´s Board of Directors are of the opinion that the requirements provided in IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") are not met in order for the Angolan economy to be deemed hyperinflationary in the fiscal year ended on December 31st 2018 and therefore it has been decided not to apply the provisions contained in that standard to the financial statements on that date.

2.2 Comparability of information

The Bank adopted the standards of mandatory application for the fiscal years commencing on or after January 1st 2018. The accounting policies have been applied in a consistent manner and are consistent with those used in the preparation of the financial statements for the preceding year, except as regards the alterations arising from adopting the following standards with reference to January 1st 2018: IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The IFRS 9 introduces new requirements as regards (i) classification and measurement of financial assets and liabilities, (ii) measurement and recognition of credit impairments on financial assets through an expected loss model and (iii) hedge accounting.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance sheet on the date of the initial application (January 1st 2018). Thus, the financial statements on December 31st 2017 were not reexpressed and therefore the balances stated for comparison purposes are expressed in accordance with IAS 39.

The impacts arising from IFRS 9 are explained in Note 41. No significant impacts were determined in connection with the adoption of IFRS 15.

2.3 Transactions in foreign currency

The assets and liabilities denominated in foreign currency are recorded under basis of the multicurrency system, i.e.,(in their respective denomination currency).

Transactions in foreign currency are converted into Kwanzas at the exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are converted into Kwanzas at the average exchange rate as published by BNA on the date of the balance sheet.

Non-monetary assets and liabilities denominated in foreign currency are converted into Kwanza based on the following methodology:

- Recorded at historical cost – at the exchange rate on the date of the transaction;
- Recorded at fair value – at the exchange rate on the date the fair value is determined and recognised in profit & loss, with the exception of those recognized in financial assets at fair value through other comprehensive income, for which the difference is recognized in equity.

The Kwanza reference exchange rates for the American Dollar (USD) and the Euro (EUR) were the following:

Reference Period	USD	EUR
31-12-2018	308,607	353,015
31-12-2017	165,924	185,400

2.4 Loans granted and accounts receivable

Loans and accounts receivable are non-derivative financial assets having fixed or determinable payments that are not listed in an active market and for which no sale is intended in the short term. These categories include loans to clients, cash and cash equivalents, applications in credit institutions and other receivables that are not traded in an active market. These are recorded by their contracted values, where originated in the Bank, or by their paid values where acquired from other entities.

Loans and accounts receivable are recognized initially by their fair value plus transaction costs and are subsequently valued at amortised cost, based on the effective interest rate method, being shown in the balance sheet net of impairment losses. Interests recognized by the effective interest rate method are recognized in net financial income on a straight-line basis.

Loans and accounts receivable are derecognised in the balance sheet (written off) where (i) the Bank's contractual rights regarding the corresponding cashflows have expired, (ii) the Bank has transferred substantially all the risks and benefits associated with the holding thereof, or (iii) although the Bank has retained part, but not substantially all, of the risks and benefits associated with the holding thereof, control over the assets has been transferred.

2.5 Financial instruments

(i) Classification, initial recognition and subsequent measurement

Pursuant to IFRS 9 – "Financial instruments", financial assets may be classified in three categories with different measurement criteria (amortised cost, fair value in the profit & loss and fair value from other comprehensive income).

The classification of assets depends on the characteristics of the contractual cashflows and the business model associated thereto.

As regards the characteristics of the contractual cashflows, the criterion consists in evaluating whether the same only reflect the payment of principal and interest (SPPI - Solely Payments of Principal and Interest).
As to the associated business model, the norm identifies two having relevance to the business activity pursued by the Bank:

- A business model the objectives of which are attained through contractual cashflows of the assets (Hold to Collect); and
- A business model the objectives of which are attained through both the contractual cashflows of the assets as well as the sale thereof (Hold to Collect and Sell).

- A debt financial instrument that (i) is managed under a business model the objective of which is attained by holding the financial assets in portfolio and receiving all of its contractual cashflows and (ii) has contractual cashflows on specific dates that correspond exclusively to the payment of principal and interest on the outstanding debt – should be measured at the amortised cost unless denominated at fair value by profit & loss under the option of fair value – "Hold to Collect".

- A debt financial instrument that (i) is managed under a business model the objective of which is attained by either the receiving of contractual cashflows or through the sale of the financial assets and (ii) provide for contractual clauses that give rise to cashflows that correspond exclusively to the payment of principal and interest on the outstanding debt - should be measured at fair value from other comprehensive income, unless denominated at fair value by profit & loss under the option of fair value – "Hold to Collect & Sell".

- All other debt financial instruments should be measured at fair value against profit & loss ("FVPL").

The Bank has evaluated its business models based on a broad number of indicators, chief among which are its business plan and current risk management policies.
The Bank carries an evaluation of the objective of a business model in which an asset is held at portfolio level, as this procedure reflects better the manner in which the business is managed

- the policies and objectives set forth for the portfolio and the practical operability thereof. In particular, the manner in which the management strategy is focused on receiving contracted interest, maintaining a certain interest rate profile, adjusting the duration of the financial assets to the duration of the liabilities which finance the said assets or generate cashflows through the disposal of assets;

- the manner in which the portfolio performance is evaluated and reported to the key management bodies in the Bank:

- the risks affecting the performance of the business model (and of the financial assets held in the scope of said business model) and the manner in which such risks are managed;

- the remuneration of the business executives (e.g. to what extent the compensation depends on the fair value of the assets being managed or on the contractual cashflows earned); and

- the frequency, volume and regularity of sales in the previous fiscal years, the reasons for the said sales and the expectations for future sales. However, the information on sales should not be considered separately, rather as being part of a global evaluation of the manner in which the Bank establishes goals for managing financial assets and how the cashflows are generated.

Financial assets held for negotiation and the performance of which is evaluated on a fair value basis are measured at FVTPL, for they are neither held for the collection of contractual cashflows nor for the collection of contractual cashflows and sale of said financial assets.

Evaluation on whether the contractual cashflows correspond solely to payment of principal and interest.

For the purposes of this evaluation, "principal" is defined as the financial asset fair value at its initial recognition. "Interest" is defined as the consideration for the temporal value of money and for the credit risk associated to amount outstanding during a certain period of time and other risks associated with the activity (e.g. liquidity risk and administrative costs), as well as a profit margin.

In evaluating the instruments, the contractual cashflows of which are exclusively referred to the payment of principal and interest, the Bank has considered the instrument's original contractual terms. This evaluation entails to examine whether the financial instrument contains a contractual term that allows changing the periodicity or the amount of the contractual cashflows so that they do not meet the SPPI condition. In the evaluation process, BAI has taken into account:

- any contingent events capable of changing the periodicity and the amount of the contractual cashflows;

- any leveraging features;

- any terms of early repayment and maturity extension;

- any terms that may limit the compensation for the temporal value of money (e.g. periodic reinitialization of interest rates).

Such as previously mentioned, for the "Hold to Collect" business model, in order to evaluate the frequency and materiality of the sales, quantitative thresholds have been put in place based on past experience. The sales projected for financial assets classified under this business model do not exceed the thresholds set by the Bank.

With regards to the other financial instruments, namely equity instruments and derivatives, these are by definition classified at fair value through profit & loss. For equity instruments there is an irrevocable option to stipulate that any variations in the fair value be recognized in other comprehensive income, and in this case only the dividend is recognized in profit & loss, as revenue and costs are not reclassified for profit & loss at the time of their derecognition/sale.

Reclassifications

Financial assets are not reclassified after their initial recognition, except in the period after the Bank changing its business model for financial assets management.

Financial assets are reclassified to another categories only where the business model used in their management is changed. In this case, all affected financial assets are reclassified.

Reclassification is applied prospectively from the date of reclassification, not reexpressing any gains, losses (including those related to impai ments) or interest previously recognized.

Sale of credits

Gains and losses obtained from the definitive sale of credits are recorded in the profit & loss statement under "Gains or losses on disposal of other assets". Such gains or losses correspond to the difference between the fixed sale value and the balance sheet value of these assets, net of impairment losses.

Derecognition

Assets are derecognised when (i) the Bank's contractual rights regarding the corresponding cash-flows have expired, (ii) the Bank has transferred substantially all the risks and benefits associated with the holding thereof, or (iii) although the Bank has retained part, but not substantially all, of the risks and benefits associated with the holding thereof, control over the assets has been transferred.

Guarantees given and irrevocable commitments

Liabilities for guarantees and irrevocable commitments are recorded in off-balance-sheet items at their risk value, with interest flows, commissions or other income being recorded over the period of validity of these operations.

Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the contract period. Upon contractual breach, the Bank has the right to revert the guarantee, the amounts being recognized in Credit to Clients after transfer of the loss offset to the beneficiary of the guarantee.

Recognition of income and costs with services and commissions

Income from services and commissions earned in the execution of a significant act, such as commissions on loan syndication, are recognized in income when the significant act has been completed in accordance with IFRS 15.

Income from services and commissions earned as services are rendered are recognized in income for the year to which they refer in accordance with IFRS 15.

Income from services and commissions included in the remuneration of financial instruments is recorded in the income statement using the effective interest rate method on a straight-line basis in accordance with IFRS 9.

The recognition of costs for services and commissions is made according to the same criteria for income.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity and debt instruments that are recorded at the time of their initial recognition at fair value. Gains and losses on subsequent variation of fair value are reflected in a specific equity account called "Accumulated comprehensive income reserve" until their sale, where they are reclassified to profit or loss for the year, except for equity instruments held in equity.

Inherent interest is calculated using the effective interest rate method and recorded in the income statement under "Interest and similar income".

Income from variable income securities is recognized in the income statement under "Income from equity instruments" on the date they are allocated. According to this criterion, the antic pated dividends are recorded as income in the year in which its distribution is deliberated.

Financial assets and liabilities held for trading and other financial assets at fair value through profit or loss.

Financial assets held for trading include variable income securities in active markets acquired for the purpose of sale in the short term. Trading derivatives with net value receivable (positive fair value), as well as the options purchased are included in the financial assets held for trading. Trading derivatives with a net amount payable (negative fair value), as well as the options sold are included in the financial liabilities held for trading.

Financial assets and liabilities held for trading and other financial assets at fair value through profit or loss are initially recognized at fair value. Gains and losses arising from the valuation subsequent to fair value are recognized in the income statement.

The fair value of financial assets held for trading and other financial assets at fair value through profit or loss, traded in active markets, is the most representative bid-price, within the bid-ask range or its closing balance sheet date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques which include pricing models or discounted cash flow techniques.

When discounted cash flow techniques are used, future financial flows are estimated in accordance with management expectations and the discount rate used corresponds to the market rate for financial instruments with similar characteristics. In price evaluation models, the data used correspond to market price information.

Sales operations with repurchase agreement

Securities sold under repurchase agreements are held in the portfolio where they were originally registered. The funds received are recorded on the settlement date, under own account in liabilities, and the interest payable is periodified.

Impairment losses

IFRS 9 introduces the concept of expected credit losses that differs significantly from the concept of losses incurred under IAS 39, thereby anticipating the recognition of credit losses in the financial statements of the institutions. IFRS 9 requires that the concept of impairment based on expected losses be applied to all financial assets other than financial assets measured at fair value through profit or loss and equity instruments measured at fair value through equity.

The Bank applies IFRS 9's concept of expected losses to financial assets at amortized cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, other amounts receivable, financial guarantees and credit commitments not valued at fair value.

According to the standard, there are two methods for calculating impairment losses: (i) individual analysis and (ii) collective analysis.

The assessment of the existence of impairment losses in individual terms is determined by analyzing the total credit exposure on a case-by-case basis. For each credit considered individually significant, the Bank evaluates, at each balance sheet date, the existence of objective evidence of impairment.

The Bank considers the following as individually significant exposures:

1. Value of the global exposure of the economic client/group equal to or greater than 0.5% of regulatory equity; and

2. The twenty largest private clients.

For the remaining segments of the loan portfolio, the Bank carries out a collective analysis to determine impairment losses. The collective impairment model is in a consolidation phase, since its implementation was recently completed by the Bank with some limitations.

The expected loss for credit risk is an estimate weighted by the probability of the present value of the credit losses. This estimate results from the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future macroeconomic scenarios discounted at the interest rate of the financial instruments.

The instruments subject to the impairment calculation are divided into three stages, taking into account their level of credit risk, as follows:

Stage 1: no significant increase in credit risk since the initial recognition. In this case, the impairment will reflect expected credit losses resulting from default events that may occur in the 12 months following the reporting date;

Stage 2: instruments in which a significant increase in credit risk is considered to have occurred since the initial recognition, but for which there is no objective evidence of impairment. In this case, the impairment will reflect the expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

Stage 3: instruments for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, the impairment amount will reflect the expected credit losses over

the expected residual life of the instrument.
With the exception of purchased or originated credit-impaired (POCI) assets, impairment losses must be estimated through a provision for losses in an amount equal to:

- expected loss for 12-month credit risk, i.e., estimated total loss resulting from events of default of the financial instrument that are possible within 12 months after the reporting date (called Stage 1);

- or expected loss of credit risk to maturity, i.e., estimated total loss resulting from all
- possible events of default over the life of the financial instrument (referred to as Stage 2 and Stage 3). A provision for expected loss for credit risk to maturity is required for a financial instrument if the credit risk of that financial instrument has increased significantly since the initial recognition or if the financial instrument is impaired.

IFRS 9's impairment calculation is complex and requires management decisions, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant risk increase from the moment of initial recognition; and
- Incorporation of forward-looking information in the calculation of the estimated loss (Expected Credit Loss - ECL).

ECL Calculation

ECLs are weighted estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference of all cash shortfalls (i.e., the difference between the cash flows due to the entity
- financial assets with impairment at the reporting date: the difference between the gross accounting value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the contractual cash flows that are due to the BAI if the commitment is made and the cash flows that BAI expects to receive; and
- financial guarantees: the value of expected payments to be repaid less the amounts that BAI expects to recover.

BAI's approach to the determination of impairment losses for credits subject to collective analysis has as its inherent concept the definition of homogeneous segments considering the quality of its assets and the characteristics of credit/customer risk. Thus, the Bank assures that, for the purposes of analyzing these exposures and determining the risk parametres (Probability of Default - PD and Loss Given Default (LGD), these have similar risk characteristics. The creation of these segments has assumptions of statistical materiality for each segment (in order to estimate the respective risk profile) and relevance or adequacy of this segmentation to the various processes related to the management of credit risk at the Bank.

The expected loss for the direct and indirect titled public debt is determined on the basis of the individual analysis of the exposure in domestic currency and in foreign currency for which a 12-month probability of default (PD) of 0.545 % and 2.76%, respectively, and a default loss (LGD) of 45%.

Significant increase in credit risk

The stage 2 rating is based on the observation of a significant increase in the level of credit risk. Since the standard does not determine how to measure this significant increase, BAI estimates it from the comparison of Lifetime Forward-Looking residual PDs at the reporting date with those estimated at the hiring, for the same residual maturity.

Since BAI does not yet have rating and scoring models with the required maturity, the stage 2 rating is based on objective triggers observed based on available information.

Triggers for significant increase in credit risk are detected through automatic processes, based on information residing in the BAI information systems.

Inputs in ECL measurement

The main inputs used to measure ECLs on a collective basis include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Credit Conversion Factors (CCF); and
- These parameters are obtained through internal statistical models and other relevant historical data, adjusted to reflect the forward-looking information.

PDs are estimated based on a certain historical period and are calculated on the basis of statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk degree of the counterparty or exposure, the estimate of the associated PD is also changed.

The degrees of risk are an input of great relevance for the determination of PD associated with each exposure. BAI collects performance and default indicators on its credit risk exposures with analyzes by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. BAI estimates the LGD parameters based on the historical recovery rates after counterparties default.

LGD models consider the associated collaterals and the time in default. EAD is an estimate of exposure on a future default date, taking into account expected changes in exposure after the reporting date. BAI derives the EAD values from the counterparty's current exposure and potential changes to the current value allowed under the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, BAI calculates the ECL value taking into account the risk of default during the maximum contractual maturity period of the contract, with the exception of financial assets which consider a 12-month PD for failure to present a significant increase in credit risk. or, in certain specific situations, on the basis of behavioral maturity.

Forward-looking information

According to this new model recommended by IFRS 9, the measurement of expected losses also requires the inclusion of forward-looking information with the inclusion of future trends and scenarios, including macroeconomic data. The prospective information was not considered in all the risk parameters of the expected loss calculation (LGD and EAD). In this context, estimates of expected credit impairment losses now include multiple macroeconomic scenarios, the probability of which will be evaluated considering past events, the current situation and future macroeconomic trends.

In this context, the BAI used a linear regression model to capture the impact of macroeconomic factors with a significant influence on the probability of default. In this model, three distinct scenarios were considered: (i) a prudent economic development scenario; (ii) an optimistic scenario of economic growth; and (iii) a pessimistic scenario that includes an increase in inflation rates.

The Bank measures the expected loss individually or collectively for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset using the asset's original effective interest rate, whether measured individually or collectively.

Financial assets in impairment

A financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred. Financial assets with reduction in the value of recoverable credit are referred to as assets classified under Stage 3. The Bank has adopted the internal definition of non-performing loans as a criterion for identifying credits in Stage 3. The internal definition of non-performing loans is governed by objective and subjective criteria and is used for the management of credit risk of the Bank and for the calculation of regulatory capital by advanced credit risk methods.

Financial assets acquired or originated with impairment (POCI)

Financial assets classified as POCI are treated differently once they are impaired. For these assets, upon its initial recognition in Stage 3, BAI records the asset at the net amount of the expected loss.

In subsequent measurement, an ECL with a life--time PD is always calculated and its changes are recorded against profit & loss. The associated interest

Recognition of impairment losses

The Bank recognizes impairment losses for expected credit losses on financial instruments as follows:

- Financial assets at amortized cost: impairment losses on financial assets at amortized cost reduce the balance sheet value of these financial assets by offsetting the respective account in the income statement;
- Fair value debt instruments through other comprehensive income: impairment losses on these instruments are recognized in the income statement against other comprehensive income (they do not reduce the balance sheet value of these financial assets);
- Subscription credit: impairment losses associated with subscription credits are recognized in liabilities under "Provisions for subscription credit " in the income statement.

Financial liabilities

Regarding the measurement of financial liabilities, IFRS 9 did not introduce significant changes in relation to the requirements already provided previously, except for the recognition of changes in the fair value of the financial liabilities resulting from changes in the entity's own credit risk, to be recognized in equity, rather than income as previously required, unless this accounting treatment generates "accounting mismatch". Subsequent reclassifications of these changes to income are not permitted, even when repurchasing such liabilities.

Financial liabilities correspond basically to funds from central banks, other credit institutions and client deposits. These liabilities are initially valued at their fair value, which normally corresponds to the consideration received, net of transaction costs, and are subsequently recorded at amortized cost, in accordance with the effective interest method on a straight-line basis.

According to the Bank's analysis by reference to January 1st 2018, no significant impacts of the adoption of IFRS 9 were identified (Note 41).

2.6 Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation for its disposal to be effected by delivering cash or other financial assets to third parties, regardless of their legal form, showing a residual interest in the assets of an entity after the deduction of all their liabilities.

Transaction costs directly attributable to the issue of equity instruments are recorded against equity as a deduction from the issue value. Amounts paid and received for purchases and sales of equity instruments are recorded in shareholders' equity, net of transaction costs.

Income from equity instruments (dividends) is recognized when the right to receive it is established and deducted from equity.

2.7 Other tangible assets

(i) Recognition and measurement

Other tangible assets are recorded at acquisition cost less accumulated amortization and impairment losses. The cost includes expenses that are directly attributable to the acquisition of the assets.

(ii) Subsequent costs

Subsequent costs are recognized as a separate asset only if it is probable that future economic benefits will accrue to the Bank. Maintenance and repair expenses are recognized as costs as they are incurred under the accrual scheme

(iii) Depreciation

Land is not depreciated. For other assets, depreciation is calculated using the straight-line method, according to the following expected useful life:

	Number of years
Real estate for own service	50
Works in leased real estate	10
Equipment	
Furniture and fixtures	10
Machinery and tools	6 a 10
Computer equipment	3 a 10
Transport material	4
Other tangible assets	3 a 10

Where there is an indication that an asset may be impaired, IAS 36 – Impairment of assets requires that its recoverable amount be estimated and an impairment loss should be recognized whenever the net asset value exceeds its recoverable value. Impairment losses are recognized in the income statement.

The recoverable amount is determined to be the higher of its net selling price and its value in use, which is calculated based on the present value of the estimated future cash flows expected to be derived from the continued use of the asset and the disposal at the end of its useful life.

2.8 Intangible assets

Software

Costs incurred with the acquisition of software to third parties are capitalized, as well as the additional expenses incurred by the Bank as are necessary for their implementation. These costs are amortized on a straight-line basis over the estimated useful life, which is usually 3 years.

Costs with research and development projects

Costs directly related to the development of computer applications, on which they are expected to generate future economic benefits over a period of time, are recognized and recorded as intangible assets.

Any other costs related to IT services are recognized as costs when incurred.

2.9 Transactions with repurchase agreement

Securities sold under repurchase agreement (repo) for a fixed price or for a price that equals the sale price plus interest inherent to the term of the transaction are not derecognised from the balance sheet. The corresponding liability is accounted for in accounts payable to other credit institutions or to clients, as appropriate. The difference between the sale price and the repurchase amount is treated as interest and deferred over the life of the agreement, using the effective rate method.

Securities purchased under resale agreement (reverse repo) for a fixed price or a price that equals the purchase price plus interest inherent to the term of the transaction are not recognized in the balance sheet, and the purchase value is recorded as loans to other institutions or clients, as appropriate. The difference between the purchase price and the resale value is treated as interest and is deferred over the life of the agreement, using the effective rate method.

2.10 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are recorded in the Bank's financial statements at their historical cost less any impairment losses.

The subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, the variability in returns from its involvement with that entity and is able to seize them through the power it holds over the relevant activities of that entity (de facto control).

Associated companies are entities in which the Bank has significant influence but does not exercise control over its financial and operating policy. It is assumed that the Bank exercises significant influence when it holds the power to exercise more than 20% of the affiliate's voting rights. If the Bank holds, directly or indirectly, less than 20% of the voting rights, it is presumed that it has no significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually demonstrated by one or more of the following ways:

- representation on the Board of Directors or equivalent management body;
- participation in policy-making processes, including participation in decisions on dividends or other distributions;
- material transactions between the Bank and the investee;
- exchange of management staff; and
- provision of essential technical information.

Impairment

The recoverable value of investments in subsidiaries and associated companies is evaluated whenever there is evidence of impairment. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries or associated companies and their book value. The identified impairment losses are recorded against profit or loss and are subsequently reversed by profit or loss, if there is a reduction in the estimated loss amount, in a subsequent period.

2.11 Non-current assets held for sale and discontinued operations

Non-current assets, Banks of non-current assets held for sale (asset Banks together with their liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale where there is an intention to dispose of such assets and liabilities and assets or asset Banks are available for immediate sale and their sale is very likely.

The Bank also classifies as non-current assets held for sale the non-current assets or Banks of assets acquired only for the purpose of subsequent sale, which are available for immediate sale and whose sale is very probable.

Immediately prior to their classification as non-current assets held for sale, the measurement of all non-current assets and all assets and liabilities included in a Bank of assets for sale is carried out in accordance with the applicable IFRS. After their reclassification, these assets or asset banks are measured at the lower of cost and fair value less costs of sale.

Discontinued operations and subsidiaries acquired exclusively for the purpose of sale in the short term are consolidated until they are sold.

The Bank also classifies in non-current assets held for sale real estate held for credit recovery, which are initially measured at the lower of their fair value net of selling costs and the book value of the existing credit at the date of judicial award of the property.

Fair value is based on market value, which is determined based on the expected sales price obtained through periodic evaluations conducted by the Bank.

Subsequent measurement of these assets is carried out at the lower of their book value and the corresponding fair value, net of costs of sale, and are not subject to amortization. In the event of unrealized losses, these are recorded as impairment losses against income for the year.

For properties recognized in non-current assets held for sale more than 2 years ago, BNA was required to maintain them on the balance sheet for another 2 years while the Bank makes the best effort to sell them.

2.12 Taxes on profits

Taxes on profits recorded in the income statement include the effect of current and deferred taxes. Taxes are recognized in the income statement, except when related to items that are handled in equity, which implies their recognition in equity. The deferred taxes recognized in equity arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are subsequently recognized in the income statement when the gains and losses that they have been recognized are recognized as a result of profit or loss from which they arose.

i. *Current taxes*

Current taxes correspond to the amount assessed for taxable income for the year, using the tax rate in force or substantially approved by the a thorities at the balance sheet date and any adjustments to taxes from previous years.

With the publication of Law No. 19/14 of 22nd O tober, which entered into force on January 1st 2015, the Industrial Tax is provisionally settled in a single installment to be made in August, calculated through the application of a rate of 2% on income from financial intermediation operations, calculated in the first six months of the previous fiscal year, excluding income subject to Imposto sobre a Aplicação de Capitais (IAC), regardless of the existence of a taxable amount in the fiscal year.

ii. *Deferred taxes*

Deferred taxes are calculated according to the liability method based on the balance sheet, on temporary differences between the carrying amounts of the assets and liabilities and their tax base, using the tax rates approved or substantially approved at balance sheet date and which are expected to be applied when temporary differences reverse (IAS 12).

Deferred tax liabilities are recognized for all taxa le temporary differences other than goodwill, not deductible for tax purposes, of differences resulting from the initial recognition of assets and liabilities that do not affect either accounting profit or tax, and differences related to investments in subsidiaries to the extent that they are not likely to reverse in the future.

Deferred tax assets are recognized when it is pr bable that future taxable income will absorb temporary differences that are deductible for tax purposes (including reportable tax losses).

As set forth in IAS 12 – Income Tax, paragraph 74, the Bank proceeds to offset deferred tax assets and liabilities whenever: (i) it has the legally enforceable right to offset current tax assets and current tax liabilities; and (ii) deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities that wish to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future year in which the deferred tax liabilities or assets are expected to be settled or recovered.

iii. ***Tax on capital gains***

Presidential Legislative Decree No. 2/14 of 20th October, in force since 19th November, has reviewed and introduced several legislative amendments to the IAC Code.

The IAC relates generally to income from the Bank's financial investments. The rate varies from 5% (in the case of interest, amortization or redemption premiums and other forms of remuneration of public debt securities, bonds, equity securities or other similar securities issued by any company, which are admitted to trading on a regulated market and its issue is three years or more in maturity) and 15%.

In addition, as provided in the Industrial Tax Code, the IAC itself (Article 18) is not deductible as a deductible expense for the purpose of calculating the tax base, and, on the other hand, will be deducted from the taxable income, the income subject to IAC (Article 47).

iv. ***Special Contribution on Foreign Exchange Transactions of invisible currents***

The Special Contribution on Foreign Exchange Transactions in Current Invisibles, whose legal regime is established in Law 3/2018 of 1st March - Law of the State's General Budget 2018, is levied, at the rate of 10%, on the transfers made under foreign technical assistance or management contracts, regulated by the provisions of the respective Regulation, approved by Presidential Decree no. 273/11 of 27th October, as amended by Presidential Decree 123/13, of August 28th.

2.13 Other taxation

i. ***Property tax***

Property Tax (IPU)

Pursuant to Law no. 18/11, of April 21st, the IPU is levied on (i) the equity value of own property in excess of Kz 5,000,000 used in the development of the Bank's normal business, at a rate of 0.5%, and (ii) rents from leased properties, at the rate of 15%.

In addition, pursuant to article 18 of the Industrial Tax Code, the deductible expense for the purposes of calculating the taxable income is not accepted as IPU, as well as the maintenance and repair costs of leased properties, considered as expenses in the calculation of the IPU.

Sisa

Pursuant to Legislative Decree no. 230 of May 18th 1931, as well as the amendments introduced by Law no. 15/92 of 3rd July and Law no. 16/11 of 21st April , Sisa focuses on all acts that imply perpetual or temporary transmission of property of any value, kind or nature, regardless of the name or form of the title (e.g. acts that involve the transmission of improvements in rural or urban property, transmissions of real property through donations with pensions or the transfer of real property through donations) at the rate of 2%.

ii. *Other taxes*

The Bank is also subject to indirect taxes, such as customs duties, Stamp Duty, excise taxes and other taxes.

iii. *Tax substitution*

In the scope of its activity, the Bank assumes the role of a tax entity substitute, levying withholding taxes on third parties, which it then delivers to the State.

Capital Gains Tax

According to Presidential Legislative Decree no. 2/14, dated October 20th, the Bank withholds 10% IAC on term deposits interest paid to clients.

Stamp Duty

In accordance with Presidential Legislative Decree 3/14 of 21st October, the Bank is responsible for the settlement and delivery of Stamp Duty due by its clients in all banking operations (e.g. financing, collection of financing interest, financial services commissions), the Bank proceeding to settle the tax at the rates set forth in the Schedule of Stamp Duty.

Industrial taxes

Pursuant to article 67, paragraph 1, of Law No. 19/14, of October 22nd, services of any nature are subject to taxation, withholding tax at the rate of 6.5 %.

Urban Property Tax

Pursuant to Law No. 18/11, of April 21st, the Bank deducts the withholding tax from the IPU due, at the rate of 15%, on the payment or delivery of rents related to rented properties.

2.14 Employee benefits

i. *Defined contribution plans*

For defined contribution plans, the liabilities related to the benefit attributable to the Bank's employees are recognized as an expense of the year when due. Prepaid contributions are recognized as an asset if a refund or reduction of future payments is available.

ii. *Long-term employee benefits*

The Bank's net liability for long-term employee benefits is the amount of future benefit that employees are expected to enjoy in exchange for their service in the current year and in previous years. This benefit is discounted to determine its present value. Measurements are recognized in the results for the year.

iii. *Benefits associated with termination of employment*

Benefits associated with the termination of employment are recognized as cost, whichever is earlier between the time when the Bank can no longer withdraw the offering of these benefits or when the Bank recognizes costs associated with a restructuring. If benefits are not expected to be liquid within 12 months, then they are discounted.

iv. *Short-term employee benefits*

Short-term employee benefits are recorded as costs once the associated service has been provided. A liability is recognized for the amount expected to be settled if the Bank has a present legal or constructive obligation to pay this amount as a result of past service by the employee and that liability can be estimated reliably.

The General Labor Law establishes that the amount of vacation allowance payable to workers in a given year is a right acquired by them in the immediately preceding year. As a result, the Bank records in the current year the amounts relating to vacation and holiday allowance payable in the following year.

v. *Social Fund*

BAI's Social Fund aims to provide financial support to employees to cover expenses of an essentially social nature, with a view to preventing, reducing or solving problems arising from work, personal or family conditions, in the face of serious and urgent situations.

The financial allocations of the Social Fund are exclusively made by approval of the Board of Directors for the allocation in each financial year of a percentage of profits before tax deductions. The appropriations not used annually shall be carried to the following year's budget.

vi. *Variable remuneration for employees and directors*

The Bank assigns variable remuneration to its employees and managers as a result of their performance (performance bonuses). It is incumbent upon the Board of Directors and the Remuneration Committee of the members of the corporate bodies to set their respective allocation criteria for employees and each employee and manager, respectively, whenever this is attributed. The variable remuneration attributed is recorded in the income statement for the year to which it relates.

2.15 Provisions

Provisions are recognized when (i) the Bank has a present obligation (legal or from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its payment will be required and (iii) when a reliable estimate of the value of that obligation can be made.

The measurement of provisions takes into account the principles defined in IAS 37 as regards the best estimate of the expected cost, the most probable result of the actions in progress and taking into account the risks and uncertainties inherent in the process.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, being reversed by against profit or loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use for the obligations for which they were initially constituted or in cases where they are no longer observed.

2.16 Interest recognition

The results referring to interest on financial instruments and liabilities measured at amortized cost are recognized under interest and similar income or interest and similar costs (Net interest income), using the effective interest method on a straight-line basis. Interest on financial assets at fair value through other comprehensive income is also recognized in the Net interest income as well as financial assets and liabilities at fair value through profit or loss.

The calculation of interest includes commissions paid or received which are considered to be an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except for financial assets and liabilities at fair value through profit or loss.

In the case of financial assets or Banks of similar financial assets for which impairment losses have been recognized, interest recorded in results is determined based on the interest rate used to discount future cash flows in the measurement of impairment loss.

Specifically with regard to the policy for recording interest on overdue loans, the following aspects are considered in accordance with IFRS 15 and IFRS 9:

- Interest on overdue loans with real collaterals until the prudently assessed coverage limit is reached are recorded against income statement on the assumption that there is a

reasonable probability of their recovery; and
- Interest already recognized and unpaid in respect of loans overdue for more than 90 days that are not covered by collateral is canceled and are only recognized when received because it is considered that its recovery is remote.

For financial assets classified as stage 3, interest is recognized in the income statement based on its book value net of impairment.

2.17 Recognition of dividends

Dividends (income from equity instruments) are recognized in income when the right to receive them is attributed. Dividends are shown in the results of financial operations, net results of other financial instruments at fair value through income stat ment or other income, depending on the classification of the underlying instrument.

2.18 Recognition of income from services and commissions

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

- when they are obtained as services are rendered, their recognition in profit and loss is made in the year to which they relate in accordance with IFRS 15;
- when they result from a provision of services, recognition is made when the service is concluded in accordance with IFRS 15.
- when they are an integral part of the effective interest rate of a financial instrument, income from services and commissions is recorded in the Net interest income in accordance with IFRS 9.

2.19 Fiduciary activities

Assets held in connection with fiduciary activities are not recognized in the Bank's financial statements. Results obtained with services and fees from these activities are recognized in the income statement in the year in which they occur.

2.20 Net profit on financial operations

Gains or losses in financial operations include gains and losses generated by financial assets and financial liabilities at fair value through profit or loss, in particular the trading portfolios and other assets and liabilities at fair value through profit or loss, including dividends associated with these portfolios.

These results also include gains on sales of financial assets at fair value through other comprehensive income and investments at amortized cost.

2.21 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise amounts recorded in the balance sheet with a maturity of less than three months from the date of the balance sheet, including cash, deposits with BNA and cash and cash equivalents in other credit institutions.

2.22 Financial guarantees and commitments

Financial guarantees are contracts that oblige the Bank to make specific payments in order to reimburse the holder for a loss incurred as a result of a debtor's failure to comply with a payment. Irrevocable commitments are intended to provide credit under pre-determined conditions.

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below market value are initially recognized at fair value and the initial fair value is amortized over the useful life of the guarantee or commitment. Subsequently, the liability is recorded at the higher of the amortized amount and the present value of any payment expected to be settled.

3 – Main estimates and judgments used in the preparation of the financial statements

IAS/IFRS establish a series of accounting procedures and require the Board of Directors to make judgments and make the necessary estimates to decide which accounting treatment is most appropriate. The main accounting estimates and judgments used in the application of the accounting principles by the Bank are presented in this Note, aiming to improve the understanding of how their application affects the reported results of the Bank and their publication. A broad description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Bank could be different if a different treatment were chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements present fairly and appropriately the Bank's financial position and the results of its operations in all material respects.

3.1 Impairment of financial assets at amortized cost or fair value through other comprehensive income

The critical judgments with the greatest impact on the recognized amounts of impairment of financial assets at amortized cost and at fair value through equity are as follows:

- Evaluation of the business model: the classification and measurement of financial assets depends on the results of the SPPI test and the definition of the business model. BAI determines the business model based on how it wants to manage the financial assets and business objectives. The Bank monitors whether the classification of the business model is appropriate based on the analysis of the anticipated derecognition of assets at amortized cost or at fair value through other comprehensive income, evaluating whether a prospective change is necessary;
- Significant increase in credit risk: as stated in policy 2.5 - Financial instruments, the determination of the transfer of an asset from stage 1 to stage 2 for the purpose of determining impairment is made on the basis of a significant increase in its credit risk , and IFRS 9 does not objectively define what constitutes a significant increase in credit risk;
- Definition of assets with similar credit risk characteristics: when expected credit losses are measured in a collective model, financial instruments are grouped based on the same risk characteristics. The Bank monitors the adequacy of the credit risk characteristics in order to ensure that the assets are properly reclassified in the event of changes in credit risk characteristics.
- Models and assumptions used: the Bank uses several models and assumptions in the measurement of the estimate of expected credit losses. The judgment is applied in identifying the most appropriate model for each asset typology as well as to determine the assumptions used in these models. In addition, in compliance with the IFRS 9 regulation that explains the need for the impairment result to consider multiple scenarios, a methodology for incorporating scenarios into the risk parameters was implemented. Thus, the calculation of collective impairment considers several scenarios with a specific weighting, based on the internal methodology defined for the making of scenarios - definition of multiple perspectives of macroeconomic evolution, with probability of relevant occurrence.

3.2 Fair value of other financial assets and liabilities valued at fair value

Fair value is based on market quotations, where available, and in the absence of a quotation is determined based on the use of prices of similar recent transactions and under market conditions, or based on valuation methodologies based on techniques of discounted future cashflows considering the market conditions, the temporal value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

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

3.3 Impairment losses on loans to customers

The Bank carries out a periodic review of its credit portfolio in order to assess the existence of impairment losses, as referred to in the accounting policy described in Note 2.3.

The process of evaluating the loan portfolio in order to determine whether an impairment loss should be recognized is subject to various estimates and judgments. This process includes factors such as probability of default, credit ratings, collateral value associated with each transaction, recovery rates and estimates of both future cash flows and the timing of their receipt.

Alternative methodologies and the use of other assumptions and estimates could result in different levels of impairment losses recognized, with the consequent impact on the Bank's results.

The Bank considers that the impairment determined on the basis of the methodology described in Note 2.5 adequately reflects the risk associated with its loan portfolio, taking into account the rules defined by IFRS 9.

3.4 Income taxes

The Bank is subject to taxation on Industrial Tax and deemed a Bank A taxpayer.

Income taxes (current or deferred) are reflected in profit or loss for the year, except where the transactions that gave rise to them have been reflected in other equity items. In these situations, the corresponding tax is also reflected against equity, without affecting the result for the year.

The calculation of the current tax estimate for the years ended December 31st 2018 and 2017 was calculated pursuant to paragraphs 1 and 2 of article 64, of Law no. 19/14, of October 22nd, the applicable tax rate being 30%.

Tax returns are subject to review and correction by the tax authorities for a period of five years, and may extend up to ten years and may result, due to different interpretations of tax legislation, in possible corrections to the taxable income of the years 2014 to 2018.

The tax losses calculated in a given year, as provided in article 48 (1) of the Industrial Tax Code, may be deducted from the taxable profits of the three subsequent years.

Certain interpretations and estimates were required to determine the overall amount of tax on profits. There are several transactions and calculations for which the determination of taxes payable is uncertain during the normal business cycle.

Deferred taxes are calculated based on the tax rates anticipated to be in effect at the date of reversal of the temporal differences, which correspond to the rates approved or substantially approved at the balance sheet date. Thus, for the years ended December 31st 2018 and 2017, deferred tax was generally calculated based on a rate of 30%.

Other interpretations and estimates could result in a different level of both current and deferred income tax recognized in the year.

4 – Cash and cash equivalents at central banks

This entry has the following composition:

	31-12-2018	31-12-2017
Cash and cash equivalents		
In domestic currency	18.701.477	17.554.716
In foreign currency	3.357.575	2.285.981
Demand deposits at Banco Nacional de Angola		
In domestic currency	168.322.957	152.481.955
In foreign currency	63.485.179	8.628.022
	253.867.188	**180.950.674**

The account "Demand deposits" at BNA includes deposits made to satisfy the mandatory reserves regime. These reserves are constituted in accordance with Instruction No. 10/2018 and Directive No. 4/DSP/DRO/18, of 19th July, of BNA, summarized as follows:

Reserve base	Assessment	Coefficient in domestic currency	Coefficient in foreign currency
Central Government	Daily	17%	100%
Local Governments and Municipal Administrations	Daily	17%	100%
Other Sectors	Weekly	17%	15%

Compliance with the mandatory reserves for a given weekly observation period is carried out taking into account the average value of the balances of client deposits, among others, with the Bank during the said period.

According to the aforementioned Instruction, the mandatory reserves in foreign currency may be fulfilled by 20% of the amounts deposited with BNA and 80% by foreign currency treasury bonds issued as of 2015.

At December 31st 2018, the total amount of liabilities (Central Government, Local Governments, Local Administrations and Other Sectors) amounts to tKz 304,765,773 (2017: tKz 213,426,738).

5 – Cash and cash equivalents at other credit institutions

This entry has the following composition:

	31-12-2018	31-12-2017
Cash and cash equivalents in credit institutions in the country		
Other cash and cash equivalents	56.419	251.046
Cash and cash equivalents in credit institutions abroad		
Demand deposits	125.288.869	9.145.983
Other cash and cash equivalents	53.123	(7.560)
	125.398.411	**9.389.469**

6 – Applications in central banks and other credit institutions

This entry has the following composition:

	31-12-2018	31-12-2017
Applications in central banks and other credit institutions in the country		
Deposits		
Banco Nacional de Angola	-	27.500.000
Accrued interest	-	43.685
Transactions for the purchase of third-party securities with resale agreements	21.119.323	25.024.784
	21.119.323	**52.568.469**
Investments in credit institutions abroad		
Interbank money market	328.613.992	201.575.933
Accrued	473.202	143.503
Collateral Deposits	1.183.223	249.770
	330.270.417	**201.969.206**
Imparities	**(226.927)**	**-**
	351.162.813	**254.537.675**

The scheduling of the applications in central banks and other credit institutions by maturity, at December 31st 2018 and 2017, is as follows:

	31-12-2018	31-12-2017
Up to three months	277.603.360	245.684.552
Three to six months	66.591.956	5.546.062
Six months to a year	7.194.424	3.307.061
	351.389.740	**254.537.675**

Investments in central banks and other credit institutions at December 31st 2018 earned interest at the weighted average rate of 9.03% in national currency (2017: 16.47%).

Deposits with foreign credit institutions bear interest at the international market rates where the Bank makes applications.

As at December 31st 2018, the balance under Collateral deposits refers to the provisioning at the corresponding Bank for daily settlements of VISA card uses for subsequent settlement with the customer.

As at December 31st 2018, the account Investments in credit institutions abroad - Interbank money market includes the amounts of tKz 28,709,602 which are collateralizing loan operations granted by the corresponding banks.

All exposures relating to investments in other credit institutions are in stage 1.
At December 31st 2018, impairment losses for Investments in central banks and other credit institutions are as follows:

	31-12-2018
Opening balance (IAS 39)	-
Transition adjustment to IFRS 9 (Note 41)	63.304
Allocation of the period	30.954
Reversal of the period	(9.871)
Regularizations	142.540
Final balance of impairment	**226.927**

7 – Financial assets at fair value through profit or loss

This entry has the following composition:

	31-12-2018	31-12-2017
Financial assets at fair value through profit or loss		
Bonds and other fixed income securities		
From public issuers		
Bonds indexed to the United States Dollar exhange rate	8.057.624	-
Bonds in foreign currency	11.045.045	-
Non-readjustable bond	19.798.825	-
Treasury bonds	6.083.475	-
From other issuers	826.763	-
Other variable-yield securities		
Shares in Funds	3.539.961	-
	49.351.693	**-**
Financial assets held for trading and at fair value through profit or loss		
Bonds and other fixed income securities		
From public issuers		
Bonds indexed to the United States Dollar exhange rate	-	3.901.418
Bonds in foreign currency	-	177.197
	-	**4.078.615**
	49.351.693	**4.078.615**

According to the accounting policy described in Note 2.5, financial assets at fair value through profit or loss are those acquired for the purpose of trading in the short term, regardless of their maturity, and those that do not meet the SPPI (solely payments of principal and interest) criterion.

At December 31st 2018 and 2017, financial assets measured at fair value through profit or loss have the following valuation levels:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Securities				
Bonds and other fixed income securities				
From public issuers	-	44.984.968	-	44.984.968
From other issuers	-	826.763	-	826.763
Shares in funds	-	3.539.961	-	3.539.961
	-	**49.351.693**	**-**	**49.351.693**
Balance as at 31st December 2018	**-**	**49.351.693**	**-**	**49.351.693**
Financial assets held for trading and at fair value through profit or				
Securities				
Bonds and other fixed income securities				
From public issuers	-	4.078.615	-	4.078.615
From other issuers				
	-	**4.078.615**	**-**	**4.078.615**
Balance as at 31st December 2017	**-**	**4.078.615**	**-**	**4.078.615**

In accordance with IFRS 13, financial instruments are measured at the valuation levels described in Note 39.
At December 31st 2018 and 2017, securities measured at fair value through profit or loss have the following residual maturity dates:

	Less than three months	From three months to one year	One to five years	More than five years	Total
Financial assets at fair value through profit or loss					
Bonds and other fixed income securities					
From public issuers	2.042.138	4.416.727	38.526.104	-	44.984.969
From other issuers	-	-	-	826.763	826.763
Other variable income securities	-	-	-	3.539.961	3.539.961
Balance as at 31st December 2018	**2.042.138**	**4.416.727**	**38.526.104**	**4.366.724**	**49.351.693**
Financial assets held for trading and at fair value through profit or loss					
Bonds and other fixed income securities					
From public issuers	-	-	3.429.467	649.148	4.078.615
Balance as at 31st December 2017	-	-	**3.429.467**	**649.148**	**4.078.615**

At December 31st 2018 and 2017, securities measured at fair value through profit or loss have the following characteristics:

31-12-2018	Issuer	Domicile	Activity	Currency	Indexer	Average rate	Nominal value	Acquisition cost	Accrued interest	Fair value adjustment	Book value
Financial assets at fair value through profit or loss											
Securities											
Treasury bonds indexed to the US Dollar exchange rate	State	Angola	Government	AKZ	USD	6,40%	7.927.338	7.735.933	148.896	170.374	8.055.203
Treasury bonds in foreign currency	State	Angola	Government	USD	Libor	5,64%	11.045.045	11.138.859	228.775	-	11.367.634
Non-readjustable bonds	State	Angola	Government	AKZ	n.a.	12,00%	26.778.174	26.934.289	429.444	(1.801.603)	25.562.131
Financial assets mandatorily at fair value through profit or loss											
Securities											
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	5,75%	823.496	823.496	1.069	2.197	826.763
Other variable-yield securities											
Carlyle	n.a.	EUA	Investment fund	USD	n.a.	n.a.	n.a.	512.911	n.a.	(459.616)	53.295

31-12-2017	Issuer	Domicile	Activity	Currency	Indexer	Average rate	Nominal value	Acquisition cost	Accrued interest	Fair value adjustment	Book value
Financial assets held for trading											
Securities											
Treasury bonds indexed to the US Dollar exchange rate	State	Angola	Governo	AKZ	USD	6,55%	3.582.705	3.582.705	5.919	312.794	3.901.418
Treasury bonds in foreign currency	State	Angola	Governo	USD	n.a.	4,28%	175.879	175.879	1.318	-	177.197
							3.758.584	**3.758.584**	**7.237**	**312.794**	**4.078.615**

As a result of the adoption of IFRS 9, those instruments whose characteristics do not comply with the requirements of the SPPI and which would otherwise be recorded at fair value through other income are reclassified under financial instruments obligatorily measured at fair value by other comprehensive income or amortized cost. The detail of this reclassification is as follows:

	01-01-2018		31-12-2018
	Book value	Fair value	Fair value
Financial assets at fair value through profit or loss			
Held-to-maturity financial assets			
Bonds and other fixed income securities	831 884	853 976	826 763
Financial assets available for sale			
Other variable-yield securities	2 618 271	2 618 271	3 539 961
Total	**3 450 155**	**3 472 247**	**4 366 724**

8 – Financial assets at fair value through other comprehensive income

This entry has the following composition:

	Cost[1]	Fair value reserve		Balance sheet value
		Positive	Negative	
Financial assets at fair value through other comprehensive income				
Bonds and other fixed income securities				
From public issuers	30.860.700	-	(976.907)	29.883.793
Shares	518.106	-	(241.542)	276.564
Balance as at 31st December 2018	**31.378.806**	**-**	**(1.218.449)**	**30.160.357**
Financial assets available for sale				
Bonds and other fixed income securities				
From public issuers	16.640.212	-	-	16.640.212
Shares	75.033	-	-	75.033
Other variable income securities	1.810.920	807.351	-	2.618.271
Balance as at 31st December 2017	**18.526.165**	**807.351**	**-**	**19.333.516**

(1) Acquisition cost with respect to shares and other equity instruments and amortized cost for debt securities.

In accordance with the accounting policy described in Note 2.5, debt securities at fair value through other comprehensive income are impaired as a result of the adoption of IFRS 9, in accordance with the defined model.

All exposures relating to debt securities at fair value through other comprehensive income are at stage 1.

The account Bonds and fixed income securities - From public issuers refers to the securities and respective interest receivable that resulted from the conversion of the mandatory reserves into USD, within the scope of the requirements defined by the BNA at the end of 2015.

At December 31st 2018 and 2017, financial assets at fair value through other comprehensive income, net of impairment, have the following valuation levels:

	Level 1	Level 2	Level 3	At cost	Total
Financial assets at fair value through other comprehensive income					
Bonds and other fixed income securities					
From public issuers	-	29.883.793	-	-	29.883.793
Shares	-	-	276.564	-	276.564
Balance as at 31st December 2018	**-**	**29.883.793**	**276.564**	**-**	**30.160.357**
Financial assets available for sale					
Bonds and other fixed income securities					
From public issuers	-	16.640.212	-	-	16.640.212
Shares	-	-	-	75.033	75.033
Other variable income securities	-	2.618.271	-	-	2.618.271
Balance as at 31st December 2017	**-**	**19.258.483**	**-**	**75.033**	**19.333.516**

Pursuant to IFRS 13, financial instruments are measured at the valuation levels described in Note 39.

At December 31st 2018 and 2017, financial assets at fair value through other comprehensive income present the following residual maturity terms:

	Less than three months	From three months to one year	One to five years	More than five years	Indefinite d duration	Total
Financial assets at fair value through other comprehensive income						
Bonds and other fixed income securities						
From public issuers	-	-	29.883.794	-	-	29.883.794
Shares	-	-	-	-	276.564	276.564
Balance as at 31st December 2018	**-**	**-**	**29.883.794**	**-**	**276.564**	**30.160.357**
Financial assets available for sale						
Bonds and other fixed income securities						
From public issuers	-	-	16.640.212	-	-	16.640.212
Shares	-	-	-	-	75.033	75.033
Other variable income securities	-	-	-	-	2.618.271	2.618.271
Balance as at 31st December 2017	**-**	**-**	**16.640.212**	**-**	**2.693.304**	**19.333.516**

At December 31st 2018 and 2017, financial assets at fair value through other comprehensive income have the following characteristics:

31-12-2018	Issuer	Domicile	Activity	Currency	Indexer	Average rate	Nominal value	Acquisition cost	Accrued interest	Fair value adjustment	Book value
Financial assets at fair value through other comprehensive income											
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	5,00%	30.860.700	30.860.700	89.020	(1.065.927)	29.883.793
Shares	Other	Angola	Financial and Insurance Institutions	AKZ	n.a.	n.a.	n.a.	518.106	n.a.	(241.542)	276.564
							30.860.700	**31.378.806**	**89.020**	**(1.307.469)**	**30.160.357**

31-12-2017	Issuer	Domicile	Activity	Currency	Indexer	Average rate	Nominal value	Acquisition cost	Accrued interest	Fair value adjustment	Book value
Financial assets at fair value through other comprehensive income											
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	5,00%	16.592.350	16.592.350	47.862	-	16.640.212
Carlyle	n.a.	EUA	Investment Funds	USD	n.a.	n.a.	n.a.	512.911	n.a.	(457.009)	55.902
FIPA I	n.a.	Luxemburg	Investment Funds	USD	n.a.	n.a.	n.a.	820.219	n.a.	1.385.077	2.205.296
FIPA II	n.a.	Luxemburgo	Investment Funds	USD	n.a.	n.a.	n.a.	477.790	n.a.	(120.717)	357.073
Shares	Other	Angola	Financial and Insurance Institutions	AKZ	n.a.	n.a.	n.a.	75.033	n.a.	-	75.033
							16.592.350	**18.478.303**	**47.862**	**807.351**	**19.333.516**

The fair value reserve evolution occurred during the year is detailed in Note 21.

9 – Investments at amortized cost

This entry has the following composition:

	31-12-2018	31-12-2017
Investments at amortized cost		
Bonds and other fixed income securities		
From public issuers		
Treasury Bonds	175.471.663	-
Treasury bonds in national currency		
Indexed to the United States Dollar exchange rate	144.916.825	-
Indexed to treasury bonds	8.566.652	-
Non-readjustable	108.946.087	-
Treasury Bonds in foreign currency	289.444.426	-
	727.345.653	
Impairment of investments at amortized cost	(4.684.157)	-
	722.661.496	-
Held-to-maturity investments		
Bonds and other fixed income securities		
From public issuers		
Treasury Bonds	-	147.579.736
Treasury bonds in national currency		
Indexed to the United States Dollar exchange rate	-	38.214.068
Non-readjustable	-	50.355.635
Treasury Bonds in foreign currency	-	180.218.605
Foreign currency securities from other issuers	-	1.685.582
	-	418.053.626
	722.661.496	418.053.626

The item Treasury Bonds in foreign currency includes the securities resulting from the conversion of the mandatory reserves into foreign currency and was partially reclassified in October 2016 from the heading Financial assets at fair value through other comprehensive income.

The item Treasury Bonds in non-adjustable national currency includes Treasury Bonds in the amount of tKz 42,814,711 resulting from a direct credit operation to the State in the form of Bridge Finance under a banking syndicate whose settlement was made in Treasury Bonds, pursuant to the terms established by Presidential Decree 136/14 of 16th July.

The fair value of the investment portfolio at amortized cost is shown in Note 39, within the scope of the disclosure requirements defined in IFRS 7 and IFRS 9.

All exposures related to investments at amortized cost are in stage 1.

Investments at amortized cost have the following residual maturity dates:

	Less than three months	From three months to one year	One to five years	More than five years	Total
Obligations of national public issuers					
Treasury Bonds	45.130.400	130.341.263	-	-	175.471.663
Treasury bonds in national currency					
Indexed to the United States Dollar exchange rate	4.802.122	41.175.274	89.574.820	9.364.609	144.916.825
Non-readjustable	-	9.121.286	97.349.791	2.475.010	108.946.087
Indexed to the Treasury Bonds	-	-	8.566.652	-	8.566.652
Treasury Bonds in foreign currency	7.870.700	14.566.953	258.820.439	8.186.334	289.444.426
Bonds of other issuers	-	-	-	-	-
Impairment	(220.213)	(624.036)	(3.709.310)	(130.599)	(4.684.157)
Balance as at 31st December 2018	**57.583.010**	**194.580.740**	**450.602.392**	**19.895.354**	**722.661.496**
Obligations of national public issuers					
Treasury Bonds	111.333.745	36.245.991	-	-	147.579.736
Treasury bonds in national currency					
Indexed to the United States Dollar exchange rate	-	7.609.806	22.773.612	7.830.650	38.214.068
Non-readjustable	2.503.667	9.023.697	38.828.271	-	50.355.635
Treasury Bonds in foreign currency	6.560.956	74.949.417	94.306.824	4.401.408	180.218.605
Bonds of other issuers	860.880	-	824.702	-	1.685.582
Balance as at 31st December 2017	**121.259.248**	**127.828.911**	**156.733.409**	**12.232.058**	**418.053.626**

On December 31st 2018 and 2017, investments at amortized cost have the following characteristics:

31-12-2018	Issuer	Domicile	Activity	Currency	Indexer	Average rate	Nominal value	Acquisition cost	Premium/Discount	Accrued interest	Impairment	Book value
Investments at amortized cost												
Treasury Bonds	State	Angola	Government	AKZ	n.a.	17,95%	186.980.494	166.290.810	-	9.180.853	(430.344)	175.041.319
Treasury Bonds in national curre												
Indexed to the United States Dollar exchange rate	State	Angola	Government	AKZ	USD	6,43%	83.422.920	142.416.063	266.570	2.234.192	(386.981)	144.529.844
Non-readjustable	State	Angola	Government	AKZ	n.a.	11,49%	127.882.712	100.011.736	5.537.050	3.397.300	(265.802)	108.680.285
Indexed to the Treasury Bonds	State	Angola	Government	AKZ	n.a.	25,90%	8.000.000	8.000.000	-	566.652	(21.010)	8.545.642
Treasury Bonds in foreign currency	State	Angola	Government	USD	n.a.	5,45%	284.125.207	286.372.608	270.156	2.801.663	(3.580.020)	285.864.406
							690.411.333	**703.091.217**	**6.073.776**	**18.180.660**	**(4.684.157)**	**722.661.496**

31-12-2017	Issuer	Domicile	Activity	Currency	Indexer	Average rate	Nominal value	Acquisition cost	Premium/Discount	Accrued interest	Impairment	Book value
Held-to-maturity financial assets												
Treasury Bonds	State	Angola	Government	AKZ	n.a.	21,11%	152.720.783	135.154.898	12.424.838	-	-	147.579.736
Treasury Bonds in national currency												
Indexed to the United States Dollar exchange rate	State	Angola	Government	AKZ	USD	6,15%	30.975.478	37.909.532	63.775	240.761	-	38.214.068
Non-readjustable	State	Angola	Government	AKZ	n.a.	8,67%	53.858.600	49.007.217	1.104.039	244.379	-	50.355.635
Treasury Bonds in foreign currency	State	Angola	Government	USD	n.a.	4,55%	178.447.406	177.760.711	689.745	1.768.149	-	180.218.605
Other bonds in foreign currency - EUR	Other	Cabo Verde	IFinancial Institutions; Construction; Transportation	EUR	n.a.	6,25%	810.729	810.729	-	21.153	-	831.882
Other bonds in foreign currency - USD	Other	Angola	Instituições Financeiras	USD	n.a.	11,00%	829.618	829.618	-	24.082	-	853.700
							417.642.614	**401.472.705**	**14.282.397**	**2.298.524**	**-**	**418.053.626**

At December 31st 2018, impairment losses on investments at amortized cost show the following movements:

	31-12-2018
Opening Balance (IAS 39)	-
Transition adjustment to IFRS 9	2.700.199
Appropriation for the year	723.308
Reversal for the year	(711.762)
Adjustments (exchange rate effect)	1.972.412
Final impairment balance	**4.684.157**

10 – Loans to Customers

This entry has the following composition:

	31-12-2018	31-12-2017
Loans at amortized cost		
Domestic loans		
To companies	**334.448.183**	**267.026.569**
Loans in current account	9.922.626	44.401.154
Loans	324.395.560	222.507.566
Credit cards	129.997	117.849
To individuals	**79.376.974**	**59.481.579**
Housing	31.529.632	23.708.103
Consumption and others	47.847.342	35.773.476
	413.825.157	**326.508.148**
Foreign credit		
To companies	**14.658.833**	**9.458.436**
Overdrafts	-	21
Credit cards	-	775
Other credits	14.658.833	9.457.640
To individuals	**-**	**4.790**
	14.658.833	**9.463.226**
Non-performing loans (principal and interest)		
Up to 30 days	28.689.058	25.631.708
From 30 to 90 days	9.702.262	20.778.427
More than 90 days	101.766.337	75.421.440
	140.157.657	**121.831.575**
	568.641.647	**457.802.949**
Adjustment of credit income in stage 3	(14.212.088)	-
	554.429.559	**457.802.949**
Impairment losses	(182.282.323)	(88.457.685)
	372.147.236	369.345.264
Credit at fair value through profit or loss		
Gross book value	3.092.503	-
Adjustment to fair value	(1.986.456)	-
	1.106.047	**-**
	373.253.283	**369.345.264**

Loans in default includes all credit operations past due for more than one day, including installments expired and due.

Loans to clients include tKz 1,106,047 related to credits that are mandatorily measured at fair value through profit or loss, as they do not meet the requirements of IFRS 9 for the SPPI (see note 2.5).

On December 31st 2018 and 2017, the breakdown of credit in default and impairment by maturity is as follows:

	Exposure 31-Dec-2018				Impairment 31-Dec-2018			
Segment	Non-performing loans	Up to 30 days	From 30 to 90 days	More than 90 days	Total impairment	Up to 30 days	From 30 to 90 days	More than 90 days
Consumption	7.632.563	4.097.235	329.130	3.206.198	2.208.063	156.654	39.523	2.011.886
Overdraft	173.044	9.659	60.651	102.734	93.094	502	4.487	88.105
Large companies	94.120.798	16.082.821	6.916.485	71.121.492	41.929.049	1.991.143	4.153.351	35.784.555
Housing	14.771.497	5.293.824	1.856.735	7.620.938	5.401.160	59.731	348.153	4.993.276
Small companies	21.520.607	1.276.703	539.260	19.704.644	17.859.813	337.004	347.953	17.174.856
Public sector	1.939.148	1.928.816	1	10.331	65.400	52.424	-	12.976
Total	**140.157.657**	**28.689.058**	**9.702.262**	**101.766.337**	**67.556.579**	**2.597.458**	**4.893.467**	**60.065.654**

Segment	Exposure 31-Dec-2017				Impairment 31-Dec-2017			
	Non-performing loans	Up to 30 days	From 30 to 90 days	More than 90 days	Total impairment	Up to 30 days	From 30 to 90 days	More than 90 days
Consumption	6.656.110	3.300.925	620.476	2.734.709	2.622.229	35.794	145.834	2.440.601
Overdraft	120.411	49.295	9.219	61.897	24.535	189	26	24.320
Large companies	66.227.642	4.413.026	13.631.674	48.182.942	30.076.114	805.919	140.254	29.129.941
Housing	6.594.824	3.550.638	633.252	2.410.934	1.965.603	167.237	134.008	1.664.358
Small companies	22.700.463	330.694	350.118	22.019.651	19.095.811	99.761	119.637	18.876.413
Public sector	19.532.125	13.987.130	5.533.688	11.307	11.287	-	-	11.287
Total	**121.831.575**	**25.631.708**	**20.778.427**	**75.421.440**	**53.795.579**	**1.108.900**	**539.759**	**52.146.920**

The breakdown of loans to clients by stage is as follows:

	31-12-2018			
	Stage 1	Stage 2	Stage 3	Total
Loans at Amortized Cost				
Gross value	14.025.546	399.695.854	140.708.158	554.429.559
Impairment losses	(2.162.772)	(98.821.884)	(81.297.667)	(182.282.323)
	11.862.774	**300.873.971**	**59.410.491**	**372.147.236**
Fair value trough				**1.106.047**
Total	**11.862.774**	**300.873.971**	**59.410.491**	**373.253.283**

The transfer matrix for Stages between January 1st 2018 and December 31st 2018 is as follows:

	Stage 1	Stage 2	Stage 3
Stage at 01-Jan-2018			
Stage 1	1.200.255	248.119.285	12.819.522
Stage 2	153.895	137.942.263	2.080.297
Stage 3	599.351	13.548.533	125.660.494
Exposures originated during 2018	12.072.044	85.773	147.846
	14.025.545	**399.695.854**	**140.708.158**

The breakdown of non-performing loans with no impairment, by maturity, on December 31st 2018 and December 31st 2017 is as follows:

	Exposure 31-Dec-2018				Exposure 31-Dec-2017			
Segment	Non-performing loans without impairment	Up to 30 days	From 30 to 90 days	More than 90 days	Non-performing loans without impairment	Up to 30 days	From 30 to 90 days	More than 90 days
Consumption	-	-	-	-	3.161.307	2.819.937	190.334	151.036
Overdraft	508	12	-	496	34.354	18.415	9.189	6.750
Large companies	18.768.623	12.644.433	2.870.367	3.253.823	4.261.307	456.946	245.000	3.559.361
Housing	-	-	-	-	3.890.825	3.033.335	313.993	543.497
Small companies	135.925	-	-	135.925	640.569	63.666	148.842	428.061
Public sector	838	585	-	253	19.520.818	13.987.130	5.533.688	-
Total	**18.905.894**	**12.645.030**	**2.870.367**	**3.390.497**	**31.509.180**	**20.379.429**	**6.441.046**	**4.688.705**

The breakdown of non-performing loans with impairment, by maturity, at December 31st 2018 and December 31st 2017 is as follows:

	Exposure 31-Dec-2018				Exposure 31-Dec-2017			
Segment	Non-performing loans with impairment	Up to 30 days	From 30 to 90 days	More than 90 days	Non-performing loans with impairment	Up to 30 days	From 30 to 90 days	More than 90 days
Consumption	7.632.562	4.097.235	329.129	3.206.198	3.494.802	480.987	430.142	2.583.673
Overdraft	172.537	9.647	60.651	102.239	86.057	30.880	30	55.147
Large companies	75.352.177	3.438.387	4.046.121	67.867.669	61.966.335	3.956.081	13.386.674	44.623.580
Housing	14.771.496	5.293.825	1.856.733	7.620.938	2.703.999	517.303	319.259	1.867.437
Small companies	21.384.682	1.276.703	539.261	19.568.718	22.059.895	267.028	201.276	21.591.591
Public sector	1.938.309	1.928.231	-	10.078	11.307	-	-	11.307
Total	**121.251.763**	**16.044.028**	**6.831.895**	**98.375.840**	**90.322.395**	**5.252.279**	**14.337.381**	**70.732.735**

On December 31st 2018 and 2017, client loans and impairment by currency are shown as follows:

Currency	31.Dec.2018		31.Dec.2018	
	Loans to customers	Impairment	Loans to customers	Impairment
AKZ	305.196.077	142.249.107	277.198.277	71.561.869
USD	249.955.183	40.008.678	180.411.138	16.884.231
EUR	384.343	24.537	193.532	11.585
GBP	-	-	2	-
ZAR	3	1	-	-
Total	**555.535.606**	**182.282.323**	**457.802.949**	**68.847.353**

At December 31st 2018 and 2017, the composition of the loan portfolio by residual maturity terms is as follows:

	31-12-2018	31-12-2017
Up to 3 months	45.349.912	23.574.422
From 3 months to one year	16.326.271	30.688.887
From one to five years	219.373.580	187.963.546
More than five years	134.328.185	93.744.519
Undetermined duration	140.157.657	121.831.575
	555.535.606	**457.802.949**

Credit in default is in the category of undetermined duration due to the condition that it presents. At December 31st 2018, approximately 51% (December 31st 2017: 53%) of the credit had a maturity of less than 5 years.

On December 31st 2018 and 2017, credit and impairment are broken down by situation and segment:

Segment	Exposure 31-Dec-2018			Impairment 31-Dec-2018		
	Total exposure	Performing loans	Non-performing loans	Total impairment	Performing loans	Non-performing loans
Credit cards	909.272	909.272	-	43.196	43.196	-
Consumption	45.607.354	37.974.791	7.632.563	2.804.657	596.594	2.208.063
Overdrafts	207.437	34.393	173.044	93.099	4	93.095
Large companies	240.804.046	146.683.248	94.120.798	144.683.565	102.754.516	41.929.049
Housing	51.491.311	36.719.814	14.771.497	11.613.795	6.212.634	5.401.161
Small companies	32.692.777	11.172.169	21.520.608	21.324.283	3.464.470	17.859.813
Public sector	183.823.409	181.884.262	1.939.147	1.719.728	1.654.328	65.400
Total	**555.535.606**	**415.377.949**	**140.157.657**	**182.282.323**	**114.725.742**	**67.556.581**

Segment	Exposure 31-Dec-2017			Impairment 31-Dec-2017		
	Total exposure	Performing loans	Non-performing loans	Total impairment	Performing loans	Performing loans
Credit cards	859.595	859.595	-	41.551	41.551	-
Consumption	30.274.690	23.618.580	6.656.110	3.352.436	730.207	2.622.229
Overdrafts	120.946	535	120.411	24.535	-	24.535
Large companies	215.734.767	149.507.126	66.227.641	62.990.863	32.914.749	30.076.114
Housing	36.951.188	30.356.364	6.594.824	2.438.676	473.073	1.965.603
Small companies	29.906.498	7.206.036	22.700.462	19.582.756	486.945	19.095.811
Public sector	143.955.265	124.423.138	19.532.127	26.868	15.581	11.287
Total	**457.802.949**	**335.971.374**	**121.831.575**	**88.457.685**	**34.662.106**	**53.795.579**

Due to its nature, the Bank classifies overdrafts as non-performing credit, except for overdrafts authorized for as long as they do not exceed the authorized term established.

As of December 31st 2018 and 2017, credit and impairment show the following composition by year of granting:

31.Dec.2018

Segment	2015 and earlier			2016			2017			2018			Total		
	No.	Amount	Impairment	No.	Amount	Impairment	No.	Amount	Impairment	No.	Amount	Impairment	No.	Amount	Impairment
Credit cards	7.557	693.551	42.958	278	29.370	30	1.303	118.117	147	1.227	68.234	61	10.365	909.272	43.196
Consumption	4.163	7.391.295	995.126	686	1.614.495	465.311	2.449	7.206.545	748.190	11.048	29.395.019	596.030	18.346	45.607.354	2.804.657
Overdrafts	3.352	176.564	71.259	714	12.267	10.062	850	10.921	7.759	849	7.685	4.019	5.765	207.437	93.099
Large companie	454	85.359.459	66.195.782	73	109.501.730	50.802.952	132	17.530.431	9.834.865	1.927	28.412.427	17.849.967	2.586	240.804.047	144.683.566
Housing	1.276	49.687.840	11.522.866	19	495.900	50.720	8	216.127	26.873	31	1.091.445	13.335	1.334	51.491.312	11.613.794
Small companie	570	9.659.316	5.551.548	145	13.423.022	12.182.602	93	3.281.061	1.627.639	516	6.329.378	1.962.495	1.324	32.692.777	21.324.284
Public sector	95	143.858.536	1.604.044	8	19.460.574	65.400	8	5.931.514	14.547	53	14.572.785	35.738	164	183.823.409	1.719.729
	17.467	**296.826.561**	**85.983.583**	**1.923**	**144.537.358**	**63.577.077**	**4.843**	**34.294.716**	**12.260.020**	**15.651**	**79.876.973**	**20.461.645**	**39.884**	**555.535.608**	**182.282.325**

31.Dec.2017

Segment	2014 and earlier			2015			2016			2017			Total		
	No.	Amount	Impairment	No.	Amount	Impairment	No.	Amount	Impairment	No.	Amount	Impairment	No.	Amount	Impairment
Credit cards	7.206	673.824	40.786	352	38.259	108	278	32.732	11	1.303	114.780	646	9.139	859.595	41.551
Consumption	4.010	4.626.738	1.832.964	3.547	6.410.343	529.567	815	2.932.366	444.101	8.279	16.305.242	545.804	16.651	30.274.689	3.352.436
Overdrafts	3.609	93.887	18.208	554	6.188	1.003	669	10.087	3.919	649	10.784	1.405	5.481	120.946	24.535
Large companies	551	86.997.962	28.707.869	36	18.629.477	5.663.456	94	93.606.549	24.744.597	92	16.500.780	3.874.941	773	215.734.768	62.990.863
Housing	1.462	34.056.902	2.274.687	87	2.069.521	163.467	21	577.123	522	11	247.642	-	1.581	36.951.188	2.438.676
Small companies	667	6.571.047	5.250.225	83	3.740.194	1.426.303	162	15.166.760	12.413.437	87	4.428.497	492.791	999	29.906.498	19.582.756
Public sector	121	105.794.976	15.639	8	1.181.898	24	13	19.390.578	11.205	6	17.587.813	-	148	143.955.265	26.868
	17.626	**238.815.336**	**38.140.378**	**4.667**	**32.075.880**	**7.783.928**	**2.052**	**131.716.195**	**37.617.792**	**10.427**	**55.195.538**	**4.915.587**	**34.772**	**457.802.949**	**88.457.685**

On December 31st 2018 and 2017, credit and impairment are broken down by segment as follows:

31.Dec.2018

Segment	Individual impairment		Collective impairment		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Credit cards	124	124	909.148	43.072	909.272	43.196
Consumption	1.353.881	1.233.665	44.253.473	1.570.992	45.607.354	2.804.657
Overdrafts	2.060	2.061	205.377	91.038	207.437	93.099
Large companies	215.431.005	126.826.387	25.373.041	17.857.178	240.804.046	144.683.565
Housing	-	-	51.491.311	11.613.795	51.491.311	11.613.795
Small companies	16.295.059	16.190.562	16.397.718	5.133.721	32.692.777	21.324.283
Public sector	183.823.409	1.719.728	-	-	183.823.409	1.719.728
	416.905.536	**145.972.527**	**138.630.070**	**36.309.796**	**555.535.606**	**182.282.323**

31.Dec.2017								
Segment	Individual impairment		Collective impairment		IBNR impairment		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Credit card	1.091	2.930	850.307	38.530	8.197	91	859.595	41.551
Consumption	1.752.617	1.619.467	24.609.228	1.643.990	3.912.844	88.979	30.274.689	3.352.436
Overdrafts	2.002	2.002	88.064	22.344	30.880	189	120.946	24.535
Large companies	163.396.277	59.855.499	2.957.286	1.738.447	49.381.205	1.396.917	215.734.768	62.990.863
Housing	152.430	152.430	35.683.880	2.276.514	1.114.878	9.732	36.951.188	2.438.676
Small companies	18.878.286	16.920.854	7.726.658	2.551.189	3.301.554	110.713	29.906.498	19.582.756
Public sector	11.199	11.199	16.406.467	88	127.537.599	15.581	143.955.265	26.868
	184.193.902	**78.564.381**	**88.321.890**	**8.271.102**	**185.287.157**	**1.622.202**	**457.802.949**	**88.457.685**

Assessment of the existence of impairment losses in individual terms is determined by analyzing the total credit exposure on a case-by-case basis. As mentioned in Note 2.5, the Bank deems individual exposures as significant where the amount is equal to or greater than 0.5% of the institution's own regulatory capital as well as the twenty largest private clients.

The credits that were subject to individual analysis on December 31st 2018 account for 75% of the loan portfolio and 80% of total impairment. It should be noted that, for loans subject to individual analysis for which it has been concluded that they do not show objective signs of impairment, these are transferred to the collective analysis.

The restructured loan position at December 31st 2018 and 2017 can be broken down as follows:

	31.Dec.2018	31.Dec.2017
Opening balance of the restructured loan portfolio (gross of impairment)	**144.412.290**	**138.009.819**
Restructured loans for the year	56.462.301	27.064.634
Accrued interest on the restructured loan portfolio	-	186.362
Settlement of restructured credits (partial or total)	(24.135.348)	(20.848.525)
Other - rebates	(6.163.125)	-
Final balance of the restructured loan portfolio (gross of impairment)	**170.576.119**	**144.412.290**

On December 31st 2018 and 2017, credit has the following breakdown by geographic area:

31-12-2018	Geographical area		
	Angola	Other	Total
Individuals	95.962.850	-	95.962.850
Companies	272.521.582	-	272.521.582
Public sector	3.433.199	-	3.433.199
State	168.959.142	14.658.833	183.617.975
	540.876.773	**14.658.833**	**555.535.606**

31.Dec.2017	Geographical area		
	Angola	Other	Total
Individuals	68.477.902	-	68.477.902
Companies	242.512.670	-	242.512.670
Public sector	19.480.436	-	19.480.436
State	117.874.301	9.457.640	127.331.941
	448.345.309	**9.457.640**	**457.802.949**

On December 31st 2018 and 2017, the loan portfolio has the following composition by sectors of activity:

Activity Sector	31.Dec.2018					
	Loans and advances to customers				Impairment	
	Performing	Nonperforming	Total exposure	Relative weight	Value	%
Companies	**339.739.681**	**117.580.552**	**457.320.233**	**82,32%**	**167.727.577**	**92,02%**
State	181.878.447	1.929.011	183.807.458	33,09%	1.706.748	0,94%
Real estate development	66.478.652	40.520.538	106.999.190	19,26%	99.914.946	54,81%
Extractive industry	39.828.231	418.007	40.246.238	7,24%	21.610.316	11,86%
Manufacturing industry	6.114.449	26.597.199	32.711.648	5,89%	11.928.384	6,54%
Construction	23.180.498	5.755.300	28.935.798	5,21%	8.403.352	4,61%
Agro-industry	4.059.917	23.629.378	27.689.295	4,98%	8.228.934	4,51%
Commerce	9.483.185	11.061.917	20.545.102	3,70%	10.100.516	5,54%
Services	5.280.690	2.089.235	7.369.925	1,33%	2.005.972	1,10%
Hotel and tourism	1.726.634	290.431	2.017.065	0,36%	1.253.116	0,69%
Fishing	17.641	3.987.407	4.005.048	0,72%	1.882.149	1,03%
Other	104.366	863.287	967.653	0,17%	526.776	0,29%
Agriculture	1.577.853	387.682	1.965.535	0,35%	142.844	0,08%
Agro-livestock	9.117	51.160	60.277	0,01%	23.525	0,01%
Individuals	**75.638.268**	**22.577.105**	**98.215.373**	**17,68%**	**14.554.746**	**7,98%**
Consumption	38.918.454	7.805.607	46.724.061	8,41%	2.804.657	1,54%
Housing	36.719.814	14.771.498	51.491.312	9,27%	11.750.089	6,45%
	415.377.949	**140.157.657**	**555.535.606**		**182.282.323**	

Industry Sector	31 December 2017					
	Loans and advances to customers				Impairment	
	Performing	Nonperforming	Total exposure	Relative weight	Value	%
Companies	**281.136.300**	**108.460.230**	**389.596.530**	**83,23%**	**82.599.272**	**21,20%**
State	108.151.917	19.379.416	127.531.333	27,24%	1.215	0,00%
Real estate development	87.674.079	15.570.297	103.244.376	22,06%	43.801.267	42,42%
Commerce	14.366.030	10.031.054	24.397.084	5,21%	9.708.490	39,79%
Extractive industry	40.402.846	148.917	40.551.763	8,66%	2.639.816	6,51%
Construction	19.829.153	4.909.878	24.739.031	5,28%	4.382.743	17,72%
Agro-industry	1.269.716	18.554.096	19.823.812	4,23%	3.610.638	18,21%
Manufacturing industry	1.210.451	30.290.146	31.500.597	6,73%	11.307.146	35,90%
Services	5.379.815	2.336.294	7.716.109	1,65%	1.917.426	24,85%
Other	285.695	926.203	1.211.898	0,26%	441.238	36,41%
Hotel and tourism	863.262	2.873.456	3.736.718	0,80%	2.901.614	77,65%
Fishing	1.402.281	2.960.658	4.362.939	0,93%	1.820.418	41,72%
Agriculture	299.939	413.021	712.960	0,15%	30.591	4,29%
Agro-livestock	1.116	66.794	67.910	0,01%	37.885	55,79%
Individuals	**61.611.654**	**16.899.236**	**78.510.890**	**16,77%**	**5.791.112**	**7,38%**
Consumption	22.563.536	6.816.027	29.379.563	6,28%	3.352.436	11,41%
Housing	39.048.118	10.083.209	49.131.327	10,50%	2.438.676	4,96%
	342.747.954	**125.359.466**	**468.107.420**		**88.390.384**	

On December 31st 2018 and 2017, the average interest rate of the credit portfolio by currency is as follows:

Weighed average rate	31.Dec.2018	31.Dec.2017
In domestic currency	19,08%	18,70%
In foreign currency	7,08%	8,25%

On December 31st 2018, the Bank did not hold loan operations to customers generated or acquired in stage 3.

On December 31st 2018 and 2017, impairment losses show the following evolutions:

	31.Dec.2018	31.Dec.2017
Opening Balance (IAS 39)	88.457.685	68.847.353
IFRS 9 transition adjustment	20.913.396	-
Appropriation of the period	94.888.408	40.253.801
Reversal of the period	(26.009.543)	(21.477.986)
Note 34	68.878.865	18.775.815
Uses	(10.933.861)	(428.034)
Transfers (Note 18)	(164.460)	1.260.801
Regularizations	15.130.698	1.750
Final impairment balance	**182.282.323**	**88.457.685**

On December 31st 2018 and 2017, the detail of risk factors associated with impairment is as follows:

Segmento	Impairment - 31.Dec.2018				Impairment - 31.Dec.2017			
	Probability of default (%)			Loss given default (%)	Probability of default (%)			Loss given default (%)
	<30 days without signs	<30 days with signs	Between 30 and 90 days		<30 days without signs	<30 days with signs	Between 30 and 90 days	
Credit cards	0,72%	-	0,95%	12,13%	3,30%	19,05%	5,39%	55,05%
Consumption	2,27%	4,09%	17,39%	34,32%	4,26%	17,33%	70,72%	58,47%
Overdrafts	2,39%	4,61%	19,53%	85,89%	16,26%	11,47%	20,74%	38,03%
Large companies	2,96%	9,29%	51,68%	74,58%	8,27%	41,46%	10,05%	66,29%
Housing	22,40%	1,44%	22,87%	73,33%	4,52%	11,80%	52,36%	59,63%
Small companies	5,01%	32,64%	38,04%	71,16%	3,70%	45,95%	87,51%	53,30%
Public sector	1,65%	1,65%	2,76%	8,39%	5,26%	3,97%	43,94%	90,60%
	5,34%	**8,96%**	**21,89%**	**51,40%**	**3,27%**	**4,56%**	**70,04%**	**58,47%**

11 – Non-current assets held for sale

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Real property		
Real estate received as payment	14.049.465	19.144.186
Other properties	725.625	1.924.077
Impairment	(2.052.217)	(2.215.333)
	12.722.873	**18.852.930**
Investments in subsidiaries		
BAI Micro Finanças, S.A.	10.171.009	-
Impairment	(3.783.396)	-
	6.387.613	**-**
	19.110.486	**18.852.930**

The Bank expects to sell the property within two years, unless market conditions do not allow it.

As of December 31st 2018, receivables arising from the disposal of property received as payment in kind in the amount of tKz 1,292,257 are recorded under the account "Other securities - downpayments received" - sale of properties received as payment in kind (Note 19). Amounts receivable arising from the sale of these properties amounting to tKz 496,627 are recorded under Other assets - Disposal of properties received as payment in kind.

The item Other properties shows the investment in two buildings acquired by the Bank in 2008, with a view to their disposal to Bank employees at prices similar to the acquisition prices.

In January 2019, the Bank's Board of Directors approved the negotiation of the sale of the holding in BAI Micro Finance, S.A. Should this transaction take place, the Bank does not expect to incur any loss.

The movement of non-current assets held for sale during the years ended December 31st 2018 and 2017, as well the movement in associated impairment losses, were as follows:

31.Dec.2018	Balances on 31.Dec.2017					Impairment		Balances on 31.Dec.2018		
	Gross value	Accumulated impairment	Entries	Disposals	Transfers and others	Appropriations	Uses / Regularizations	Gross value	Accumulated impairment	Net value
Real estate received as payment	19.144.186	(1.015.754)	1.277.565	(6.372.286)	-	(705.018)	(331.445)	14.049.465	(2.052.217)	11.997.248
Other properties	1.924.077	(1.199.579)	-	(1.198.452)	-	-	1.199.579	725.625	-	725.625
Investments in subsidiaries	-	-	10.171.009	-	-	-	(3.783.396)	10.171.009	(3.783.396)	6.387.613
	21.068.263	**(2.215.333)**	**11.448.574**	**(7.570.738)**	**-**	**(705.018)**	**(2.915.262)**	**24.946.099**	**(5.835.613)**	**19.110.486**

31.Dec.2017	Balances on 31.Dec.2016					Impairment		Balances on 31.Dec.2017		
	Gross value	Accumulated impairment	Entries	Disposals	Transfers and others	Appropriations	Uses / Regularizations	Gross value	Accumulated impairment	Net value
Real estate received as payment	14.996.481	(928.316)	5.619.620	(1.091.888)	(380.027)	(87.438)	-	19.144.186	(1.015.754)	18.128.432
Other properties	2.812.047	(1.199.579)	-	(887.970)	-	-	-	1.924.077	(1.199.579)	724.498
	17.808.528	**(2.127.895)**	**5.619.620**	**(1.979.858)**	**(380.027)**	**(87.438)**	**-**	**21.068.263**	**(2.215.333)**	**18.852.930**

During the year ended December 31st 2018, the Bank:

- **i)** received real property as payment through loan recovery proceedings in the amount of tKz 1,277,565 (2017: tKz 5,619,620);
- **ii)** disposed of non-current assets held for sale in the amount of tKz 7,570,738 (2017: tKz 1,979,858);
- **iii)** regularized against the Social Fund the impairment for Other properties (acquired for sale to employees) in the amount of tKz 868,114, as it is no longer justified to maintain this item (Note 19).

The item "Non-current assets held for sale" includes real estate whose legalization processes are still in progress, and no adjustments resulting from the completion of these processes are expected.

12 – Other tangible assets and intangible assets

This account at December 31st 2018 and 2017, as well as movements during these years, is shown as follows:

31.Dec.2018	Gross value					Depreciation / Amortization				Net value	
	Balance on 31.Dec.2017	Acquisitions	Disposals, writeoffs and other adjustments	Transfers	Balance on 31.Dec.2018	Balance on 31.Dec.2017	Depreciation for the year	Disposals, writeoffs and other transfers	Balance on 31.Dec.2018	Balance on 31.Dec.2018	Balance on 31.Dec.2017
Other Tangible Assets											
Property											
For own use	34.632.490	727.584	(662.703)	872.035	35.569.406	(3.320.270)	(699.145)	182.811	(3.836.604)	31.732.802	31.312.220
Leasehold improvements	6.313.338	557.019	-	495.973	7.366.330	(2.639.243)	(675.703)	-	(3.314.946)	4.051.384	3.674.095
Other tangible assets in progress											
For own use	8.558.970	5.971.255	-	(875.622)	13.654.602	-	-	-	-	13.654.602	8.558.970
Leasehold improvements	-	917.321	-	(495.973)	421.348	-	-	-	-	421.348	-
	49.504.798	8.173.179	(662.703)	(3.587)	57.011.686	(5.959.513)	(1.374.848)	182.811	(7.151.550)	49.860.136	43.545.285
Equipment											
Furniture and hardware	3.183.005	93.352	(12.774)	3.588	3.267.171	(1.170.644)	(364.037)	3.774	(1.530.907)	1.736.264	2.012.361
Machinery and tools	4.397.488	769.428	50.346	-	5.217.262	(2.779.681)	(602.631)	14.171	(3.368.141)	1.849.121	1.617.807
Computer hardware	2.791.620	38.094	(36.065)	496.732	3.290.381	(1.724.380)	(522.168)	36.066	(2.210.482)	1.079.899	1.067.240
Indoor facilities	739.073	5.263	-	-	744.336	(497.999)	(58.801)	-	(556.800)	187.536	241.074
Vehicles	2.510.224	558.300	(87.382)	-	2.981.142	(1.870.699)	(284.708)	87.383	(2.068.024)	913.118	639.525
Safety equipment	655.792	9.813	-	-	665.605	(334.093)	(74.968)	-	(409.061)	256.544	321.699
Other	1.150.541	104.770	(6.275)	-	1.249.036	(590.121)	(110.205)	6.276	(694.050)	554.986	560.420
	15.427.743	1.579.020	(92.150)	500.320	17.414.933	(8.967.617)	(2.017.518)	147.670	(10.837.465)	6.577.468	6.460.126
Other Tangible Assets	633.604	23.711	-	-	657.315	(206.516)	(54.574)	-	(261.094)	396.222	427.088
Other tangible assets in progress											
Other	6.615	7.669	-	-	14.284	-	-	-	-	14.284	6.615
	640.219	31.380	-	-	671.599	(206.516)	(54.574)	-	(261.094)	410.506	433.703
	65.572.760	9.783.579	(754.853)	496.733	75.098.218	(15.133.646)	(3.446.940)	330.481	(18.250.110)	56.848.108	50.439.113
Intangible Assets											
Organization and expansion expenses	754.214	-	-	-	754.214	(752.760)	(1.522)	-	(754.282)	(68)	1.454
Automatic data-processing systems	2.369.775	375.108	-	1.020.513	3.765.396	(1.863.732)	(610.134)	-	(2.473.863)	1.291.533	506.043
	3.123.989	375.108	-	1.020.513	4.519.610	(2.616.492)	(611.656)	-	(3.228.145)	1.291.465	507.497
Intangible Assets in progress											
Automatic data-processing systems	1.307.113	433.187	-	(1.517.246)	223.054	-	-	-	-	223.054	1.307.113
	1.307.113	433.187	-	(1.517.246)	223.054	-	-	-	-	223.054	1.307.113
	4.431.102	808.295	-	(496.733)	4.742.664	(2.616.492)	(611.656)	-	(3.228.145)	1.514.519	1.814.610
	70.003.862	10.591.874	(754.853)	-	79.840.882	(17.750.138)	(4.058.596)	330.481	(21.478.255)	58.362.627	52.253.723

31.Dec.2017	Gross value					Depreciation / Amortization				Net value	
	Balance on 31.Dec.2016	Acquisitions	Disposals, writeoffs and other transfers	Transfers	Balance on 31.Dec.2017	Balance on 31.Dec.2016	Depreciation for the year	Disposals, writeoffs and other transfers	Balance on 31.Dec.2017	Balance on 31.Dec.2017	Balance on 31.Dec.2016
Other Tangible Assets											
Real property											
Of own use	32.886.482	1.305.493	(87.262)	527.777	34.632.490	(2.606.455)	(717.245)	3.430	(3.320.270)	31.312.220	30.280.027
Leasehold improvements	5.589.966	201.543	-	521.829	6.313.337	(2.080.846)	(558.397)	-	(2.639.243)	3.674.094	3.509.120
Other tangible assets in progress											
Of own use	7.448.186	2.290.564	(482.347)	(697.433)	8.558.970	-	-	-	-	8.558.970	7.448.186
	45.924.634	3.797.600	(569.609)	352.173	49.504.797	(4.687.301)	(1.275.642)	3.430	(5.959.513)	43.545.284	41.237.333
Equipment											
Furniture and hardware	3.152.960	30.045	-	-	3.183.005	(808.239)	(362.405)	-	(1.170.644)	2.012.361	2.344.721
Machinery and tools	4.292.259	250.979	(145.750)	-	4.397.488	(2.309.512)	(615.291)	145.122	(2.779.681)	1.617.807	1.982.747
Computer hardware	2.602.371	211.307	(22.058)	-	2.791.620	(1.250.885)	(495.553)	22.058	(1.724.380)	1.067.240	1.351.486
Indoor facilities	713.952	25.121	-	-	739.073	(437.054)	(60.945)	-	(497.999)	241.074	276.898
Transport equipment	2.085.022	425.202	-	-	2.510.224	(1.638.015)	(232.684)	-	(1.870.699)	639.525	447.007
Safety hardware	640.960	14.832	-	-	655.792	(256.669)	(77.424)	-	(334.093)	321.699	384.291
Other	1.075.540	79.214	(4.213)	-	1.150.541	(488.703)	(105.631)	4.213	(590.121)	560.420	586.837
Other tangible assets in progress											
Equipment	379.826	-	-	(379.826)	-	-	-	-	-	-	379.826
	14.942.890	1.036.700	(172.021)	(379.826)	15.427.743	(7.189.077)	(1.949.933)	171.393	(8.967.617)	6.460.126	7.753.813
Other Tangible Assets 402 905	402.905	6.774	-	223.925	633.604	(169.427)	(37.089)	-	(206.516)	427.088	233.478
Other tangible assets in progress											
Others	34.985	230.540	(34.985)	(223.925)	6.615	-	-	-	-	6.615	34.985
	437.890	237.314	(34.985)	-	640.219	(169.427)	(37.089)	-	(206.516)	433.703	268.463
	61.305.414	5.071.614	(776.615)	(27.654)	65.572.759	(12.045.805)	(3.262.664)	174.823	(15.133.646)	50.439.113	49.259.609
Intangible Assets											
Organization and expansion expenses	754.214	-	-	-	754.214	(734.072)	(18.688)		(752.760)	1.454	20.142
Organization and expansion expenses	1.912.249	64.205	-	393.321	2.369.775	(1.741.584)	(122.148)		(1.863.732)	506.043	170.665
	2.666.463	64.205	-	393.321	3.123.989	(2.475.656)	(140.836)	-	(2.616.492)	507.497	190.807
Intangible Assets in progress											
Automatic data-processing systems	865.920	463.919	(3.608)	(19.117)	1.307.114	-	-	(1)	(1)	1.307.113	865.920
	865.920	463.919	(3.608)	(19.117)	1.307.114	-	-	(1)	(1)	1.307.113	865.920
	3.532.383	528.124	(3.608)	374.204	4.431.103	(2.475.656)	(140.836)	(1)	(2.616.493)	1.814.610	1.056.727
	64.837.797	5.599.738	(780.223)	346.551	70.003.862	(14.521.461)	(3.403.500)	174.822	(17.750.139)	52.253.723	50.316.336

The account Other tangible assets in progress - Real property for own use includes tKz 12,058,709 (2017: tKz 7,093,426) related to the acquisition of a property in the "Torres Kianda" building located in Luanda.

The account Other tangible assets includes real property for own use whose legalization processes are still ongoing, and no adjustments resulting from the completion of these processes are expected.

13 – Investments in subsidiaries, associated companies and joint ventures

This item has the following composition:

	Effective holding (%)		Book value	
	31.Dec.2018	31.Dec.2017	31.Dec.2018	31.Dec.2017
Investments in subsidiaries				
In the country				
BAI Micro Finanças, S.A.	98,41%	96,79%	-	4.940.884
Abroad				
BAI Europa, S.A.	99,99%	99,99%	4.322.614	4.322.614
BAI Cabo Verde, S.A.	80,43%	80,43%	2.193.319	2.193.319
BAI Center, S.A.	100,00%	100,00%	2.950	2.950
Banco Internacional de São Tomé e Príncipe	25,00%	25,00%	65.136	65.136
IInvestments in associated companies				
In the country				
NOSSA - Nova Sociedade Seguros Angola, S.A.	72,24%	72,24%	1.074.661	1.074.661
SAESP, S.A.	80,00%	80,00%	2.394	2.394
BAIGEST, S.A.	96,00%	96,00%	60.000	60.000
Accumulated impairment losses - Investments in subsidiaries			(1.920)	(5.655.152)
			7.719.154	**7.006.806**

During the year ended December 31st 2018, the Bank carried out a capital increase in BAI Micro Finance (BMF) in the amount of tKz 5,000,000 in order to enable compliance with BNA's Notice no. 2/2018, of March 2nd. Also in this year, the amount of tKz 230,125 that was previously recorded in the account "Other assets - Debtors and other investments – Additional capital contributions in affiliated and associated companies" - BMF, was reclassified to this item as a result of the incorporation of said amount by this entity in its capital. As mentioned in Note 11, in January 2019, the Bank's Board of Directors approved the negotiation of the sale of the holding in BMF, and this investment was reclassified to Non current assets held for sale.

The movements in impairment losses during the years ended December 31st 2018 and 2017 are as follows:

	31.Dec.2018	31.Dec.2017
Opening Balance	**5.655.152**	**5.515.995**
Adjustment to IFRS 9 (Note 41)	(1.527.195)	-
Increases	1.920	316.299
Restitutions	(344.561)	(177.142)
Transfers (Note 11)	(3.783.396)	-
Final balance	**1.920**	**5.655.152**

The balances with assets, liabilities and off-balance sheet operations with the Bank's subsidiaries are detailed in Note 38.

On December 31st 2018, the financial information of subsidiary and associated companies is as follows (amounts in tKz converted at the year-end exchange rate):

	Currency	Reference date	Net assets	Equity	Net income	Holding in equity	Book value net of Impairment 31.Dec.2018
BAI Europa, S.A.*	Kz	31.12.2018	404.601.493	29.181.955	1.932.488	29.179.037	4.322.614
BAI Cabo Verde, S.A.*	Kz	31.12.2018	65.972.473	3.863.225	321.048	3.107.192	2.193.319
NOSSA - Nova Sociedade Seguros Angola, S.A.	Kz	31.12.2018	25.050.141	5.279.256	2.068.851	3.813.735	1.074.661
Banco Internacional de São Tomé e Príncipe*	Kz	31.12.2018	37.863.686	5.888.621	1.019.609	1.472.155	65.136
BAI Center, S.A.*	Kz	31.12.2018	5.282.743	2.871.255	(153.378)	2.871.255	1.030
BAIGEST, S.A.*	Kz	31.12.2018	33.020	8.309	(52.028)	8.309	60.000
SAESP*	Kz	31.12.2018	7.250.858	6.688.729	(217.413)	5.350.983	2.394
							7.719.154

*Unaudited financial statement

14 – Taxes

The account Current taxes includes taxes recoverable through tax credit settled in the last years, amounting to tKz 949,020. At December 31st 2018 and 2017, this item is broken down as follows:

	31.Dec.2018	31.Dec.2017
Taxes recoverable	949.020	-
Payment on account made	-	880.803
IAC repos / Taxes Law 7/97	-	9.708
	949.020	890.511
Provision for tax contingencies (Note 18	(2.306.251)	-
Tax recoverable/payable at year-end	**(1.357.231)**	**890.511**

During the year ended December 31st 2018, the tax authorities carried out inspections on the years 2013 and 2014, and notifications for settlement of tKz 2,080,450 and tKz 9,166,379 respectively were issued.

The Bank filed a complaint on said notifications and a decision is pending on the date of approval of the financial statements. In the meantime, for the sake of prudence, the Bank recorded a provision for tax contingencies in the amount of tKz 2,306,251 related to corrections to the taxable income, namely (i) IAC on income of Repos (tKz 1,152,472), (ii) costs of previous years (tKz 1,061,979), and (iii) Income tax (tKz 91,800).

On December 31st 2018 and 2017, the deferred tax assets recognized in the balance sheet are as follows:

	Assets		Liabilities		Net	
	31.Dec.2018	31.Dec.2017	31.Dec.2018	31.Dec.2017	31.Dec.2018	31.Dec.2017
Financial instruments	2.830.562	173.305	(78.679)	(415.510)	2.751.883	(242.205)
Credit to clients	6.550.432	216.484	-	-	6.550.432	216.484
Non-current assets held for sale	516.232	690.827	-	-	516.232	690.827
Investments in subsidiaries, associated companies and joint ventures	1.135.019	1.914.489	-	-	1.135.019	1.914.489
Provisions	775.067	50.316	-	-	775.067	50.316
Assets/(Liabilities) for deferred tax	**11.807.312**	**3.045.421**	**(78.679)**	**(415.510)**	**11.728.633**	**2.629.911**

The Bank assessed the recoverability of its deferred tax assets on the balance sheet based on the expectation of future taxable income.

The movements in the items of deferred balance sheet items had the following accounting:

	31.Dec.2018			31.Dec.2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Opening Balance	3.045.421	(415.510)	2.629.911	2.851.545	-	2.851.545
Recognized in profit or loss	(169.387)	-	(169.387)	20.571	-	20.571
Recognized in reserves - other comprehensive income				-	-	-
IFRS 9 impact	(168.000)	364.450	196.449	-	-	-
Movement in the year	507.764	(27.618)	480.147	173.305	(415.510)	(242.205)
	339.765	336.831	676.596	173.305	(415.510)	(242.205)
Retained earnings (IFRS 9 impact)	8.591.513	-	8.591.513	-	-	-
Final balance	**11.807.312**	**(78.679)**	**11.728.633**	**3.045.421**	**(415.510)**	**2.629.911**

The tax recognized in the income statement for the years ended December 31st 2018 and 2017 has the following origins

	31.Dec.2018			31.Dec.2017	
	Recognized in profit or loss	Recognized in reserves and retained earnings		Recognized in profit or loss	Recognized in reserves
		Impact of adoption of IFRS 9	Movement in the year		
Deferred taxes					
Financial instruments	-	2.513.942	480.147	-	(242.205)
Credit to clients	59.929	6.274.020	-	(204.437)	-
Non-current assets held for sale	(174.596)	-	-	330.953	-
Investments in subsidiaries, associated companies and joint ventures	(779.471)	-	-	(48.432)	-
Provisions	724.751	-	-	(57.513)	-
Total tax recognized	**(169.387)**	**8.787.962**	**480.147**	**20.571**	**(242.205)**

CONTIF's transition adjustments to IAS/IFRS generated impacts on deferred taxes for the year ended December 31st 2018 and 2017 in the amount of tKz 276,412 (2017: tKz 216,484).

The tax impact arising from the adoption of IFRS 9 - Financial Instruments in 2018 recorded in retained earnings and reserves was tKz 8,591,513 and tKz 196,949, respectively (Note 41).

The reconciliation of the tax rate, in the portion relating to the amount recognized in the income statement, can be analyzed as follows:

	31.Dec.2018		31.Dec.2017	
	%	Value	%	Value
Income before tax		**50.235.076**		**54.683.781**
Tax rate	30,0%		30,0%	
Tax calculated based on tax rate		15.070.523		16.405.134
Positive equity changes	0,0%	-	0,4%	242.205
Provisions not foreseen	6,2%	3.135.061	0,2%	98.064
Tax on Capital Application (IAC) and Urban Property Tax (IPU)	3,2%	1.602.034	2,7%	1.486.568
Income subject to IAC and IPU	-41,3%	(20.724.565)	-32,1%	(17.551.270)
Income from credit operations	-7,4%	(3.718.962)	-4,6%	(2.495.627)
Deductible provisions	-3,5%	(1.759.822)	0,0%	-
Other adjustments	0,5%	260.419	3,4%	1.835.497
Current tax	**0,0%**	**-**	**0,0%**	**-**
Deferred tax	**-0,3%**	**(169.387)**	**0,0%**	**20.571**
Income tax	**-0,3%**	**(169.387)**	**0,0%**	**20.571**

The income from public debt securities resulting from Treasury Bills and Treasury Bills issued by

the Angolan State, whose issuance is regulated by Presidential Decree No. 259/10 of November 18th and Presidential Decree No. 31 / 12, of January 30th enjoy exemption of all taxes.

Additionally, Presidential Legislative Decree no. 5/11, dated December 30th (revised and republished through Presidential Legislative Decree No. 2/14, of October 20th) introduced a norm of subjection to IAC on the yields of public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan State.

Nevertheless, pursuant to the provisions of article 47 of the Industrial Tax Code (Law no. 19/14, of October 22nd, in force since January 1st 2015, total income subject to IAC will be deducted in determining the taxable amount.

Therefore, in determining taxable income for the years ended December 31st 2018 and 2017, such income was deducted from taxable income.

Likewise, the cost calculated with the liquidation of IAC is not fiscally accepted for tax assessment, as set forth in paragraph a) of paragraph 1 of article 18 of the Industrial Tax Code.

Notwithstanding the foregoing, with respect to income from public debt securities, according to the latest understanding of the Tax Authority addressed to the Angolan Association of Banks (ABANC) (letter with reference number 196/DGC/AGT/2016 of 17th May 2016), only those arising from securities issued on or after January 1st 2012 are subject to this tax.

It should also be noted that, according to the position of the Tax Authority, exchange rate revaluations of public debt securities issued in national currency, but indexed to foreign currency, issued since January 1st 2012, should be subject to Industrial Tax until BNA is able to withhold tax under the IAC.15 – Outros activos

15 – Other assets

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Other assets at fair value through profit or loss		
Additional capital (suprimentos and prestações acessórias) in subsidiary and associated companies		
SAESP, S.A.	7.614.153	-
BAI Center, S.A.	8.220.584	-
BAI Micro Finanças, S.A.	2.000.000	-
EMIS, S.A.	7.147	-
	17.841.884	**-**
Change in fair value	**(7.019.885)**	**-**
	10.821.999	**-**
Other assets at amortized cost		
Additional capital (supplies and ancillary services) in subsidiary and associated companies		
SAESP, S.A.	-	7.614.153
BAI Center, S.A.	-	4.449.600
BAI Micro Finanças, S.A.	-	2.230.125
EMIS, S.A.	-	108.738
Central Government - Ministry of Finance	10.764.206	8.002.520
Debtors - Novinvest	2.013.287	794.699
Advances to suppliers	1.892.697	140.056
Debtors BAI INVEST	1.286.767	1.253.851
Network Manager E-Kwanza	1.261.794	1.178.688
Debtors - Nossa Seguros	101.000	101.000
Debtors - BNA	57.958	57.958
	18.007	21.971
Other	974.704	593.096
	18.370.420	**26.546.455**
Deferred cost expenses		
Maintenance and service	56.336	-
Insurance	98.220	121.492
Rents and leases	63.733	41.807
Other	20.848	64.456
	239.137	**227.755**
Other assets		
Adjustment to loans to employees (IAS 19)	9.538.076	5.097.107
Active operations to be regularized	5.202.064	653.076
Incidents of operational risk	2.896.103	1.569.291
Disposal of real property received in payment	496.627	-
Cash discrepancies	147.243	186.578
Other	38.981	54.599
	18.319.094	**7.560.651**
Impairment	**(6.959.681)**	**(2.765.970)**
	40.790.969	**31.568.891**

At December 31st 2018, the account "Other assets at fair value through profit or loss – Additional capital at subsidiaries and associated companies - SAESP, SA includes the amount of tKz 6,717,627 (2017: tKz 7,614,153) corresponding to additional capital provided to the entity SAESP, which do not bear interest nor have a defined repayment term. These provisions are measured at fair value through profit or loss, and the fair value adjustment recognized in 2018 of tKz 896,526.

At December 31st 2018, the account "Other assets at fair value through profit or loss - Additional capital at subsidiaries and associated companies " - BAI Center, SA includes a balance of tKz 2,877,204 (2017: tKz 4,449,600) referring to additional capital provided to that company, which are remunerated half-yearly at the rate of 1.5%. These provisions are measured at fair value through profit or loss, and the fair value adjustment recognized in 2018 of tKz 598,924.

On December 31st 2018, the account Central Government - Ministry of Finance corresponds to amounts receivable from the Ministry of Finance, relating to tax collection commissions, under the contract signed between both parties. The commissions related to tax collections are recognized as income for the year in the income from services and commissions (Note 24).

On December 31st 2018, the account Debtors – Loans in the amount of tKz 1,261,794 (2017: tKz 1,178,688) corresponds essentially to loans made to BAI Cabo Verde S.A. and other companies related to this Bank. These amounts are fully provisioned on December 31st 2018.

The item Incidents of operational risk corresponds to operations pending regularization related to operational risk, mainly due to the fact that they are under internal investigation or whose lawsuits are in progress, and the Bank has recognized impairment losses to cover the associated risks.

On December 31st 2018, the account Other assets includes the adjustment to credit to employees amounting to tKz 9,538,076 (2017: tKz 5,097,107), in the scope of application of IAS 19 - Employee benefits.

> Indeed, BAI, like most Angolan financial institutions, grants loans to its employees at interest rates below those practiced for their clients, which is a supplement to their base salary. This benefit allows the employee to have a much lower effort rate than if his credit had a market rate, which is why the opportunity cost for the Bank should be accounted for in line with the one defined in IAS 19.

On December 31st 2018, the account Other assets - Active operations to be settled includes the amounts of tKz 1,680,648 and tKz 1,426,159 relating to interest rate subsidies on credits receivable (i) under the Angola Investe Program and (ii) of a customer with a housing credit protocol, respectively. This account also includes the amount of tKz 1,308,897 related to a credit assignment operation pending contractual formalization, which is fully provisioned.

On December 31st 2018 and 2017, the movement of impairment for other assets is as follows:

	31.Dec.2018	31.Dec.2017
Opening Balance	**2.765.970**	**752.230**
Increases	5.037.936	2.063.471
Restitutions	(206.320)	(49.731)
Uses	(547.914)	-
Transfers	636.488	-
Regularizations	119.901	-
Impact of application of IFRS 9 (Note 41)	(846.380)	-
Final balance	**6.959.681**	**2.765.970**

As a result of the adoption of IFRS 9 on January 1st 2018, impairments for other assets amounting to tKz 846,380 relating to assets reclassified and measured at fair value through profit or loss were eliminated (Note 41).

16 – Resources of central banks and other credit institutions

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Resources of credit institutions in the country		
Other resources	3.942.530	602.201
	3.942.530	**602.201**
Resources of credit institutions abroad		
Very short-term resources	-	27.083.700
Interest payable	-	1 854
	-	**27.085.554**
	3.942.530	**27.687.755**

As at December 31st 2018 and 2017, the scheduling of resources of other credit institutions by residual period is as follows:

	31.Dec.2018	31.Dec.2017
Up to 3 months	3.942.530	27.687.755
	3.942.530	**27.687.755**

17 – Customers resources and other borrowings

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Residents' demand deposits		
Domestic currency		
Companies	273.602.473	241.890.821
Individuals	112.782.527	95.415.954
Corporate public sector	25.589.793	58.609.923
Administrative public sector	27.204.942	6.707.079
	439.179.735	**402.623.777**
Foreign currency		
Companies	371.106.077	234.217.382
Individuals	52.191.745	34.817.696
Corporate public sector	11.964.254	10.116.396
Administrative public sector	30.004.517	13.375.909
	465.266.593	**292.527.383**
	904.446.328	**695.151.160**
Non-residents' demand deposits		
Domestic currency	4.399.788	4.426.931
Foreign currency	43.792.031	609.223
	48.191.819	**5.036.154**
Total demand deposits	**952.638.147**	**700.187.314**
Demand deposits In domestic currency		
Companies	113.017.895	119.564.413
Individuals	77.365.588	44.979.200
Corporate public sector	507.630	5.266.140
Administrative public sector	72.516.557	1.964.211
Non-residents	959.106	2.931.607
	264.366.776	**174.705.571**
Demand deposits In foreign currency		
Companies	279.954.265	102.811.977
Individuals	231.437.750	81.316.268
Corporate public sector	10.642	-
Administrative public sector	578.729	-
Non-residents	68.690.572	193.729
	580.671.958	**184.321.974**
Total time deposits	**845.038.734**	**359.027.545**
Total interest payable on time deposits	9.845.329	33.445.149
Total time deposits and interest payable	**854.884.063**	**392.472.694**
Total client deposits	**1.807.522.210**	**1.092.660.008**

Time deposits indexed to the US dollar exchange rate are reflected in the account Time deposits in local currency.

The scheduling of client funds and other loans by residual maturity at December 31st 2018 and 2017 is as follows:

	31.Dec.2018	31.Dec.2017
Domestic currency		
Up to three months	122.325.883	75.709.328
From three to six month	50.995.200	43.113.569
From six months to one year	88.280.318	54.344.013
More than one year	2.765.375	1.538.661
	264.366.776	**174.705.571**
Foreign currency		
Up to three months	259.284.013	59.438.557
From three to six months	125.830.504	56.036.678
From six months to one year	188.654.844	64.475.234
More than one year	6.902.597	4.371.505
	580.671.958	**184.321.974**
	845.038.734	**359.027.545**

On December 31st 2018 and 2017, client time deposits, excluding interest payable, had the following structure by currency and average interest rate:

	31.Dec.2018		31.Dec.2017	
	Average interest rate	Amount		Amount
In Kwanzas	12,10%	264.366.776	12,23%	174.705.571
In United States Dollars	1,11%	569.521.513	4,59%	181.738.504
In Euros	3,05%	11.150.445	1,59%	2.583.470
		845.038.734		359.027.545

18 – Provisions

Provisions can be detailed as follows:

	31.Dec.2018	31.Dec.2017
Provisions for probable liabilities:		
Incidents of operational risk under investigation	440.729	486.376
Tax contingencies (Note 14)	2.306.251	-
Rents payable	-	463.558
Litigation	700.519	158.678
Social Security (INSS)	529.899	-
Liabilities In foreign currency	-	913.235
Other	-	93.134
	3.977.398	2.114.981
Provision for credit by subscription		
Stage 1	2.707.202	-
Stage 2	414.734	-
Stage 3	1.127.153	-
	4.249.089	1.735.491
	8.226.487	**3.850.472**

The balance in the account Provisions is intended to cover adequately identified contingencies arising from the Bank's activity and is reviewed at each reporting date in order to reflect the best estimate of the amount and the respective likelihood of payment.

On December 31st 2018 the balance of Tax contingencies in the amount of tKz 2,306,251 is intended to cover tax contingencies arising from settlement notifications issued by the tax authorities during tax inspections for the years 2013 and 2014, as referred to in note 14.

The account Provisions for loans by subscription refers to the provision determined in the scope of the application of the credit impairment model used by the Bank on off-balance sheet liabilities related to credit assumed with customers, as set forth in Note 2.5.

As of December 31st 2018 and 2017, provisions are as follows:

	31.Dec.2018	31.Dec.2017
Opening Balance	**3.850.472**	**7.689.187**
Adjustment to IFRS 9 (Note 41)	2.256.009	-
Increases (Note 33)	5.313.487	309.914
Restitutions (Note 33)	(2.286.629)	(1.883.207)
Uses	(187.801)	(1.004.636)
Transfers	(719.051)	(1.260.801)
Regularizations	-	15
Final balance	**8.226.487**	**3.850.472**

19 – Other liabilities

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Creditors for acquisition of assets and rights	2.217.620	933.468
Tax charges payable - own	1.413.079	1.653.445
Tax charges payable - withheld from third parties	471.862	203.644
Taxes on income from dependent work	252.616	325.214
Dividends payable	178.302	632.514
Creditors for the provision of services	43.447	57.121
Various creditors		
Operations pending settlement	3.977.239	1.506.466
Downpayments received - Disposal of real property received in payment	1.292.257	3.263.562
Visa transit operations	1.168.142	214.910
Remainder of cash	108.385	113.039
Network Manager E-Kwanza	101.699	101.590
Other	1.254.267	776.257
Wages and other remuneration		
Vacation and vacation allowance	1.817.968	1.361.638
Productivity premium	1.988.795	263.750
Social Fund	2.537.167	1.698.585
Other administrative costs	1.804.822	2.455.635
Resources linked to foreign exchange operations	2.495	31.319.950
Customer advances - prepaid cards BAI Kamba	4.985.349	2.069.763
	25.615.511	**48.950.551**

The item Miscellaneous creditors - Operations pending settlement, includes the amounts of tKz 1,059,046 and tKz 1,622,663, related to an import operation of notes to be settled and commissions receivable from the Ministry of Finance for the collection of taxes, respectively.

The item Taxes payable – own taxes, includes the amount of tKz 1,317,449 (2017: tKz 1,568,969) related to IAC on Treasury Bills.

On December 31st 2018, the account Miscellaneous creditors - Downpayments received - disposals of real property received as payment in kind correspond to the amounts paid under the promissory contracts of purchase and sale entered into with several promissory buyers of the assets received as payment in kind, classified under Non-current assets held for sale. These amounts are regularized after transfer to the buyer-buyers' domain of all risks and benefits associated with the ownership of the property and the respective derecognition of the asset (Note 11).

The Social Fund account, in the amount of tKz 2,537,167 (2017: tKz 1,698,585) corresponds to the value of the Social Fund at December 31st 2018, the appropriation of which has not yet been made under its regulation.

The account Advances from clients - prepaid cards BAI Kamba, in the amount of tKz 4,985,349 (2017: tKz 2,069,763), corresponds to the unused balances of Kamba cards. The BAI Kamba product is a personalized prepaid Visa network card issued by the Bank, through which the customer makes payments and withdrawals in the country and abroad, without the need to resort to credit.

20 – Capital, issue premiums and own shares

Common Shares

On December 31st 2018, the Bank's share capital of tKz 14,786,705 (mUSD 194,500), was represented by 19,450,000 common shares, fully subscribed and paid-up by various shareholders, of which the following stand out:

	31.Dec.2018			31.Dec.2017		
	Number of shares	Holding %	Amount	Number of shares	Holding %	Amount
Sonangol Holding Limitada - SGPS	1.653.250	8,50%	1.256.870	1.653.250	8,50%	1.256.870
Oberman Finance Corp	972.500	5,00%	739.335	972.500	5,00%	739.335
Dabas Management Limited	972.500	5,00%	739.335	972.500	5,00%	739.335
Mário Abílio R. M. Palhares	972.500	5,00%	739.335	972.500	5,00%	739.335
Theodore Jameson Giletti	972.500	5,00%	739.335	972.500	5,00%	739.335
Lobina Anstalt	972.500	5,00%	739.335	972.500	5,00%	739.335
Coromasi Participações Lda.	923.875	4,75%	702.368	923.875	4,75%	702.368
Mário Alberto dos Santos Barber	752.715	3,87%	572.245	752.715	3,87%	572.245
Other	11.257.660	57,88%	8.558.547	11.257.660	57,88%	8.558.547
	19.450.000	100%	14.786.705	19.450.000	100%	14.786.705

The shares in capital held by members of the corporate bodies (section no. 3, article 446, Law no. 1/04 of 13th February - Companies Law) are broken down as follows:

Shareholders	Position	Acquisition	No. of Shares	Holding %
Theodore Giletti	Director	nominal	972.500	5,00%
Mário Barber	Deputy-chairman of the Board of Directors	nominal	752.715	3,87%
Luis Lélis	Director	nominal	583.500	3,00%
Helder Aguiar	Director	nominal	97.250	0,50%
Inokcelina dos Santos	Director	nominal	97.250	0,50%

Own shares

The Bank may, in the terms and conditions permitted by law, acquire its own shares and carry out on them all legally authorized transactions.

Own shares are recorded in equity accounts at their acquisition cost and are not subject to revaluation.

On December 31st 2018, the Bank has recognized in this account treasury shares with a nominal value of tKz 739,335 (non-revalued value) corresponding to 5% of the capital stock, acquired in 2017.

Issue premiums

On December 31st 2018, the balance of this account in the amount of tKz 9,204,478 corresponds to the issue premium paid for the acquisition of the aforementioned treasury shares.

21 – Reserves, Retained Earnings and Other Comprehensive Income

Legal reserve

This account is fully constituted by the Legal reserve, which can only be used to cover accumulated losses or to increase Capital.

The Base Law of Financial Institutions requires that the Legal reserve be credited annually with at least 10% of net income, up to convergence to the share capital. At this date, the legal reserve corresponds to the value of the Bank's share capital.

Revaluation reserves, other reserves and retained earnings

On December 31st 2018 and 2017, movements in revaluation reserves, other reserves and retained earnings were as follows:

	Fair value reserves (financial assets at fair value through other comprehensive income)	Outras Reservas e Resultados Transitados			Total
		Legal Reserve	Other Reserves and Retained Earnings	Total Other Reserves and Retained Earnings	
Balance on December 31st 2016	(336.060)	14.786.705	88.483.494	103.270.199	102.934.139
Fair value changes	901.206	-	-	-	901.206
Constitution of reserves	-	-	32.331.567	32.331.567	32.331.567
Balance on December 31st 2017	565.146	14.786.705	120.815.061	135.601.766	136.166.912
Impacts of transitioning to IFRS 9 (Note 41)					
Fair value changes	(654.830)	-	(5.666.415)	(5.666.415)	(6.321.245)
Impairment	206.671	-	(23.765.998)	(23.765.998)	(23.559.327)
Tax impact	196.449	-	8.591.513	8.591.513	8.787.962
Balance on January 1st 2018	313.436	14.786.705	99.974.160	114.760.865	115.074.302
Fair value changes	(1.600.487)	-	-	-	(1.600.487)
Impairment	230.787	-	-	-	230.787
Tax impact	480.146	-	-	-	480.146
Constitution of reserves	-	-	30.087.394	30.087.394	30.087.394
Balance on December 31st 2018	(576.118)	14.786.705	130.061.554	144.848.259	144.272.142

By unanimous deliberation of the General Meeting of March 30th 2018, it has been decided to distribute to the shareholders dividends in the amount corresponding to 45% of the net income earned in the previous year (tKz 54,704,352), the remaining amount having been applied to Other reserves.

Fair value reserves (revaluation reserves)

Fair value reserves represent the potential gains and losses relating to the fair value of financial assets through other comprehensive income, net of impairment recognized in the income statement and/or in previous years and deferred taxes.

The evolution of the fair value reserve, net of deferred taxes, is as follows:

	31.Dec.2018	31.Dec.2017
Previous balance	**565.146**	**(336.060)**
Adjustments to IFRS 9 transition		
Gross variation in fair value	(654.830)	-
Recognized impairment	206.671	-
Deferred taxes recognized in reserves	196.449	-
Balance on January 1st 2018	**313.437**	**-**
Gross variation in fair value	(1.600.487)	1.143.411
Recognized impairment	230.787	-
Deferred taxes recognized in reserves	480.146	(242.205)
Balance at end of year	**(576.117)**	**565.146**

22 – Net interest income

This account is made up as follows:

	31-12-2018			31-12-2017		
	From assets/liabilities at amortized cost and at fair value through other comprehensive income	From assets/liabilities at fair value through profit or loss	Total	From assets/liabilities at amortized cost and at fair value through other comprehensive income	From assets/liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest on loans to clients	47.319.102	-	47.319.102	48.126.137	-	48.126.137
Interest on investments at amortized cost	56.996.902	-	56.996.902	-	-	-
Interest on investments held to maturity	-	-	-	54.870.876	-	54.870.876
Interest on financial assets at fair value through profit or loss	-	2.106.443	2.106.443	-	320 719	320.719
Interest from cash and cash equivalents and investments in credit institutions	14.268.254	-	14.268.254	3.984.068	-	3.984.068
nterest on financial assets at fair value through other comprehensive income	1.264.240	-	1.264.240	-	-	-
Interest on financial assets available for sale	-	-	-	829.580	-	829.580
	119.848.497	2.106.443	121.954.940	107.810.661	320.719	108.131.380
Interest and similar costs						
Interest from resources of clients	(35.528.495)	-	(35.528.495)	(26.780.373)	-	(26.780.373)
Interest from resources of central banks and credit institutions	(313.431)	-	(313.431)	(233.854)	-	(233.854)
	(35.841.926)	-	(35.841.926)	(27.014.227)	-	(27.014.227)
Net interest income	84.006.571	2.106.443	86.113.014	80.796.434	320.719	81.117.153

In the years ended December 31st 2018 and 2017, the account Interest from credit to clients includes tKz 13,813,221 and tKz 9,012,857, respectively, relating to income from credit operations with the Ministry of Finance.

The account Interest from credit to clients includes the positive effect of tKz 519,489 (2017: negative effect of tKz 3,712,483) relating to commissions and other income accounted using the effective interest method on a straight-line basis, as explained in Note 2.3.

The account Interest on credit also includes the amount of tKz 2,628,877 (2017: tKz 473,639) related to the effect of credit granted to employees, in accordance with IAS 19. The increase in these interests over the previous year is explained by the conversion of credits in foreign currency into the national currency.

As at December 31st 2018 and 2017, the account Interest on cash and cash equivalents and investments in credit institutions includes tKz 3,183,486 and tKz 1,285,176, respectively, relating to interest on purchase operations of third-party securities with repurchase agreements contracted with BNA.

At December 31st 2018, the negative effect of the adjustment of Stage 3 credit operations under the heading of Interest on credits to clients, resulting from the application of IFRS 9, is tKz 14,212,088 (Note 10).

23 – Revenue from equity instruments

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Income from Investments in subsidiaries	**278.430**	**266.880**
NOSSA - Nova Sociedade Seguros Angola, S.A.	278.430	238.936
Banco Internacional de São Tomé e Príncipe, S.A.	-	27.944
Income from financial assets available for sale	**-**	**311.397**
FIPA - Fundo de Investimento Privado de Angola SICAV	-	170.178
Fundo Carlyle	-	141.219
	278.430	**578.277**

24 – Fee and Commissions income and expenses

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Fee and commission income	**23.564.633**	**11.877.897**
For banking services provided	18.725.144	9.116.225
For foreign exchange operations	2.818.214	1.397.607
For guarantees provided	628.833	521.941
For commitments made to third parties	623.220	534.885
For operations on behalf of third parties	238.969	159.277
Other fees received	530.253	147.962
Fee and commission expenses	**(4.111.745)**	**(2.259.887)**
For banking services provided por third parties	(2.706.440)	(1.736.293)
For commitments made to third parties	(949.996)	(414.510)
For other services provided	(2.484)	(2.465)
Other fees paid	(452.825)	(106.619)
	19.452.888	**9.618.010**

25 – Earnings from assets and liabilities valuated at fair value through profit or loss

This account has the following composition:

	31.Dec.2018			31.Dec.2017		
	Income	Costs	Total	Income	Costs	Total
Securities held for trading						
Securities						
Bonds and other fixed income securities						
From public issuers	5.349.753	(5.102.813)	246.940	899.179	(278.469)	620.710
From other issuers	-	(771.921)	(771.921)	-	-	-
Other variable income securities	-	(1.329.853)	(1.329.853)	-	-	-
	5.349.753	**(7.204.587)**	**(1.854.834)**	**899.179**	**(278.469)**	**620.710**
Credit to clients						
Credits that do not comply with the SPPI	102.099	-	102 099	-	-	-
	102 099	**-**	**102 099**	**-**	**-**	**-**
Other financial assets and liabilities at fair value through profit or loss						
Other financial assets	(655.232)	-	(655.232)	-	-	-
	(655.232)	**-**	**(655.232)**	**-**	**-**	**-**
	4.796.619	**(7.204.587)**	**(2.407.968)**	**899.179**	**(278.469)**	**620.710**

26 – Foreign exchange income

This account has the following composition:

	31.Dec.2018			31.Dec.2017		
	Income	Costs	Total	Income	Costs	Total
Revaluation of the foreign exchange position at sight	2.466.381.988	(2.491.172.467)	(24.790.479)	1.522.599.620	(1.528.456.491)	(5.856.871)
Revaluation of assets and liabilities	1.028.380.473	(995.888.427)	32.492.046	718.639	(656.849)	61.790
Revaluation of Treasury Bonds Indexed to USD	82.478.114	(26.012.925)	56.465.189	33.642.639	(1.925.786)	31.716.853
Purchase and sale of foreign currency	21.021.313	(4.791.295)	16.230.018	5.904	(159)	5.745
	3.598.261.888	**(3.517.865.114)**	**80.396.774**	**1.556.966.802**	**(1.531.039.285)**	**25.927.517**

This account includes the results arising from the revaluation of foreign currency monetary assets and liabilities denominated in foreign currency in accordance with the accounting policy described in Note 2.3.

27 – Income from disposal of other assets

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Gains in other tangible assets	-	575.941
Gains in non-current assets held for sale	1.716.893	316.431
	1.716.893	**892.372**
Losses in other tangible assets	(488.890)	(4.198)
	(488.890)	**(4.198)**
	1.228.003	**888.174**

28 – Other operating income

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Other operating income		
Recovery of interest and overdue loan expenses	4.715.461	1.886.750
Income from the provision of miscellaneous services	3.058.585	2.820.489
Other gains on investments in subsidiaries	148.901	36.911
Other operating income	2.214.948	953.530
	10.137.895	**5.697.680**
Other operating expenses		
Debt forgiveness	(8.930.130)	(5.287.035)
Taxes and fees not levied on the result for the year	(5.745.639)	(6.364.782)
Penalties applied by regulators	(20.694)	(220)
Other operating expenses and costs	(1.991.942)	(1.053.449)
	(16.688.405)	**(12.805.486)**
	(6.550.510)	**(7.107.806)**

The account Other operating income - Income from miscellaneous services reflects income earned during the year charged by the various services provided by the Bank and income earned from the issue of checks.

The account Other operating expenses - Debt forgiveness refers to the losses incurred by the Bank in connection with the restructuring and write-off of credits, which were already fully covered by the recognition of impairment losses.

29 – Staff costs

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Remuneration	10.233.331	8.556.844
Other remuneration	10.885.243	5.791.286
Social and social-related mandatory costs	2.560.537	2.203.135
Post-employment benefits costs	1.309.261	1.032.069
Other costs	751.544	528.842
	25.739.916	**18.112.176**

Other remuneration includes the amount of tKz 2,628,877 (2017: tKz 473,639) related to the effect of credit granted to employees, in accordance with IAS 19.

Post-employment benefits costs include tKz 866,177 (2017: tKz 678,817) relating to contributions to the Social Security fund. This item also includes the amount of tKz 443,085 (2017: tKz 357,252) referring to contributions to the BAI Pension Fund, as defined in Note 30.

Costs with remuneration and other benefits attributed to the Board of Directors and Supervisory Board during the years ended December 31st 2018 and 2017 are shown as follows:

	31.Dec.2018			31.Dec.2017		
	Board of Directors	Supervisory Board	Total			Total
Remunerations	738.269	23.873	762.142	414.725	23.185	437.910
Other remunerations	267.333	-	267.333	192.240	-	192.240
Post-retirement benefits costs	82.224	-	82.224	43.650	-	43.650
	1.087.826	**23.873**	**1.111.699**	**650.615**	**23.185**	**673.800**

The number of employees of the Bank, considering permanent employees and fixed-term employees, is broken down by the following professional categories:

	31.Dec.2018		31.Dec.2017	
	Average for the year	Year End		
Directors	10	13	11	9
Management and coordination	76	82	59	70
Other heads	323	319	315	326
Technicians	1049	1418	670	680
Administrative staff	526	174	828	877
Other staff	42	52	85	29
	2.025	**2.058**	**1.968**	**1.991**

30 – Employee benefits

Law no. 07/04 of October 15th, which regulates the Social Security system of Angola, provides for the granting of retirement pensions to all Angolan workers enrolled in Social Security. The value of these pensions is calculated on the basis of a table proportional to the number of years of work applied to the average monthly gross wages received in the years immediately preceding the date on which the worker ceases his activity. According to Decree No. 7/99 of 28th May, the contribution rates for this system are 8% for the employer and 3% for the employees. In 2004, the Bank voluntarily committed, through the setting up of a pension fund, to provide its employees or their families with cash benefits to supplement old age, disability, early retirement and death grant, under the terms agreed in the constitution agreement of the "BAI Pension Fund".

Until December 31st 2009, the Bank had voluntarily granted, in the defined benefit modality, a supplement for old-age, disability, early retirement and survival pensions to its employees. On November 21st 2012, Order No. 2529/12 approved by the Ministry of Finance was published in the official gazette Diário da República, whose sole point was the approval of the changes to the pension plan and the constitution of the Workers' Pension Fund of the Bank, which thus went from a defined benefit pension plan to a defined contribution plan.

Following the said amendment to the Fund, the defined benefit pension plan was maintained for existing pensioners and for participants who terminated their contractual relationship with the Bank and with rights acquired up to December 31st 2009.

Also according to this amendment approved in 2012 to the Fund's constitution agreement, BAI should contribute monthly with 6% on the employee's salary, and a contribution to be made by the participants of the Fund of 3% on their salary, for the new defined contribution plan.

Until December 31st 2012, the Bank was exceptionally provisioning a contribution of 3% on the salaries corresponding to the potential liability of the participants (employees). In 2013, in view of the above, this provision was annulled, and this procedure was supported by a legal opinion and by a favorable decision of the Angolan Agency for Regulation and Supervision of Insurance (ARSEG).

The management of the "BAI Pension Fund" was transferred from AAA Pensões, S.A. to NOSSA - Nova Sociedade Angolana de Seguros de Angola, S.A. dated October 31st 2013 in accordance with the Order of the Ministry of Finance of October 28th 2013.

BAI began to deduct monthly the amount corresponding to 3% of the salaries of employees who joined the Fund, maintaining its contribution of 6% on the salaries of those employees.

With regard to the amount to be reimbursed to employees, previously covered by the Defined Benefit Plan, and who have moved to the Defined Contribution Pension Plan, to date the Fund possesses the appropriation to meet this responsibility.

Regarding the Defined Benefit Plan, which was still in force, it was decided to liquidate all liabilities to all participants of this fund (former employees and pensioners), for this fund was fully settled on December 31st 2015. All this process was monitored and authorized by ARSEG.

31 – Third-party supplies and services

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Audits, consulting and other specialized technical services	7.796.858	5.748.321
Miscellaneous materials	4.517.383	4.051.982
Communications	3.250.687	2.186.503
Rents and leases	2.390.963	3.427.915
Security, maintenance and repair	1.664.288	1.215.662
Publications, advertising and publicity	1.048.643	560.303
Transport, travel and accommodation	272.135	135.206
Insurance	181.435	135.181
Water and power	167.879	157.620
Other third-party supplies	1.362	228.565
	21.291.634	**17.847.258**

32 – Depreciation and amortization for the year

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Intangible Assets		
Organization and expansion expenses	1.522	18.688
Automatic data-processing system	610.134	122.148
	611.656	**140.836**
Other Tangible Assets		
Real property for use		
Real property for own use	699.145	717.245
Works in leased real properties	675.703	558.396
Furniture, utensils, plant and equipment		
Furniture and equipment	364.038	362.406
Machinery and tools	602.631	615.291
Computer equipment	522.168	495.553
Indoor facilities	58.797	60.945
Transport equipmen	284.708	232.684
Safety equipment	74.968	77.424
Other equipment	110.205	105.631
Other tangible assets	54.577	37.089
	3.446.940	**3.262.664**
	4.058.596	**3.403.500**

33 – Provisions net of reversals

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Appropriation for the year (Note 18)	5.313.487	309.914
Reversal for the year (Note 18)	(2.286.629)	(1.883.207)
	3.026.858	**(1.573.293)**

34 – Impairments on loans net of reversals and recoveries

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Appropriation for the year net of reversals (Note 10)	68.878.865	18.775.815
Recovery of credits and interest	-	(1.847.537)
	68.878.865	**16.928.278**

35 – Impairment for other financial assets net of reversals and recoveries

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Appropriation for the year		
Investments in central banks and other credit institutions	30.954	-
Investments at amortized cost	723.308	-
Financial assets at fair value through other comprehensive income	53.063	-
Investment in subsidiaries and associates	1.920	316.299
	809.245	316.299
Reversal for the year		
Investments in central banks and other credit institutions	(9.871)	-
Investments at amortized cost	(711.762)	-
Financial assets at fair value through other comprehensive income	-	-
Investment in subsidiaries and associates	(344.561)	(177.142)
	(1.066.194)	(177.142)
	(256.949)	**139.157**

36 – Impairment for other assets net of reversals and recoveries

This account has the following composition:

	31.Dec.2018	31.Dec.2019
Appropriations for the year		
Non-current assets held for sale (Note 11)	705.018	87.438
Other assets (Note 15)	5.037.936	2.063.471
Reversals for the yea		
Non-current assets held for sale (Note 11)		
Other assets (Note 15)	(206.320)	(49.731)
	5.536.634	**2.101.178**

37 – Off-balance sheet accounts

This account has the following composition:

	31.Dec.2018	31.Dec.2017
Guarantees and endorsements provided	219.722.517	33.883.431
Guarantees and endorsements received	(193.289.300)	(221.333.289)
Commitments made before third parties	13.553.170	19.116.262
Deposit and custody of securities	(637.013.312)	(337.549.379)
Responsibilities for provision of services		
Custody of securities	400.886.840	467.718.196
Treasury bonds	17.266.907	41.771.552
Custody of securities BNA (Soyo)	8.189.028	7.236.824
Other responsibilities for provision of services	9.272.783	4.826.858
Assigned securities	977.416	526.546
Credit held in assets	555.510.785	-
Credit written-off in assets		
Equity	138.809.951	86.756.886
Interest overdue	77.807.391	35.133.943
Other off-balance sheet accounts	65.202.864	(5.080)
Credit granted by third parties	28.709.602	8.149.053

The guarantees, endorsements provided and commitments entered into with third parties are subject to the calculation of ECL according to the model of Impairment defined by BAI and in accordance with the requirements of IFRS 9. The breakdown of these exposures by Stage is as follows:

	31.Dec.2018			
	Stage 1	Stage 2	Stage 3	Total
Guarantees and endorsements provided	160.507.939	6.737.836	52.476.743	219.722.517
Commitments made before third parties	5.119.403	7.389.912	1.043.855	13.553.170

The guarantees and endorsements provided are bank operations that do not represent mobilization of funds by the Bank and include bank guarantees and documentary credits.

Documentary credits are irrevocable commitments by the Bank, on behalf of its customers, to pay/order to pay a determined amount to the supplier of a given commodity or service, within a stipulated period, against presentation of documents relating to the shipment of the goods or service rendered. The irrevocable condition consists in the fact that its cancellation or alteration is not viable without the express agreement of all parties involved.

Commitments entered into with third parties have contractual arrangements for the granting of credit to the Bank's clients (for example, unused lines of credit), which are generally contracted for fixed terms or other expiry requirements and usually require payment of a fee. Substantially all existing credit granting commitments require clients to maintain certain requirements that are verified when contracting them. These may be revocable and irrevocable.

Notwithstanding the particular nature of these commitments, the assessment of these transactions is based on the same basic principles of any other commercial operation, namely the solvency of both the client and the business underlying it, and the Bank requires that these operations be duly collateralized where necessary. Since most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

As at December 31st 2018, for the first time the Bank shows in this item the amount of credit held in assets, which is why comparative information is not presented.

All financial instruments referred to above are subject to the same approval and control procedures applied to the client loan portfolio, namely in relation to assessment of the adequacy of provisions, constituted as described in the accounting policy provided in Note 2.5. This provision is recorded under Provisions, as described in Note 18.

38 – Transactions with related parties

In accordance with IAS 24, entities related to BAI are deemed to be:

- Holders of qualifying holdings - Shareholders, presuming that this happens when the capital participation is no less than 10%;
- Entities that are directly or indirectly in a controlling relationship or in relation to Bank - Subsidiaries, associated companies and jointly controlled companies;
- Members of the administration and supervisory bodies of the Bank and its spouses, descendants or ascendants up to the second degree in a direct line, considered ultimate beneficiaries of the transactions or assets.

The Bank's related entities with which it maintained balances or transactions in the year ended on December 31st 2018 are as follows:

Name of the related entity	%	Sede
Companies directly controlled by the Bank		
BAI Micro Finanças, S.A.	98,41%	Angola
BAI Europa S.A.	99,99%	Portugal
BAI Cabo Verde S.A.	80,43%	Cabo Verde
BAI Center S.A.	100,00%	Cabo Verde
NOSSA - Nova Sociedade de Seguros de Angola S.A.	72,24%	Angola
SAESP - Sociedade Angolana de Ensino Superior Privado S.A.	80,00%	Angola
BAIGEST S.A.	96,00%	Angola

Name of the related entity	%	Sede
Board Members		
José Paiva - Chairman	n.a	n.a
Mário Barber - Vice President	n.a	n.a
Theodore Giletti - Non-executive Director	n.a	n.a
Jaime Bastos - Independent Director	n.a	n.a
Omar Guerra - Non-executive Director	n.a	n.a
Carlos Chaves - Non-executive Director	n.a	n.a
Luís Lélis- Chairman of the Executive Committee	n.a	n.a
Inokcelina Santos - Executive Director	n.a	n.a

Helder Aguiar - Executive Director	n.a	n.a
Simão Fonseca - Executive Director	n.a	n.a
João Fonseca - Executive Director	n.a	n.a
Irisolange Verdades - Executive Director	n.a	n.a
José Manuel - Executive Director	n.a	n.a
Members of the Supervisory Board		
Júlio Sampaio - President	n.a	n.a
Moisés Joaquim - Member	n.a	n.a
Alberto Pereira - Member	n.a	n.a
Isabel Lopes - Alternate Member	n.a	n.a
Members of the Board of the General Meeting of Shareholders		
Domingos Viegas – President	n.a	n.a
Alice Escórcio - Vice President	n.a	n.a
Ana Victor – Secretary	n.a	n.a
Remuneration Committee		
Joaquim David – President	n.a	n.a
Augusto Almeida – Secretary	n.a	n.a
Sebastião Martins – Member	n.a	n.a
Companies under common control		
AAA SEGUROS, S.A.	0,11%	Angola
EMIS - Empresa Interbancária de Serviços, S.A.	9,51%	Angola
BAI Invest, S. A.	n.a	Angola
FIPA - Fundo de Investimento Privado de Angola, S.A.	25,64%	Luxembourg
GRINER Engenharia, S.A.	2,30%	Angola
Nova Cimangola, S.A.	6,00%	Angola
BISTP - Banco Internacional de São Tomé e Príncipe, S.A.	25,00%	São Tomé e Príncipe
SODIMO - Sociedade de Desenvolvimento Imobiliário, S.A.	30,00%	Angola
Novinvest, S.A.	n.a	Angola
Benguela Premium, Lda.	n.a	Angola
Benfica Boulevard Empreendimentos, S.A.	n.a	Angola
SOPROS, S.A.	n.a.	Angola
Hotel Terminus Lobito	n.a	Angola
IMOGESTIN, S.A.	n.a.	Angola
BAI SGPS, S.A.	n.a	Angola
Novenge, S.A.	n.a	Angola
Sodecom, S.A.	n.a.	Angola
Other entities		
Fundação BAI	n.a.	Angola

The amounts of the Bank's transactions with related parties at December 31st 2018 and 2017, as well as the respective costs and revenue recognized in the year under review, are summarized as follows:

	31.Dec.2018					31.Dec.2017
	Relatives of Members of the Governing Bodies	Members of the Governing Bodies	Affiliates, associated companies and joint ventures	Companies under common control	Total	Total
Assets						
Cash and cash equivalents in other credit institutions	-	-	43 393 794	-	43 393 794	3 246 298
Investments in central banks and other credit institutions	-	-	264 867 695	-	264 867 695	136 764 398
Financial assets at fair value through profit or loss	-	-	824 566	-	824 566	-
Financial assets at fair value through other comprehensive income	-	-	-	276 564	276 564	75 033
Investments held to maturity	-	-		-	-	447 037
Investments in subsidiaries, associated companies and joint ventures	-	-	7 654 018	65 136	7 719 154	7 006 806
Credit to clients	154 675	1 617 731	-	12 747 883	14 520 288	26 508 142
Direct credit	171 651	1 659 061	-	23 472 999	25 303 711	30 898 786
Impairment of the credit portfolio	(16 976)	(41 330)	-	(10 725 116)	(10 783 422)	(4 390 644)
Non-current assets held for sale	-	-	6 387 613	-	6 387 613	-
Other assets	-	-	10 996 619	3 320 673	14 317 292	16 194 920
Total Assets	**154 675**	**1 617 731**	**334 124 304**	**16 410 256**	**352 306 966**	**190 242 634**
Liabilities						
Cash and cash equivalents from central banks and other credit institutions	-	-	-	-	-	7 030 784
Cash and cash equivalents from clients and other loans	991 793	2 367 112	2 062 195	5 937 357	11 358 457	11 365 136
Foreign exchange operations	-	-	-	-	-	772 010
Other liabilities	-	-	46 551	57 323	103 873	564
Total liabilities	**991 793**	**2 367 112**	**2 108 746**	**5 994 680**	**11 462 331**	**19 168 494**
Off-balance sheet positions						
Guarantees received	43 550	361 448	-	8 195 495	8 600 493	4 356 371
Credit written-off in assets	-	-	-	323 061	323 061	442 084
Credit by subscription	-	183 886	-	6 482 539	6 666 424	7 207 733

	31.Dec.2018					31.Dec.2017
Net interest income	Relatives of Members of the Governing	Members of the Governing Bodies	Affiliates, associates and joint ventures	Companies under common control	Total	Total
Interest from cash and cash equivalents and investments in credit institutions	-	-	2.789.593	-	2.789.593	73.027
nterest on investments held to maturity	-	-	-	-	-	-
Interest on loans to clients	12.840	75.668	13	9.279.572	9.368.092	4.676.417
Interest and similar income	**12.840**	**75.668**	**2.789.605**	**9.279.572**	**12.157.685**	**4.749.444**
Interest from resources of clients	(14.373)	(9.609)	(21.569)	(33.703)	(79.255)	(180.113)
Interest from resources of central banks and credit institutions	-	-	-	-	-	-
Interest and similar costs	**(14.373)**	**(9.609)**	**(21.569)**	**(33.703)**	**(79.255)**	**(180.113)**
Net interest income	**(1.534)**	**66.059**	**2.768.037**	**9.245.868**	**12.078.430**	**4.569.331**

As of December 31st 2018 and 2017, the aggregate amount of cash and cash equivalents as well as investments in other credit institutions that refer to operations with subsidiaries, associated companies and joint ventures, in addition to those referred to above, is summarized as follows:

Cash and cash equivalents in other credit institutions	31.Dec.2018	31.Dec.2017
BAI Europa, S.A.	41.436.891	-
BAI Cabo Verde, S.A.	1.956.903	3.246.298
Total	**43.393.794**	**3.246.298**

Investments in other credit institutions	31-12-2018	31-12-2017
BAI Europa, S.A.	245.933.994	125.986.362
BAI Cabo Verde, S.A.	18.933.701	10.778.036
Total	**264.867.695**	**136.764.398**

The costs with remuneration and other benefits attributed to key management personnel (shortand long-term) are shown in note 29.

Transactions with related parties are carried out under the following conditions, as per Bank policy:

- Business transactions - carried out under normal market conditions and applicable to transactions with the same characteristics and to clients of a similar profile, in terms of,among other things, risk level, turnover, sector of activity, etc., according to the price charged by the BAI, i.e., the price of the transactions must be established using the comparable market price method;
- Cost-Sharing transactions - the price of transactions is defined using the cost-plus method.
-

39 – Fair value of financial assets and liabilities

Fair value is based on market quotations, whenever these are available. If these do not exist, fair value is estimated through internal models based on cash flow discounting techniques. The cash flow generation of the different instruments is based on the respective financial characteristics and the discount rates used incorporate either the market interest rate curve or the current risk levels of the respective issuer.

Thus, the fair value obtained is influenced by the parameters used in the valuation model, which necessarily incorporate some degree of subjectivity, and reflects exclusively the value attributed to the different financial instruments.

The fair value of the financial assets and liabilities held by the Bank is shown as follows:

	Amortized Cost	Valorizados ao Justo Valor			Total Balance Sheet Value	Fair Value
		Market quotes (Nível 1)	Valuation models with observable market parameters (Nível 2)	Valuation models with parameters not observable in the market (Nível 3)		
Balance as at 31st December 2018						
Cash and cash equivalents central banks	253 867 188	-	-	-	253 867 188	253 867 188
Cash and cash equivalents in other credit institutions	125 398 411	-	-	-	125 398 411	125 398 411
Investments in central banks and other credit institutions	351 162 813	-	-	-	351 162 813	351 162 813
Financial assets at fair value through profit or loss	-	-	49 351 693	-	49 351 693	49 351 693
Financial assets at fair value through other comprehensive income	-	-	30 160 357	-	30 160 357	30 160 357
Investments at amortized cost	722 661 496	-	-	-	722 661 496	525 335 915
Credit to clients	372 147 236	-	-	1 106 047	373 253 283	369 796 180
Other assets	29 968 970	-	-	10 821 999	40 790 969	40 790 969
Financial assets	**1 855 206 114**	**-**	**79 512 050**	**11 928 047**	**1 946 646 211**	**1 745 863 527**
Cash and cash equivalents from central banks and other credit institutions	3 942 530	-	-	-	3 942 530	3 942 530
Cash and cash equivalents from clients and other loans	1 807 522 210	-	-	-	1 807 522 210	1 807 522 210
Financial liabilities	**1 811 464 740**	**-**	**-**	**-**	**1 811 464 740**	**1 811 464 740**

	Amortized Cost	Valued at Fair Value			Total Balance Sheet Value	Fair Value
		Market quotes (Nível 1)	Valuation models with observable market parameters (Nível 2)	Valuation models with parameters not observable in the market (Nível 3)		
31st December 2017						
Cash and cash equivalents central banks	180 950 674	-	-	-	180 950 674	180 950 674
Cash and cash equivalents in other credit institutions	9 389 469	-	-	-	9 389 469	9 389 469
Investments in central banks and other credit institutions	254 537 675	-	-	-	254 537 675	254 537 675
Financial assets held for trading and at fair value through profit or loss	-	-	4 078 615	-	4 078 615	4 078 615
Financial assets available for sale	-	-	19 333 516	-	19 333 516	19 333 516
Investments held to maturity	418 053 626	-	-	-	418 053 626	407 394 805
Credit to clients	369 345 265	-	-	-	369 345 265	363 115 584
Financial assets	**1 232 276 709**	**-**	**23 412 131**	**-**	**1 255 688 840**	**1 238 800 338**
Cash and cash equivalents from central banks and other credit institutions	27 687 755	-	-	-	27 687 755	27 687 755
Cash and cash equivalents from clients and other loans	1 092 660 008	-	-	-	1 092 660 008	1 092 660 008
Financial liabilities	**1 120 347 763**	**-**	**-**	**-**	**1 120 347 763**	**1 120 347 763**

The Bank uses the following three-level fair value hierarchy in the valuation of financial instruments (assets or liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters applied in determining the fair value valuation of the instrument, in accordance with the provisions of IFRS 13:

- **Level 1:** Fair value is determined on the basis of unadjusted quoted prices, captured in transactions in active markets involving financial instruments identical to the instruments to be valued. If there is more than one active market for the same financial instrument, the relevant price is the one that prevails in the instrument's main market or the most advantageous market for which access exists;

- **Level 2:** Fair value is determined based on valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that a non-related party would use in estimating the fair value of the same financial instrument. It also includes instruments whose valuation is obtained through quotations disclosed by independent entities, but whose markets have lower liquidity; and,

- **Level 3:** Fair value is determined on the basis of data not observable in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including hypotheses about the inherent risks, the valuation technique used and to the inputs used and contemplated processes to review the acuity of the values thus obtained.

The Bank considers market as active for a given financial instrument, on the measurement date, depending on the volume of business and the liquidity of the transactions carried out, the relative volatility of quoted prices and the readiness and availability of the information, and for that purpose the following minimum conditions should be observed:

- Existence of frequent daily trading prices in the last year;
- The aforementioned prices change regularly;
- There are executable quotes of more than one entity.

A parameter used in a recovery technique is deemed observable in the market if the following conditions are met:

- If its value is determined in an active market;
- If there is an Over-the-counter (OTC) market and it is reasonable to assume that active market conditions are present, with the exception of the condition of trading volume; and,
- The parameter value can be obtained by the inverse calculation of the prices of the financial instruments and/or derivatives where the other parameters necessary for the initial valuation are observable in a net market or an OTC market that comply with the previous paragraphs.

On December 31st 2018 and 2017, all financial assets recorded at fair value were classified in levels 2 and 3, despite the fact that, in some situations, they were prices recorded in the Angolan capital market (BODIVA). The fact that this market began its activity in the end of 2016, given the low liquidity and depth of the capital market and the embryonic stage in which it is found, it was considered that they did not have the necessary conditions to be classified in level 1.

The main methodologies and assumptions used in estimating the fair value of financial assets and liabilities recorded in the balance sheet at amortized cost are analyzed as follows:

Cash and cash equivalents at central banks, Cash and cash equivalents at other credit institutions and investments in central banks and other credit institutions

These assets are very short-term and therefore the balance sheet value is a reasonable estimate of their fair value.

Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income

These financial instruments are recorded at fair value for the Angolan public debt securities, the fair value is based on the market quotations available at BODIVA, whenever these are available. If they do not exist, the calculation of the fair value is based on the use of numerical models based on cash flow discounting techniques that, in order to calculate the fair value, use the market interest rate curves adjusted by the associated factors, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and respective terms.

Market interest rates are determined based on information disseminated by financial content providers and the BNA. Interest rates for specific cash flow maturities are determined by appropriate interpolation methods. The same interest rate curves are still used in the projection of non-deterministic cash flows such as indexers.

For investment funds, the financial statements of these entities at the Bank's balance sheet date and, where possible, with the respective auditors' report, are considered as the best fair value estimate.

Investments at amortized cost

The fair value of these financial instruments is based on market quotations, where available.
If they do not exist, the fair value is estimated based on the updating of expected cash flows of capital and interest in the future for these instruments. For the purposes of this disclosure, it was assumed that Treasury Bills have short-term residual maturities and that Treasury Bonds in foreign currency bear interest rates in line with the comparable market rates in force, and therefore their carrying amount represents substantially the fair value of these assets.

Loans to customers

The fair value of loans to customers is estimated based on the update of the expected cash flows of principal and interest, considering that the benefits are paid on the contractually defined dates.

The interest and discount rates used are the current average rates practiced for loans with similar characteristics in the last three months.

For the purposes of this disclosure, it was assumed that variable interest rate credit agreements present regular updates of the interest rate and no relevant changes are being made to the associated spreads, which is why it is assumed that the book value substantially represents the fair value of these assets.

Other Assets

Other assets classified at fair value through profit or loss were valued in accordance with the assumptions defined in level 3.

Resources from central banks and other credit institutions

These liabilities are very short-term and therefore the balance sheet value is a reasonable estimate of their fair value.

Customer resources and other loans

The fair value of these financial instruments is estimated based on the updating of the expected capital and interest cash flows. The discount rate used is that which reflects the rates practiced for deposits with similar characteristics at the balance sheet date.

Considering that, in the vast majority of the Bank's clients portfolio, the applicable interest rates are renewed for periods of less than one year, there are no materially relevant differences in their fair value.

40 – Business risk management

The Bank is subject to various risks in the development of its activity. Risk management is performed in a centralized manner in relation to the specific risks of each business.

The risk management policy aims to define the profile for each risk identified as material for the Bank, aiming to protect the solidity of the Bank, as well as the guidelines for the implementation of a risk management system that allows the identification, evaluation, monitoring, control and reporting of all material risks inherent to the Bank's activity.

In this context, the monitoring and control of the main financial risks - credit, market and liquidity - and non-financial - operational - to which the Bank's activity is subject is of particular relevance.

Main Categories of Risk

Credit – Reflects the probability of negative impacts occurring on profit or loss or on the capital due to the inability of a counterparty to meet its financial commitments towards the institution, including possible restrictions on the transfer of payments from abroad.

Market – The concept of market risk reflects the probability of negative impacts occurring on profit or loss or on the capital due to adverse movements in interest rates and exchange rates and/or on the prices of the various financial instruments that comprise it, considering both the correlations between them and their respective volatilities. Thus, Market Risk encompasses interest rate, exchange rate and other price risks.

Liquidity – This risk reflects the likelihood of negative impacts on profit or loss or on the capital arising from the institution's inability to have liquid funds to meet its financial obligations as they mature.

Operational – Operational risk is understood as the likelihood of negative impacts on profit or loss or on the capital arising from failures in the analysis, processing or settlement of operations, internal and external fraud, the use of resources under subcontracting, inadequate internal decision processes, insufficient or inadequate human resources or inoperability of the infrastructures.

Internal organization

The organizational structure of the risk management system includes an autonomous and independent function - the Direcção de Gestão do Risco (DGR), without direct responsibility for any risk-taking function, which is hierarchically and functionally dependent on the Board of Directors (BoD), supervised by the Risk Management Committee (CGR) and monitored daily by a dedicated director appointed by the Executive Committee (EC).

The BoD is responsible for defining, approving and implementing a risk management system that allows the identification, evaluation, control and follow-up of all material risks to which the Bank is exposed, in order to ensure that they are maintained at the previously defined level and will not significantly affect the Bank's financial position.

The BoD is responsible for: (i) approving CGR’s operating regulation; (ii) ensure the material and human resources suitable to the performance of the risk management functions; (iii) ensure that risk management activities have sufficient independence, status and visibility and are subject to periodic reviews; (iv) approve the limits of exposure to the various material risks to which the Bank is exposed; and (v) define general guidelines for the risk management system and definition of the Bank's risk profile, formalized in the risk management policy.

The CGR is responsible for assessing the effectiveness of the risk management system, advising the Board on the risk strategy, overseeing the implementation of the risk strategy and overseeing the performance of the DGR as set out in Notice No. 2/13 of April 19th, issued by the BNA.

The DGR is responsible for identifying, evaluating and monitoring the risks that are materially relevant to the Bank, as well as monitoring the adequacy and effectiveness of the measures taken to correct any deficiencies in the risk management system.

The Bank's Structure Units are responsible for the effective control of risks and compliance with the internal procedure manuals defined by the EC.

The risk management system is documented through policies, internal norms (processes) and procedure manuals.

During 2016 BNA has issued a number of Notices and Instruction with a special focus on risk management and reporting by Financial Institutions. The Bank is in the process of implementing them, in order to carry out the reporting and compliance within the legally applicable deadlines.

Risk assessment

Credit risk

Credit risk models play a key role in the credit decision process. Thus, the credit decision process is based on a set of policies and parameters that are embodied in scoring models for Private and Business client portfolios and rating models for the Business segment.

The following is the information on the Bank's exposure to credit risk for financial assets and off-balance sheet credit:

	31.Dec.2018		
	Gross accounting value	Impairment	Net accounting value
In assets			
Cash and cash equivalents in other credit institutions	125.398.411	-	125.398.411
Investments in central banks and other credit institutions	351.389.740	226.927	351.162.813
Financial assets at fair value through profit or loss	49.351.693	-	49.351.693
Financial assets at fair value through other comprehensive income	30.160.357	-	30.160.357
Investments at amortized cost	727.345.653	4.684.157	722.661.496
Credit to clients	555.535.606	182.282.322	373.253.283
	1.839.181.460	187.193.407	1.651.988.053
Off-balance sheet			
Guarantees given and letters of credit	219.722.517	4.249.089	215.473.428
Commitments made before third parties	13.553.170	-	13.553.170
	233.275.687	4.249.089	229.026.598
	2.072.457.147	**191.442.496**	**1.881.014.652**

	31-12-2017		
	Valor contabilístico bruto	Imparidade	Valor contabilístico líquido
Patrimoniais			
Disponibilidades em outras instituições de crédito	9.289.469	-	9.289.469
Aplicações em bancos centrais e em outras instituições de crédito	254.537.675	-	254.537.675
Activos financeiros detidos para negociação e ao justo valor através de resultados	4.078.615	-	4.078.615
Activos financeiros disponíveis para venda	19.333.516	-	19.333.516
Investimentos detidos até à maturidade	418.053.626	-	418.053.626
Crédito a clientes	457.802.949	88.457.685	369.345.264
	1.163.095.850	88.457.685	1.074.638.165
Extrapatrimoniais			
Garantias prestadas e cartas de crédito	33.883.431	1.735.491	32.147.940
Compromissos assumidos perante terceiros	19.116.262	-	19.116.262
	52.999.693	1.735.491	51.264.202
	1.216.095.543	**90.193.176**	**1.125.902.367**

With regard to the quality of the credit risk of financial assets, based on the internal rating levels, the Bank is developing the necessary tools to present the information in this way.

Nevertheless, it is important to take into account the following aspects related to the mitigation of credit risk of the Bank's financial assets:

— With regard to credit risk, the portfolio of securitised financial assets maintains its position predominantly in sovereign bonds of the Republic of Angola;

— For the purpose of reducing the risk of credit granted to clients, real mortgage collateral and financial collateral are relevant, which allow a direct reduction of the value of the position. Also considered are the guarantees of personal protection with substitution effect in the exposure;

- In terms of direct reduction of credit risk to clients, credit operations collateralized by financial collateral are considered, namely deposits, bonds of the Republic of Angola and the like;
- For real mortgage guarantees, valuations of assets are carried out by independent appraisers registered with the CMC. The revaluation of the assets is carried out by conducting on-site assessments by an appraiser in accordance with best practices adopted in the market;
- The Bank's credit portfolio impairment loss model has been in production since December 2018, and is governed by the general principles defined in IFRS 9, as well as the guidelines and iterations for the implementation of IAS/IFRS, as per the plan defined by BNA, so as to align the calculation process with the best international practices;
- The Bank's impairment model begins by segmenting credit portfolio clients into distinct groups, namely in the public sector, large companies, small and medium-sized companies, and for individuals in consumer credit, credit cards, mortgage loans and overdrafts;
- The assessment of the existence of impairment losses in individual terms is determined by analyzing the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Bank evaluates, on each balance sheet date, the expected impairment loss (ECL);
- It should be noted that the restructured loan is a sign of impairment and therefore the loan portfolio marked as restructured is included in the credits with signs of impairment;
- According to the defined model, the clients (or economic banks) whose credit exposure is individually significant are analyzed on an individual basis. In this context, the exposure is considered significant whenever it is equal to or greater than 0.5% of the Bank's own regulatory equity. The Bank also analyzes individually its 20 clients with greater exposure in the private segment;
- For the remaining segments of the loan portfolio, the Bank carries out a collective analysis for the determination of impairment losses. The calculation of the impairment value for the loans of the clients belonging to the homogeneous populations results from the product of the exposure at the date of default (EAD), deducted from financial collaterals without risk and sovereign guarantees, by the following risk parameters:
- Probability of default (PD): corresponds to the internal default estimates, based on the risk classifications associated with the operations/clients, the segments and respective signs of impairment, adjusted to the scenarios expected for the evolution of the macroeconomic aggregates. If the credit is in default or there is another credit of that client in default (cross-default), the PD corresponds to 100%;
- Loss given default (LGD): corresponds to the internal loss estimates in case of default, which vary according to the segment, according to the type of real guarantee, the loan-to-value ratio (LTV) and the seniority of the default, based on the historical experience of recovering credits that have been in default;
- In the group of individually significant clients, client exposures are subject to analysis on an individual basis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovery of credit, taking into account in particular the collaterals and existing guarantees;

— The impairment value for the clients that are the subject of individual analysis is determined using the discounted cash-flows method and macroeconomic scenarios with impacts on the recovery strategy, i.e. the impairment value corresponds to the difference between the credit amount and the sum of expected cash flows related to the various customer operations, adjusted to the macroeconomic scenarios and updated according to the effective interest rates of each operation..

Market risk

With regard to market risk information and analysis, regular reporting on the financial asset portfolios is ensured. Regarding own portfolios, open position limits are defined during the section and at the end of the day, limits of execution volume by type of operator, as well as limits of exposure to counterparties.

The Bank calculates the exposure to credit risk in accordance with BNA Notice No. 08/2016, of May 16th, and is within the regulatory limits.

The investment portfolio at amortized cost is mainly exposed to sovereign bonds of the Republic of Angola, which on December 31st 2018 represented 100% (2017: 99.60%) of the total portfolio.

The assessment of the interest rate risk arising from banking portfolio operations is carried out by risk sensitivity analysis, based on the financial characteristics of each contract and the projection of the expected cash flows is made according to the dates of rate reset and any behavioral assumptions considered.

The aggregation for each of the currencies analyzed of the expected cash flows in each of the time intervals allows the determination of interest rate gaps by resetting period.

Following the recommendations of BNA Instruction no. 06/2016, of August 8th, the Bank calculates its exposure to balance-sheet interest rate risk based on the methodology defined in the Instruction.

On December 31st 2018 and 2017, assets and liabilities gross of impairment and amortizations are broken down by type of rate as follows:

	31.Dec.2017			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in central banks and other credit institutions	351.389.740	-	-	351.389.740
Financial assets at fair value through profit or loss	37.985.688	-	11.366.005	49.351.693
Financial assets at fair value through other comprehensive income	29.932.803	227.555	-	30.160.357
Investments at amortized cost	727.345.653	-	-	727.345.653
Credit to clients	9.897.387	545.638.219	-	555.535.606
	1.156.551.271	545.865.774	11.366.005	1.713.783.049
Liabilities				
Cash and cash equivalents from clients and other loans (term)	31.279.219	823.604.844	-	854.884.063
Cash and cash equivalents from central banks and other credit institutions	3.942.527	-	3	3.942.530
	35.221.746	823.604.844	3	858.826.593
Net exposure	1.121.329.525	(277.739.070)	11.366.002	854.956.456

	31.Dec.2017			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in central banks and other credit institutions	254 537 675	-	-	254 537 675
Financial assets held for trading and at fair value through profit or loss	4 078 615	-	-	4 078 615
Financial assets available for sale	16 640 212	-	2 693 304	19 333 516
Financial assets held to maturity	418 053 626	-	-	418 053 626
Credit to clients	177 595 595	280 207 354	-	457 802 949
	870 905 723	280 207 354	2 693 304	1 153 806 381
Liabilities				
Cash and cash equivalents from clients and other loans (term)	359 027 545	-	-	359 027 545
Cash and cash equivalents from central banks and other credit institutions	27 085 554	-	602 201	27 687 755
	386 113 099	-	602 201	386 715 300
Net exposure	484 792 624	280 207 354	2 091 103	767 091 081

On December 31st 2018 and 2017, the financial instruments net of impairment and amortizations with exposure to interest rate risk are detailed as follows by reset date:

	31.Dec.2018					
	Reschedule of dates / Maturity Dates					
	Up to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Undetermined duration	Total
Assets						
Investments in central banks and other credit institutions	263.716.939	87.445.874	-	-	-	351.162.813
Financial assets at fair value through profit or loss	-	12.194.397	37.157.296	-	-	49.351.693
Financial assets at fair value through other comprehensive income	-	-	29.883.794	-	276.564	30.160.357
Investments at amortized cost	4.741.500	225.229.744	477.069.162	15.621.090	-	722.661.496
Credit to clients	44.377.077	13.738.242	202.235.483	20.527.229	92.375.252	373.253.283
	313.808.351	**341.196.286**	**763.483.831**	**150.649.167**	**139.734.330**	**1.708.871.964**
Liabilities						
Cash and cash equivalents from clients and other loans (term)	386.838.818	457.915.308	10.129.937	-	-	854.884.063
Cash and cash equivalents from central banks and other credit institutions	3.942.530	-	-	-	-	3.942.530
	390.781.348	**457.915.308**	**10.129.937**	**-**	**-**	**858.826.593**
Net exposure	**(76.972.997)**	**(116.719.023)**	**753.353.895**	**150.649.167**	**139.734.330**	**850.045.372**

	31.Dec.2017					
	Reschedule of dates / Maturity Dates					
	Up to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Undetermined duration	Total
Assets						
Investments in central banks and other credit institutions	245.684.552	8.853.123	-	-	-	254.537.675
Financial assets held for trading and at fair value through profit or loss	3.721.370	-	180.048	177.197	-	4.078.615
Financial assets available for sale	-	-	-	16.640.212	2.693.304	19.333.516
Investments at amortized cost	81.435.171	80.641.003	181.602.912	74.374.540	-	418.053.626
Credit to clients	199.780.411	68.522.741	34.884.793	66.157.319	-	369.345.264
	530.621.504	**158.016.867**	**216.667.753**	**157.349.268**	**2.693.304**	**1.065.348.696**
Liabilities						
Cash and cash equivalents from clients and other loans (term)	27.085.554	-	-	-	602.201	27.687.755
Cash and cash equivalents from central banks and other credit institutions	135.147.885	217.969.494	5.910.166	-	-	359.027.545
	162.233.439	**217.969.494**	**5.910.166**		**(602.201)**	**386.715.300**
Net exposure	**368.388.065**	**(59.952.627)**	**210.757.587**	**157.349.268**	**3.295.505**	**679.837.798**

The sensitivity to the balance sheet interest rate risk, by currency, is calculated by the difference between the present value of the interest rate differential (mismatch) discounted at the market interest rate and the discounted value of the same cash flows, simulating parallel displacements of the yield curve.

On December 31st 2018 and 2017, the average interest rates for the main categories of financial assets and liabilities, as well as the respective average balances and income and costs for the year, are detailed as follows:

	31.Dec.2018			31.Dec.2017		
	Average balanc for the year*	Interest for the year	Average interest rate	Average balance for the year*	Interest for the year	Average interest rate
Investments						
Investments in central banks and other credit institutions	361.523.763	14.268.254	3,95%	193.404.813	3.984.068	2,06%
Marketable securities**	628.377.531	60.367.585	9,61%	506.572.711	56.021.175	11,06%
Credit to clients	542.946.971	47.319.102	8,72%	457.802.949	48.126.137	10,51%
Total Investments	1.532.848.265	121.954.941		1.157.780.473	108.131.380	
Resources						
Cash and cash equivalents from clients and other loans (term)	694.923.027	35.528.496	5,11%	426.296.169	26.780.373	6,28%
Cash and cash equivalents from central banks and other credit institutions	23.541.285	313.431	1,33%	16.669.141	233.854	1,40%
Financial liabilities	718.464.311	35.841.927		442.965.310	27.014.227	
Net interest income		86.113.014			81.117.153	

*Sum of the end-of-month balance from January to December divided by 12
** Financial assets at fair value through profit or loss + Financial assets at fair value through other comprehensive income + Investments at amortized cost

On December 31st 2018, the sensitivity analysis of financial instruments to variations in interest rates is as follows (in million Kz):

Exposures by maturity interval or rate re-adjustment - Impact on net worth							
Time band	Assets	Liabilities	Off-balance sheet items +	Off-balance sheet items -	Position	Weighing Factor	Weighing Position
at sight - 1 month	308.131	139.523	5.625	-	174.234	0,08%	139
1 - 3 months	244.818	247.316	747	-	(1.752)	0,32%	(6)
3 - 6 months	177.829	179.478	1.270	-	(380)	0,72%	(3)
6 - 12 months	114.445	278.437	210.631	-	46.638	1,43%	667
1 - 2 years	74.972	170.024	13.569	-	(81.483)	2,77%	(2.257)
2 - 3 years	150.191	667	265	-	149.789	4,49%	6.726
3 -4 years	169.714	611	-	-	169.103	6,14%	10.383
4 - 5 years	120.697	742	83	-	120.039	7,71%	9.255
5 -7 years	35.466	-	-	-	35.466	10,15%	3.600
7 - 10 years	42.468	3.411	392	-	39.449	13,26%	5.231
10 -15 years	18.344	3.941	-	-	14.403	18,84%	2.714
15 - years	2.614	-	-	-	2.614	22,43%	586
>20 years	22.456	-	-	-	22.456	26,03%	5.845
Total	**1.482.145**	**1.024.150**	**232.581**	-	**690.576**		42.880
Cumulative impact of instruments sensitive to interest rate							42.880
Regulatory Equity							195.414
Impact on Economic Value / Regulatory Equity							22%

Exposures by maturity interval or rate re-adjustment - Impact on interest margin							
Time band	Assets	Liabilities	Off-balance sheet items +	Off-balance sheet items -	Position	Weighing Factor	Weighing Position
at sight	35.174	1.949	-	-	33.225	2,00%	665
at sight - 1 months	272.957	137.574	5.625	-	141.008	1,92%	2.703
1 - 2 months	131.259	175.779	333	-	(44.188)	1,75%	(773)
2 - 3 months	113.559	71.537	414	-	42.436	1,58%	672
3 - 4 months	81.143	-	-	-	81.143	1,42%	1.150
4 - 5 months	6.043	-	-	-	6.043	1,25%	76
5 - 6 months	90.643	179.478	1.270	-	(87.566)	1,08%	(949)
6 - 7 months	3.724	-	-	-	3.724	0,92%	34
7 - 8 months	5.363	-	-	-	5.363	0,75%	40
8 - 9 months	4.607	-	-	-	4.607	0,58%	27
9 -10 months	47.009	-	-	-	47.009	0,42%	196
10 - 11 months	3.163	-	-	-	3.163	0,25%	8
11 - 12 months	50.578	278.437	210.631	-	(17.228)	0,08%	(14)
	845.223	**844.755**	**218.272**	-	**218.740**		3.833
Cumulative impact of instruments sensitive to interest rate up to one year							3.833
Interest margin							86.113
Cumulative impact of instruments sensitive to interest rate up to one year/Interest margin							4%

On December 31st 2017, the sensitivity analysis of financial instruments to variations in interest rates is as follows (in million Kz):

Exposures by maturity interval or rate re-adjustment - Impact on net worth							
Time Band	Assets	Liabilities	Off-balance sheet items		Position	Weighing Factor	Weighing Position
			+	-			
at sight - 1 mês	317.831	72.159	3.602	-	249.274	0,08%	199
1 - 3 months	253.739	121.049	69	-	132.759	0,32%	425
3 - 6 months	87.519	100.598	-	-	(13.079)	0,72%	(94)
6 - 12 months	113.910	119.531	1.452	-	(4.169)	1,43%	(60)
1 - 2 years	45.582	140.593	18.984	-	(76.027)	2,77%	(2.106)
2 - 3 years	14.044	365	150	-	13.829	4,49%	621
3 -4 years	55.554	360	21.415	-	76.609	6,14%	4.704
4 - 5 years	95.453	315	-	-	95.138	7,71%	7.335
5 -7 years	21.762	-	-	-	21.762	10,15%	2.209
7 - 10 years	27.459	1.873	209	-	25.795	13,26%	3.420
10 -15 years	20.699	2.716	-	-	17.983	18,84%	3.388
15 - years	3.558	-	-	-	3.558	22,43%	798
>20 years	8.238	-	-	-	8.238	26,03%	2.144
Total	**1.065.349**	**559.558**	**45.880**	**-**	**551.671**		**22.984**
			Cumulative impact of instruments sensitive to interest rate				**22.984**
			Regulatory Equity				**154.274**
			Impact on Economic Value / Regulatory Equity				**15%**

Exposures by maturity interval or rate re-adjustment - Impact on interest margin							
Time band	Assets	Liabilities	Off-balance sheet items		Position	Weighing Factor	Weighing Position
			+	-			
at sight	52.199	76	669	-	52.792	2,00%	1.056
at sight - 1 month	265.632	72.083	2.933	-	196.482	1,92%	3.766
1 - 2 months	185.578	64.572	8	-	121.014	1,75%	2.118
2 - 3 months	68.161	56.477	61	-	11.745	1,58%	186
3 - 4 months	30.086	-	-	-	30.086	1,42%	426
4 - 5 months	19.529	-	-	-	19.529	1,25%	244
5 - 6 months	37.904	100.598	780	-	(61.914)	1,08%	(671)
6 - 7 months	629	-	-	-	629	0,92%	6
7 - 8 months	78.784	-	-	-	78.784	0,75%	591
8 - 9 months	4.908	-	-	-	4.908	0,58%	29
9 -10 months	4.242	-	-	-	4.242	0,42%	18
10 - 11 months	5.413	-	-	-	5.413	0,25%	14
11 - 12 months	19.935	119.531	1.452	-	(98.144)	0,08%	(82)
Total	**773.000**	**413.337**	**5.903**	**-**	**365.566**		**7.700**
	Cumulative impact of instruments sensitive to interest rate up to one year						**7.700**
	Interest margin						**81.117**
	Cumulative impact of instruments sensitive to interest rate up to one year/Interest margin						**9%**

Pursuant to Article 6 of Notice No. 8/2016 of 16th May, the Bank must inform the BNA whenever, as a result of a 2% interest rate change, there is a potential economic reduction of the economic value of its banking portfolio or Net interest income equal to or greater than 20% of the regulatory equity. In the years ended December 31st 2018 and 2017 the Bank has complied with this requirement.

On December 31st 2018 and 2017, the breakdown of assets and liabilities by currency is shown as follows:

	31.Dec.2018					
	Kwanzas	United States Dollars	Euros	Indexed	Other currencies	Total
Assets						
Cash and cash equivalents in central banks	187.024.434	64.821.150	1.837.569	-	184.035	253.867.188
Cash and cash equivalents in other credit institutions	55.588	107.919.189	15.864.730	-	1.558.904	125.398.411
Investments in central banks and other credit institutions	21.067.820	309.472.676	20.622.317	-	-	351.162.813
Financial assets at fair value through profit or loss	25.562.131	3.539.961	826.763	19.422.838		49.351.693
Financial assets at fair value through other comprehensive income	276.564	29.883.794	-	-	-	30.160.357
Investments at amortized cost	283.623.701	284.106.044	-	154.931.751		722.661.496
Credit to clients	162.946.970	209.946.505	359.806	-	2	373.253.283
Non-current assets held for sale	19.110.486	-	-	-	-	19.110.486
Other Tangible Assets	56.848.108	-	-	-	-	56.848.108
Intangible Assets	1.514.519	-	-	-	-	1.514.519
Investments in subsidiaries, associated companies and joint ventures	7.719.154	-	-	-	-	7.719.154
Current tax assets	949.020	-	-	-	-	949.020
Deferred tax assets	11.487.534	319.778	-	-	-	11.807.312
Other assets	32.590.250	4.278.871	3.921.470	-	378	40.790.969
	810.776.278	1.014.287.968	43.432.655	174.354.589	1.743.319	2.044.594.809
Liabilities						
Cash and cash equivalents from central banks and other credit institutions	3.901.975	3	40.552	-	(0)	3.942.530
Cash and cash equivalents from clients and other loans	713.491.822	956.310.692	136.618.025	-	1.101.670	1.807.522.210
Provisions	5.197.492	(739.436)	3.765.763	-	2.669	8.226.487
Other liabilities	15.413.545	6.007.427	4.194.212	-	327	25.615.511
Deferred tax liabilities	78.679	-	-	-	-	78.679
	738.004.833	961.578.686	144.618.552	-	1.104.666	1.845.306.738
	72.771.445	**52.709.282**	**(101.185.897)**	**174.354.589**	**638.653**	**199.288.071**

	31.Dec.2017					
	Kwanzas	United States Dollars	Euros	Indexed	Other currencies	Total
Assets						
Cash and cash equivalents in central banks	170.036.671	10.008.363	670.384	-	235.256	180.950.674
Cash and cash equivalents in other credit institutions	251.046	4.537.560	3.509.343	-	1.091.520	9.389.469
Investments in credit institutions	52.568.469	191.235.503	10.733.703	-	-	254.537.675
Financial assets held for trading and at fair value through profit or loss	-	177.197	-	3.901.418	-	4.078.615
Financial assets available for sale	75.033	19.258.483	-	-	-	19.333.516
Financial assets held to maturity	197.960.023	181.054.833	824.702	38.214.068	-	418.053.626
Credit to clients	205.636.408	163.526.906	181.948		2	369.345.264
Non-current assets held for sale	18.852.930	-	-	-	-	18.852.930
Other Tangible Assets	50.439.113	-	-	-	-	50.439.113
Intangible Assets	1.814.610	-	-	-	-	1.814.610
Investments in subsidiaries, associated companies and joint ventures	7.006.806	-	-	-	-	7.006.806
Current tax assets	890.511	-	-	-	-	890.511
Deferred tax assets	2.872.116	173.305	-	-	-	3.045.421
Other assets	24.532.912	1.834.933	5.185.436	-	15.610	31.568.891
	732.936.648	571.807.083	21.105.516	42.115.486	1.342.388	1.369.307.121
Liabilities						
Cash and cash equivalents from central banks and other credit institutions	893.866	17.418.058	9.216.816	-	159.015	27.687.755
Cash and cash equivalents from clients and other loans	585.558.060	465.417.096	16.267.676	24.905.423	511.753	1.092.660.008
Deferred tax liabilities	194.476	221.034	-	-	-	415510
Provisions	2.248.459	979.326	622.338	-	349	3.850.472
Other liabilities	15.225.248	3.409.909	30.062.916	-	252.478	48.950.551
	604.120.109	487.445.423	56.169.746	24.905.423	923.595	1.173.564.296
	128.816.539	84.361.660	(35.064.230)	17.210.063	418.793	195.742.825

On December 31st 2018 and 2017, the analysis of sensitivity of the book value of the financial instruments to the exchange rate variation on the date of [...] is as follows:

	31.Dec.2018					
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States Dollars	(13.607.637)	(6.803.819)	(3.401.909)	3.401.909	6.803.819	13.607.637
Euros	20.607.367	10.303.684	5.151.842	(5.151.842)	(10.303.684)	(20.607.367)
Other currencies	(7.806)	(3.903)	(1.952)	1.952	3.903	7.806
	6.991.924	3.495.962	1.747.981	(1.747.981)	(3.495.962)	(6.991.924)

	31.Dec.2017					
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States Dollars	(16.872.332)	(8.436.166)	(4.218.083)	4.218.083	8.436.166	16.872.332
Euros	7.012.846	3.506.423	1.753.212	(1.753.212)	(3.506.423)	(7.012.846)
Other currencies	(83.759)	(41.879)	(20.940)	20.940	41.879	83.759
	(9.943.245)	(4.971.622)	(2.485.811)	2.485.811	4.971.622	9.943.245

Liquidity risk

The assessment of liquidity risk is done using internal metrics defined by the Bank's management, namely, exposure limits.

This monitoring is reinforced by the monthly execution of sensitivity analysis with the purpose of characterizing the Bank's risk profile and to ensure that its obligations are met in a liquidity crisis scenario.

The purpose of controlling liquidity levels is to maintain a satisfactory level of liquidity to meet short, medium and long-term financial needs.
Liquidity risk is monitored on a daily basis, and various reports are prepared for control purposes and for monitoring and support for decision making in the Assets and Liabilities Committee (ALCO).

The evolution of the liquidity situation is carried out particularly on the basis of the estimated future cash flows for various time horizons, taking into account the Bank's balance sheet. The liquidity position of the day and the amount of assets considered highly liquid in the uncommitted portfolio are added to the amounts calculated, thus determining the accumulated liquidity gap for several time horizons. In addition, liquidity positions are monitored from a prudential point of view, calculated according to the rules defined by the BNA (Instruction no. 19/2016 of August 30th).

On December 31st 2018 and 2017, the liquidity gap of the Bank's balance sheet was structured as follows:

	31.Dec.2018						
	Contractual residual terms						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined duration	Total
Assets							
Cash and cash equivalents in central banks	253.867.188	-	-	-	-	-	253.867.188
Cash and cash equivalents in other credit institutions	125.398.411	-	-	-	-	-	125.398.411
Investments in central banks and other credit institutions	210.973.551	52.743.388	87.445.874	-	-	-	351.162.813
Financial assets at fair value through profit or loss	-	-	12.194.397	37.157.296	-		49.351.693
Financial assets at fair value through other comprehensive income	-	-	-	29.883.794	-	276.564	30.160.357
Investments at amortized cost	4.752.229	-	225.739.383	481.197.605	15.656.437	0	727.345.653
Credit to clients		45.349.912	16.326.271	219.373.580	135.028.077	139.457.766	555.535.606
Other assets	-	29.908.767	-	-	8.220.584	9.621.300	47.750.651
	594.991.379	128.002.067	341.705.925	767.612.274	158.905.098	149.355.630	2.140.572.372
Liabilities							
Cash and cash equivalents from central banks and other credit institutions	-	3.942.530	-	-	-	-	3.942.530
Cash and cash equivalents from clients and other loans (term)	34.377.641	352.461.176	457.915.309	10.129.937	-	-	854.884.063
Other liabilities	5.330.257	16.458.294	3.858.349	35.427	-	4.038	25.615.511
	39.707.898	372.862.000	461.773.658	10.094.510	-	4.038	884.442.104
Liquidity gap	634.699.277	500.864.066	803.479.583	777.706.784	158.905.098	149.359.667	3.025.014.475
Accumulated liquidity gap	634.699.277	1.135.563.344	1.939.042.927	2.716.749.711	2.875.654.808	3.025.014.475	

	31.Dec.2017						
	Contractual residual terms						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined duration	Total
Assets							
Cash and cash equivalents in central banks	180.950.674	-	-	-	-	-	180.950.674
Cash and cash equivalents in other credit institutions	9.389.469	-	-	-	-	-	9.389.469
Investments in central banks and other credit institutions	-	246.374.578	8.163.097	-	-	-	254.537.675
Financial assets held for trading and at fair value through profit or loss	-	-	-	4.078.615	-	-	4.078.615
Financial assets available for sale	-	-	-	18.914.207	-	419.309	19.333.516
Investments held to maturity	-	-	-	418.053.626	-	-	418.053.626
Credit to clients	-	23.574.422	30.688.887	187.963.546	93.744.519	121.831.575	457.802.949
Other assets	-	-	-	-	-	31.568.891	31.568.891
	190.340.143	246.374.578	38.851.984	629.009.994	93.744.519	153.819.775	1.352.140.993
Liabilities							
Cash and cash equivalents from central banks and other credit institutions	-	27.085.554	-	-	-	602.201	27.687.755
Cash and cash equivalents from clients and other loans (term)	-	135.147.885	217.969.494	5.910.166	-	-	359.027.545
Other liabilities	48.950.551	-	-	-	-	-	48.950.551
	48.950.551	162.233.439	217.969.494	5.910.166	-	602.201	435.665.851
Liquidity gap	239.290.694	84.141.139	(179.117.510)	623.099.828	93.744.519	123.922.678	916.475.142
Accumulated liquidity gap	239.290.694	323.431.833	144.314.323	767.414.151	861.158.670	985.081.348	

On December 31st 2018 and 2017, the liquidity ratio calculated in accordance with Instruction no. 19/2016 of 30th August, amounts to 309% and 340% respectively. This Instruction defines as a minimum a 100% liquidity ratio for cash flows in national currency and aggregate cash flows in all currencies and 150% for exposure to cash flows in foreign currency. The regulator defined minimum compliance ratios similar to the previous ones. The Bank shows compliance ratios for the period of 1 to 3 months of 6,500%, of 3 to 6 months 8,684% and of 6 to 9 months of 1,603% on December 31st 2018.

Operating risk

An operational risk management system is in place which is based on the identification, evaluation, monitoring, measurement, mitigation and reporting of this type of risk.

BAI manages operational risk based on a view by business processes, support and control, being a transversal view of the organization's structure units. This type of management is supported by principles, methodologies and control mechanisms, such as: - Segregation of functions, lines of responsibility, codes of conduct, risk and control self-assessment (RSA), key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, contingency plans, contracting insurance and internal training on processes, products, services and systems.

Capital Management and Solvency Ratio

Regulatory equity is calculated in accordance with Notice no. 2/2016, of April 28th, Instruction no. 18/2016, of August 8th and letter of the BNA ref. 1880/DRO/18, of December 3rd, which directs the inclusion of unaudited results of the current year and without deduction of dividends.

The solvency ratio reflects the relation between the regulatory equity to the sum of regulatory capital requirements for credit risk and counterparty credit risk (Notice no. 3/2016), equity capital requirements for market risk and credit risk of counterparties in the trading portfolio (Notice no. 4/2016) and equity capital requirements for operating risk (Notice no. 5/2016).

Financial institutions should maintain an equity level that is compatible with the nature and scale of operations duly weighted by the risks inherent in the operations, with a minimum Regulatory Solvency Ratio of 10%.

Regulatory Equity comprises:

1. Base Own Funds – These comprise: (i) the paid-in Equity Capital; (ii) Issue premiums related to items included in the preceding item; (iii) Reserve for registration of the monetary revaluation of the paid-in capital stock; (iv) positive retained earnings from previous years; (v) legal, statutory and other reserves arising from undistributed profits, or constituted for a capital increase; (vi) net income of the previous year; (vii) provisional positive net income for the current year; (viii) portion of the reserves and the income from deferred tax assets, insofar as these are associated with losses that contain as a negative element of the original own funds, and (ix) instruments whose conditions of issue were previously approved by BNA.

2. Negative Elements of Base Own Funds - These comprise: (i) own shares in the portfolio, at book value in the balance sheet; (ii) negative income, carried over from previous years; (iii) negative net income for the previous year; (iv) negative latent income related to the revaluation of securities; (v) negative latent income related to the revaluation of available-forsale securities and cash flow hedging operations and investments abroad; (vi) provisional negative net income for the current year; (vii) intangible fixed assets net of depreciation; (viii) deferred costs related to pension liabilities; (ix) portion of reserves and income resulting from deferred tax liabilities, to the extent that they are associated with gains that contain as a positive element of the base own funds; (x) positive revaluation differences arising from the application of the equity method; (xi) insufficiency of provisions in relation to the provisions of Notice no. 12/2014, of December 17th, on the constitution of provisions; and (xii) actuarial losses not recognized in profit or loss.

3. Complementary Own Funds – These comprise: (i) redeemable preferred shares; (ii) generic funds and provisions; (iii) reserves arising from the realization of properties for own use; (iv) subordinated debts, in the form of loans or bonds issued, whose conditions of issue were previously approved by BNA; (v) positive latent income related to the revaluation of availablefor-sale securities and cash flow hedging operations and investments abroad, up to 45% (forty percent) of their value (by the amount of the net effect of the hedge) before taxes; (vi) other instruments whose terms of issue were previously approved by the BNA.

Deductions – These comprise:
(i) instruments issued or contracted by other financial institutions, which the Institution holds,

as provided for in Article 5, number 2, items a) and i), and Article 7, number 2, items a), d) and f), both of Notice no. 2/2016. This deduction must take into account the amount recorded in the balance sheet, net of provisions, and comply with the following conditions:

a) if the Institution holds more than 10% (ten percent) of the capital of the subsidiary, all of the above-mentioned instruments will be deducted; or

b) if the institution has a holding equal to or less than 10% (ten percent) of the capital of the subsidiary, and if it exceeds 10% (ten percent) of the holding company's capital, the value of the above mentioned instruments shall be deducted excluding 10% (ten percent) of the holding company's own funds, considered before this deduction;

(ii) any excesses in relation to the limits established in Notice No. 9/2016, on prudential limits to large exposures

The positive income referred to in the previous items may only be considered when certified by the accounting expert member of the sole supervisory board or auditor and by the external auditor.

On December 31st 2018, the calculation of the regulatory solvency ratio is as follows:

		31.Dec.2018	31.Dec.2017
Regulatory Equity Requirements			
Operational risk		21.399.237	14.296.966
Market risk		13.490.898	8.495.298
Credit and counterparty risk		114.304.030	58.419.791
	A	149.194.165	81.212.055
Regulatory Equity	B	195.414.069	154.273.735
Base equity	C	194.957.960	154.273.735
Base equity without deferred taxes and subordinated debt	D	183.150.649	151.228.314
Regulatory solvency ratio	E=B/A*10%	13,10%	19,00%
Regulatory solvency ratio just with base equity	F=C/A*10%	13,07%	19,00%
Regulatory solvency ratio just with base equity without deferred tax and subordinated debt	G=D/A*10%	12,28%	18,62%

41 – Transition adjustments to IFRS 9

In 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 – Financial Instruments (IFRS 9). This new standard is effective for years beginning on or after January 1st 2018 and replaces IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39). As permitted by the transitional provisions of IFRS 9, BAI has not restated the comparative values in its financial statements arising from the application of IFRS 9. The impacts on BAI's consolidated financial statements have been recognized in retained earnings and, therefore, in the regulatory capital reported.

IFRS 9 incorporates significant changes to IAS 39 essentially at three levels:

i) new rules for the classification, recognition and measurement of financial assets in accordance with the Group's business model and the characteristics of the contractual cash flows of these assets;

ii) new concepts in the methodology and measurement of impairment for financial assets, calculated on the basis of Expected Credit Loss (ECL); and

iii) new accounting and hedging requirements better aligned with the entities' risk management practices. BAI first adopted IFRS 9 - Financial Instruments on January 1st 2018. This situation led to changes in the classification and valuation of certain financial assets. The impacts on the Bank's financial statements arising from the adoption of this new standard were estimated by reference to January 1st 2018, based on information available at the time and adoption of a set of assumptions. On the basis of these estimates, the adoption of IFRS 9 resulted in a reduction of the Bank's net position as of January 1st 2018 of approximately tKz 21,092,611, as follows:

IAS 39					IFRS 9			
Classification 31.Dec.2017	Pre-Transition Measurement Method	Pre-Transition Balance Sheet Value	Reclassification	Re-measuring	Balance Sheet Value at Transition	Measurement Method at Transition		Classification 01.Jan.2018
Assets								**Assets**
Cash and cash equivalents in central banks	CA	180.950.674	-	-	180.950.674	CA		Cash and cash equivalents in central banks
Cash and cash equivalents in other credit institutions	CA	9.389.469	-	-	9.389.469	CA		Cash and cash equivalents in other credit institutions
Investments in central banks and other credit institutions	CA	254.537.675	-	(63.304)	254.474.371	CA	A	Investments in central banks and other credit institutions
Financial assets at fair value through profit or loss	n.a.	4.078.615	3.450.155	14.911	7.543.680	JVR		Financial assets at fair value through profit or loss
Assets held for trading	JVR	4.078.615	-	-	4.078.615	JVR		Assets held for trading
Financial assets mandatorily at fair value through profit or loss	n.a.	-	3.450.155	14.911	3.465.065	n.a.	B	Financial assets mandatorily at fair value through profit or loss
Financial assets available for sale	JVORI	19.333.516	(2.618.272)	152.522	16.867.766	JVORI	B	Financial assets at fair value through other comprehensive income
Investments held to maturity	CA	418.053.626	(831.883)	(2.700.194)	414.521.549	CA	B	Investments at amortized cost
Credit to clients	CA	369.345.264	-	(23.000.452)	346.344.812	CA/JVR	C	Crédito a clientes
Non-current assets held for sale		18.852.930	-	-	18.852.930			Non-current assets held for sale
Other Tangible Assets		50.439.113	-	-	50.439.113			Other Tangible Assets
Intangible Assets		1.814.610	-	-	1.814.610			Intangible Assets
Investments in subsidiaries, associated companies and joint ventures		7.006.806	-	1.527.195	8.534.001		D	Investments in subsidiaries, associated companies and joint ventures
Current tax assets		890.511	-	-	890.511			Current tax assets
Deferred tax assets		3.045.421	(173.305)	8.596.817	11.468.934		E	Deferred tax assets
Other assets	CA	31.568.891	-	(3.555.240)	28.013.651	CA/JVR	F	Other assets
Total Assets		**1.369.307.121**	**(173.305)**	**(19.027.747)**	**1.350.106.069**			**Total Assets**
IAS 39					IFRS 9			
Liabilities								**Liabilities**
Cash and cash equivalents from central banks and other credit institutions	CA	27.687.755	-	-	27.687.755	CA		Cash and cash equivalents from central banks and other credit institutions
Cash and cash equivalents from clients and other loans	CA	1.092.660.008	-	-	1.092.660.008	CA		Cash and cash equivalents from clients and other loans
Current tax liabilities		-	-	-	-			Current tax liabilities
Deferred tax liabilities		415.510	(415.510)	51.060	51.060		G	Deferred tax liabilities
Provisions		3.850.472	-	2.256.009	6.106.481		H	Provisions
Other liabilities	CA	48.950.551	-	-	48.950.551	CA		Other liabilities
Total Liabilities		**1.173.564.296**	**(415.510)**	**2.307.069**	**1.175.455.855**			**Total Liabilities**
Equity								**Equity**
Share Capital		14.786.705	-	-	14.786.705			Share Capital
Reserve of Share Capital monetary update		28.669	-	-	28.669			Reserve of Share Capital monetary update
Issue premiums		(9.204.478)	-	-	(9.204.478)			Issue premiums
Own shares		(739.335)	-	-	(739.335)			Own shares
Other Reserves and Retained Earnings		190.871.264	242.205	(21.334.816)	169.778.653		I	Other Reserves and Retained Earnings
Total Equity		195.742.825	242.205	(21.334.816)	174.650.214			**Total do Capital Próprio**
Total Liabilities and Equity		**1.369.307.121**	**(173.305)**	**(19.027.747)**	**1.350.106.069**			**Total de Passivo e Capital Próprio**

Key: CA - Amortized Cost. JVR - Fair value through results. JVORI - Fair value through other comprehensive income. n.a. - Not applicable

A - Impact arising from the application of the impairment loss model (ECL) to the portfolio of investments in central banks and other credit institutions, in accordance with IFRS 9.

B - These impacts arise from the following situations:

- Reclassification of securities that, due to non-compliance with the SPPI criteria, were reclassified from held-to-maturity investments (tKz 831,883) and units of investment funds reclassified from available-for-sale assets (tKz 2,618,271) to fair value assets value through profit or loss;

- Measurement of the reclassified securities that were at amortized cost and were then measured at fair value (tKz 14,911);

- Measurement of equity instruments classified at fair value through other comprehensive income (tKz 152,522);

- Application of the impairment loss model to securities investments at amortized cost, in accordance with IFRS 9 (tKz 2,700,194).

C - The variation in the account Loans to clients resulted from two effects:

- Reinforcement of impairment losses in the amount of tKz 20,913,395 resulting from the application of the impairment loss model in accordance with IFRS 9; and
- Fair value adjustment, related to credits that did not meet the SPPI criterion in the amount of tKz 2,087,057.

D - The variation in the account Investments in subsidiaries, associated companies and joint ventures results from the reversal of the impairment of tKz 1,527,195, related to provisions of additional capital. These exposures were reclassified and are no longer measured at amortized cost, being now measured at fair value through profit or loss, as they do not comply with the SPPI criteria, which resulted in the reversal of the associated impairment.

E - Deferred tax asset arising from the negative equity variation recorded by the Bank originated by the transition adjustments to IFRS 9.

F - Mensuration adjustment of exposures that, due to non-compliance with the SPPI, are no longer classified in the Other Assets portfolio at amortized cost and are now measured at fair value through profit or loss.

G – The variation in deferred tax liabilities resulted from two effects:

- Cancellation of deferred tax liability, since the transition adjustments of IFRS 9 led to a negative equity variation in retained earnings (tKz 415,510);

- Record of deferred tax liability associated with the positive fair value reserve that was recorded when reclassifying assets to fair value through other comprehensive income (tKz 51,060).

H – The impact on provisions results from:

- Reinforcement of impairment losses on subscription credit arising from the application of the impairment loss model in accordance with IFRS 9 (tKz 2,349,138); and
- Reversal of impairment for investments in central banks and other credit institutions that were previously recorded under Provisions.

I – Total effect of the adoption of IFRS 9 in the Bank's equity.

The adoption of a new impairment model based on expected losses, rather than losses incurred, has generated an impact on the accumulated amounts of impairment losses and provisions. The following table sets forth the reconciliation between the accounting values of impairment and provisions on balance sheet in accordance with the measurement categories of IAS 39 and IFRS 9 as of January 1st 2018:

	Impairment losses/ provisions (IAS 39) at 31st December 2017	Re-measuring	Impairment losses/ provisions (IAS 39) at 31st December 2018
Investments in central banks and other credit institutions	-	63.304	63.304
Credit to clients	88.457.685	20.913.395	109.371.080
Investments at amortized cost	-	2.700.194	2.700.194
Financial assets at fair value through other comprehensive income - debt instruments	-	-	-
Other assets	2.765.970	(846.380)	1.919.590
Total Impairment losses	**88.457.685**	**23.676.893**	**112.134.578**
Provisions for credit by subscription	1.735.491	2.349.138	4.084.629
Total Impairment losses and provisions	**90.193.176**	**26.026.031**	**116.219.207**

Transition adjustments to IFRS 9, net of tax, resulted in a decrease of tKz 21,092,611 in equity, as shown in the following table:

	31.Dec.2018
Equity before adoption of IFRS 9	195.742.825
Impacts in equity	
Impairment model	
Impairment in financial assets valued at Amortized Cost	(21.210.189)
Impairment for Credit by subscription	(2.349.138)
Classification and measurement	
Changes in measurement resulting from asset reclassification	(6.321.245)
Gross impact	(29.880.573)
Tax effect	8.787.962
Net impact of tax effect	(21.092.611)
Equity after adoption of IFRS 9	174.650.214

42 – Recently issued accounting standards and interpretations

42. 1. Voluntary changes in accounting policiess

During the year there were no voluntary changes in accounting policies, compared to those considered in the preparation of the financial information related to the previous year presented in the comparisons

42. 2. New standards and interpretations applicable to the year

On the date of approval of the financial statements, the following issues, revisions, changes and improvements to standards and interpretations were made with effect from January 1st 2018:

> ***IFRS 15 - Revenue from contracts with clients***
>
> On May 28th 2014, IASB issued the IFRS 15 - Revenue from contracts with clients, which is mandatory for years beginning on or after January 1st 2018.
>
> This standard repeals IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Client loyalty programs, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from clients and SIC 31 Revenue - Direct exchange transactions involving advertising services.

IFRS 15 determines a model based on a 5-step analysis in order to determine when the revenue should be recognized and the amount. The model specifies that revenue must be recognized when an entity transfers goods or services to the client, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfillment of some criteria, the revenue is recognized:

i) at the precise moment, when the control of the goods or services is transferred to the client; or
ii) over the period, insofar as it retracts the performance of the entity.

The Bank adopted IFRS 15 on January 1st 2018 and, as part of the gap analysis performed, the approach followed to identify the revenue from client contracts subject to accounting in accordance with the requirements of the standard and the subsequent analysis, is as follows:

- Identification of the income statement items that may present revenue records resulting from contracts with clients;

- For each of the items identified in the preceding item, a framework was set out in the regulations that establishes the guidance for the respective accounting, whenever the high-level evaluation of the nature of the item allows such identification to be made directly;

- Analysis of book accounts for items that, under the preceding item, were not fully included in another standard.

  For the same items, a detailed analysis was made of the commissions or income that are being recorded in the respective book accounts. Following the analysis described, these are excluded from the scope of revenues that do not refer to contracts with clients.

  In cases where revenue falls within the scope of IFRS 15, the respective context was made into in the analysis model of the standard, in order to identify any accounting gaps in relation to the current accounting treatment.

There were no significant effects on the Bank's financial statements arising from the adoption of this standard.

IFRIC 22 – Transactions in foreign currency and counterpayment of advances

The IFRIC 22 interpretation was issued on December 8th 2016, with a mandatory application date for periods beginning on or after January 1st 2018.

The new IFRIC 22 states that, in the event that there were advances in foreign currency for the purpose of asset acquisition, expense support or income generation, in applying paragraphs 21 to 22 of IAS 21, the date considered as the transaction date for the purpose of determining the exchange rate used to recognize the asset, expense or income (or part thereof) is the date on which the entity initially recognizes the non-monetary asset or liability resulting from the payment or receipt of the advance in foreign currency (or, there being multiple advances, the rates in force at the time of each advance).

There were no significant effects on the Bank's financial statements arising from the amendment of this standard.

Aplicação da IFRS 9 com a IFRS 4 – Amendments to IFRS 4

The amendments address some of the issues raised by the implementation of IFRS 9 prior to the implementation of the new standard on insurance contracts that the IASB will issue to replace IFRS 4, namely, temporary exemption option of IFRS 9 and the option of entities to opt for the overlapping approach.

IFRS 2 Classification and measurement of share-based payment transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions. These amendments address three key areas: (i) Vesting conditions - their effects on the measurement of cash-settled share-based payment transactions; ii) Classification of share-based payment transactions with liquidation option at the net value, to comply with withholding tax obligations; iii) Accounting for a change in the terms and conditions of a share-based payment transaction that changes its classification of settled in cash to settlement with equity instruments.

Transfers of investment property (amendments to IAS 40)

The changes clarify when an entity should transfer a property, including properties under construction or development to, or out of investment properties.

Annual improvements for the 2014-2016 cycle

In the annual improvements for the 2014-2016 cycle, the IASB introduced improvements that should be applied retrospectively and effective as of January 1st 2018 (a further improvement related to IFRS 12 was already effective as of January 1st 2017). Improvement of IFRS 1 Firsttime adoption of IFRS, which eliminated the short-term exemption for first-time adopters in paragraphs E3-E7 of IFRS 1 and improvement of IAS 28 Clarification that the measurement of fair value through profit or loss is a choice that is made on each investment.

42.3. New standards and interpretations already issued but not yet mandatory

The standards and interpretations recently issued by the IASB whose application is mandatory only in periods beginning after January 1st 2019 or later and which the Bank has not adopted in advance are as follows:

IFRS 16 - Leases

The Bank is required to apply IFRS 16 - Leases issued by the IASB on January 13th 2016 for periods beginning on or after January 1st 2019. The Bank assessed the estimated impact that the initial application of IFRS 16 will have in its financial statements, as described below. The impacts resulting from the adoption of IFRS 16 as of January 1st 2019 may change considering that:

- the Bank has not yet finalized the set of tests and evaluation of controls over the new information systems; and
- the new accounting policies are subject to change until the Bank presents its first financial statements including the date of initial application.

IFRS 16 introduces a single accounting model for the classification of leases from the lessee's perspective. A lessee recognizes an asset on right of use, which represents the right to use the underlying asset, and a lease liability that represents the obligation to make the lease payments. There are exceptions in recognition for short-term leases and low value leases. The accounting policy of the lessor remains similar to that of the current standard - that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 revokes the current guidance on leases, including IAS 17 - Leases and IFRIC 4 - Determine whether an Agreement contains a Lease.

i. Leases in which the Bank presents itself as lessee

The Bank will recognize the new assets and liabilities for its operating leases of agencies and their facilities (central services). The nature of expenditures related to these operating leases will be changed, as IFRS 16 replaces linear operating lease expenses by depreciation for assets under right of use and interest costs related to lease liabilities.

Previously, the Bank recognized operating lease costs on a straight-line basis over the term of the lease agreement and recognized assets and liabilities only to the extent that it observed a difference in the time period between lease payments and expense recognition.

On December 31st 2018 the minimum amount of the Bank's future lease payments on noncancellable operating lease contracts corresponds to tKz 2,390,963 (Note 31), on an undiscounted basis, in which the Bank estimates that it will recognize as an additional lease liability.

ii. Leases in which the Bank presents itself as lessor

No significant impacts are expected for the lease contracts in which the Bank presents itself as lessor. However, a number of additional disclosures will be required next year.

iii. Transition

The Bank plans to apply IFRS 16 initially as of January 1st 2019, using the simplified retrospective approach, without restatement of comparative information. The transition approach used allows the selection of a set of practical measures for not applying of IFRS 16, namely: (i) Short-term leasing, leasing contracts with a period of less than 12 months (including renewal options); and ii) Low value lease, lease contracts whose asset value is below the defined limit.

The Bank plans to apply the practical measure related to the definition of a lease on the transition date, i.e. it will apply IFRS 16 to all contracts entered into before January 1st 2019 and identified as a lease in accordance with IAS 17 and IFRIC 4. Thus, for leases previously classified as operating leases under IAS 17, the asset under the right to use is measured at an amount equal to the lease liability, adjusted for the amount of any prior or increased lease payments related to that lease, recognized in the statement of financial position immediately prior to the date of initial application. Thus, as of January 1st 2019, the impact on retained earnings will be null.

The Bank has already made an initial assessment of the potential impacts on its financial statements; however, it has not yet consolidated its evaluation in order to assess the amount of impacts to be included in the financial statements. The actual impact of applying IFRS 16 to the financial statements in the initial period of application will depend on future economic conditions, the development of the Bank's lease contracts portfolio, the Bank's evaluation, in particular whether it will exercise some of the renewal options, the extent to which the Bank chooses in terms of the use of the practical arrangements available and the recognition of exceptions.

IFRIC 23 – Uncertainty about the tax treatment of income tax

An interpretation was issued on June 7th 2017 on how to deal with accounting uncertainties about the tax treatment of income taxes, especially when the tax legislation requires that a payment be made to the authorities in the context of a tax dispute and the entity intends to challenge the understanding in question which led to such payment.

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criterion of probability defined by the norm as to the favorable outcome in favor of the entity on the matter of dispute concerned.

In this context, the entity may use the most probable amount method or, if the resolution may dictate ranges of values, use the expected value method.

IFRIC 23 is applied for periods beginning on or after January 1st 2019 and may be adopted in advance.

The Bank does not expect significant changes in the adoption of this interpretation to occur.

Other changes

- On January 19th 2016 and applicable to periods beginning on or after January 1st 2017, amendments to IAS 12 that aimed at clarifying the requirements for recognition of deferred tax assets for unrealized losses to resolve divergences.

- • On January 29th 2016 and applicable to periods beginning on or after January 1st 2017, amendments to IAS 7, disclosure initiative, requiring companies to provide information on changes in their financial liabilities by providing information to assist investors in the understanding of corporate indebtedness.

- The annual improvements in the 2014-2016 cycle, issued by the IASB on December 8th 2016, introduce amendments to IFRS 12 (clarification of the standard's scope of application) effective January 1st 2017 or after January 1st 2017.

- •On June 20th 2016 and applicable to periods beginning on or after January 1st 2018, amendments to IFRS 2 - Classification and measurement of share-based payment transactions.

- On December 8, 2016 and applicable to periods beginning on or after January 1st 2018, amendments to IAS 40 - Transfer of investment property clarifying the time at which the entity must transfer properties under construction or development of, or for, investment properties when there is a change in the use of such properties that is supported by evidence (other than that listed in paragraph 57 of IAS 40)

- The annual improvements for the 2014-2016 cycle, issued by the IASB on December 8th 2016, introduce changes with effective application date for periods beginning on or after July 1st 2018 to IFRS 1 (elimination of the short-term exception of IFRS for the first time) and IAS 28 (measurement of an associated company or joint venture at fair value).

- Improvements in the 2015-2017 cycle issued by the IASB on December 12th 2017 introduce changes, effective for periods beginning on or after January 1st 2019, to IFRS 3 norms (remeasurement of the holding previously held as IFRS 11 (non-remeasurement of the interest previously held in the joint venture when it acquires control over the business), IAS 12 (accounting for all tax consequences of dividend payments consistently), IAS 23 (treatment as general loan any loan originally made to develop an asset when
it becomes eligible for use or sale)

The Bank does not anticipate any impact on the application of these changes in its financial statements.

Prepayments with negative compensation - Amendments to IFRS 9

Amendments to IFRS 9 clarify that a financial asset fulfills the SPPI criterion regardless of the event or circumstances causing the early termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusion of this amendment clarifies that the early termination may be the consequence of a contractual clause or an event that is beyond the control of the parties to the contract, such as a change of laws or regulations leading to early termination.

This change is effective for periods beginning on or after January 1st 2019. They should be applied retrospectively. This amendment brings specific requirements to be adopted in the transition, but only if the entities adopt them in 2019 and not in 2018 in conjunction with IFRS 9. Early adoption is permitted.

IFRS 10 and IAS 28: Disposal or delivery of assets by an investor to its subsidiary or joint venture

The amendments seek to resolve the conflict between IFRS 10 and IAS 28 when facing loss of control of a subsidiary that is sold or transferred to an associated company or joint venture.

In December 2015, the IASB decided to defer the date of application of this amendment until any amendments resulting from the research project on the equity method are finalized. The early application of this amendment is still allowed and must be disclosed. The amendments should be applied prospectively.

Long-term holdings in subsidiaries or joint ventures - Amendments to IAS 28

The amendments clarify that an entity shall apply IFRS 9 for long-term interests in associated companies or joint ventures to which the equity method is not applied but which are, in substance, part of the net investment in that subsidiary or joint-venture (long-term holdings). This clarification is relevant since it implies that the expected loss model of IFRS 9 should be applied to such investments.

This amendment is effective for periods beginning on or after January 1st 2019. The amendment has to be applied retrospectively, with some exceptions. Early adoption is allowed and must be disclosed.

Annual improvements for the 2015-2017 cycle

In the annual Improvements for the 2015-2017 cycle, the IASB has introduced improvements in four standards summarized below:

IFRS 3 Business Combinations - Interest previously held in a joint venture

- The amendments clarify that when an entity obtains control of a joint-venture, it must apply the requirements of the business combination in phases, including remeasuring the interest previously held in the assets and liabilities of the joint-venture to its fair value.
- This change is applicable to business combinations for which the acquisition date is on or after the beginning of the first reporting period beginning on or after January 1st 2019. Early adoption is permitted.

IFRS 11 Joint Arrangements - Interest previously held in joint-venture

- A party that holds but does not have joint control in a joint venture may obtain joint control over a joint venture whose activity is a business as defined in IFRS 3. This amendment clarifies that the interest previously held should not be remeasured.
- This amendment applies to transactions in which the entity obtains joint control occurring on or after the beginning of the first reporting period beginning on or after January 1st 2019. Early adoption is permitted.

IAS 12 Income tax - income tax consequences arising from payments on financial instruments classified as equity instruments

- These changes clarify that the dividend tax consequences are directly associated with the transaction or past event that generated income distributable to shareholders. As a result, the entity recognizes tax impacts in the income statement, comprehensive income or other equity instrument in accordance with the entity's past recognition of such transactions or events.
- These changes are applicable for annual periods beginning on or after January 1st 2019. Early adoption is permitted. When the entity applies these changes for the first time, it shall apply to the tax consequences of dividends recognized on or after the beginning of the earliest comparative period..

IAS 23 Loan costs - loan costs eligible for capitalization

- The amendment clarified that an entity treats as part of the global loans any loan originally obtained for the development of the qualifying asset, when substantially all the activities necessary to prepare that asset for its intended use or for sale are complete.
- The changes are applicable to loan costs incurred on or after the commencement of the reporting period in which the entity adopts these changes.
- These changes are applicable for annual periods beginning on or after January 1st 2019. Early adoption is permitted..

IFRS 17 Insurance contracts

IFRS 17 applies to all insurance contracts (i.e., life, non-life, direct insurance and reinsurance), irrespective of the type of entity issuing them, as well as to certain guarantees and certain financial instruments with discretionary holding characteristics. Some exceptions will apply.

The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for issuers.

In November 2018, the IASB decided to propose to change the date of entry into force of the standard for annual periods beginning on or after January 1st 2022. The IASB is also attempting to change the standard to consider the concerns and challenges of the standard's implementation that have been raised by the interested parties.

Definition of business activity - amendments to IFRS 3

The changes that have occurred have clarified the minimum requirements for a concern to be considered a business activity, remove the assessment if market participants have the ability to replace the missing elements, add a guideline to assess whether an acquired process is substantive, restrict definitions of business activity and output, and introduces an optional fair value test of business activity.

This change is effective for transactions that are considered concentrations of business activities or purchases of assets for which the acquisition date occurred on or after the beginning of the first period beginning on or after January 1st 2020.

Definition of materiality - Amendments to IAS 1 and IAS 8

The purpose of this amendment was to make the definition of "material" consistent across all existing standards and to clarify certain aspects related to their definition.

This amendment is effective for periods beginning on or after January 1st 2020. This amendment has to be applied prospectively. Early adoption is allowed and must be disclosed.

IAS 19 Changes to the plan, cuts or liquidation of the plan

The amendments to this standard have clarified which accounting treatment to follow in the event of a change to the plan, or a cut or liquidation of the plan.

This amendment applies to changes, cuts or liquidations of plans occurring on or after the beginning of the first annual reporting period commencing on or after January 1st 2019. Early adoption is permitted, which shall be disclosed.

The conceptual framework for financial reporting

The conceptual framework for the revised financial reporting is not a standard and none of its concepts prevail over the concepts provided in standards or other requirements of any of the standards. It shall apply to entities that develop their accounting principles on the basis of the conceptual framework for financial years beginning on or after January 1st 2020.

IFRS 14 Deferral accounts related to regulated activities

This standard allows an entity whose activities are subject to regulated rates to continue to apply most of its previous accounting policies to deferred accounts related to regulated activities when adopting IFRS for the first time.

The changes are applicable prospectively for years beginning on or after January 1st 2016. Early application is permitted provided that it is properly disclosed.

The application of these standards and interpretations are not expected to have any material impact on the Bank's financial statements.

42 – Subsequent events

BAI / SAESP Foundation Process

On December 31st 2018, BAI holds an equity holding equivalent to 80% of the share capital of the Sociedade Angolana de Ensino Superior, S.A. (SAESP). In September 2018, it decided to incorporate the activity of SAESP in the sphere of the BAI Foundation, and to proceed to the dissolution by liquidation of that entity.

This corporate reorganization operation involves a set of initiatives, which have consequences of a balance sheet, financial and fiscal nature for the range of the various entities involved in the operation.

In January 2019, the Board of Directors approved the corporate reorganization project.

Contribution to the Deposit Guarantee Fund

The Deposit Guarantee Fund (FGD) is an entity governed by public law, with administrative, financial and asset autonomy, created by Presidential Decree No. 195/18 of August 22nd, with the main intent to guarantee the reimbursement of deposits made with banking financial institutions domiciled in the national territory that participate in it.

The Bank, like most financial institutions operating in Angola, is one of the institutions participating in the FGD, covered by the contributions that result from the application of a rate defined annually by the BNA, essentially based on the amount of its eligible liabilities. As established by the BNA, the Bank paid the initial contribution for capitalization of the FGD in the amount of tKz 3,251,915, on March 7th 2019. The initial capitalization contribution results from the application of a weighting factor of 0.23% on the eligible deposits of the previous year in accordance with BNA's Notice No. 1/19 of January 11th.

On the other hand, the annual contribution is calculated by applying an annual premium on eligible deposits from the previous year. In accordance with the aforementioned Notice, BNA annually sets the annual premium, in a specific instruction, up to a maximum of 0.25% by March 31st or by the last working day of March of each year.

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External Auditor's opinion

BAI excels at transparency and clarity in the way it relates to and communicates with the market regarding activity, financial situation and results issues, both in individual and Group terms.

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(Translation of a report originally issued in Portuguese. In case of doubt, the Portuguese version prevails.)

Independent Auditor's Report

Dear Board of Directors,
of Banco Angolano de Investimentos, S.A.

Introduction

1. We have audited the accompanying financial statements of Banco Angolano de Investimentos, S.A. (hereinafter called "Bank"), which comprise the balance sheet as of December 31, 2018 that presents a total of 2,044,594,809 thousand Kwanzas and a total equity of 199,209,392 thousand Kwanzas, including a net profit of 50,065,689 thousand Kwanzas, the income statement, the comprehensive income statement, the statement of changes in equity and the cash flow statement for the year ended and the corresponding notes to the financial statements.

Responsabilities of Management regarding financial statements

2. The Board of Directors is responsible for the appropriate preparation and presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for the internal controls determined to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsabilities regarding the audit of financial statements

3. Our responsibility is to express an independent opinion about these financial statements, based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Chartered Accountants of Angola (Ordem dos Contabilistas e Peritos Contabilistas de Angola). Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement

4. An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures of the financial statements. The selected audit procedures depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate considering the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified opinion.

Basis for a Qualified Opinion

6. As disclosed in Note 10 of the notes to the financial statements, the Bank's loan portfolio as at 31 December 2018 amounts to 555,535,606 thousand Kwanzas, which was the subject of an individual analysis of 416,905,536 thousand Kwanzas (75%). and was subject to collective analysis in the amount of 138,630,070 thousand Kwanzas (25%). International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") entered into force on January 1, 2018, establishing, among other changes, a new methodology for calculating the expected impairment losses in the loan portfolio. The implementation of the collective impairment model was completed by the Bank with some limitations, namely: (i) the application of qualitative and quantitative criteria to assess the significant deterioration of credit risk with respect to the origination date; (ii) the application of cure periods after observing a period of quarantine for positions with default (iii) the non-incorporation of recovery cost information in the calculation of the expected loss estimate, and (iv) the data extraction process for the application of the model. Consequently, in view of the information available, we were not able to conclude on the effects, if any, of these matters on the impacts of the adoption of IFRS 9 as of January 1, 2018, impairment losses for 2018 and accumulated impairment losses recorded as at 31 December 2018, respectively, in the amounts of 20,913,396 thousand Kwanzas, 68,878,865 thousand Kwanzas and 182,282,323 thousand Kwanzas.

Banco Angolano de Investimentos, S.A.
Independent Auditor's Report
December 31, 2018

7. The Angolan Association of Banks ("ABANC") and the National Bank of Angola ("BNA") have expressed an interpretation that all the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") have not been fulfilled for the Angolan economy to be considered as hyperinflationary in the year ended 31 December 2018 and, consequently, the Board of Directors decided to continue not to apply the provisions of that Standard to its financial statements as of December 31, 2018, in line with which had been its position with reference to 31 December 2017. On 31 December 2018, the rate of inflation accumulated over the last three years exceeds 100%, irrespective of the indexes used, which is an objective quantitative condition which leads us to consider, in addition to the existence of other conditions set out in IAS 29, that the functional currency of the financial statements at 31 December 2018 corresponds to the currency of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements on that date in accordance with that premise and in accordance with the provisions of IAS 29. However, we have not obtained sufficient information to allow us to quantify the effects of this situation in the Bank's financial statements on December 31, 2018, which we understand to be material.

Qualified Opinion

8. In our opinion, except for the possible effects of the matters described in paragraphs 6 and regarding the effects of matters described in paragraph 7, in the section "Basis for a Qualified Opinion", the financial statements referred to in paragragh 1 above present in an appropriate manner, in all materially relevant aspects of the financial position of Banco Angolano de Investimentos, S.A. as of December 31, 2018 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Emphasis of matter

9. Without affecting our opinion expressed in the previous paragraph, we highlight that, as disclosed in Note 2.1 of the notes to the financial statements, the financial statements prepared by the Board of Directors for the year ended on December 31, 2018 refer to the individual activity from the Bank. Under current legislation, the Bank should also prepare and present separate consolidated financial statements.

Other matters

10. The amounts for the year ended on December 31, 2017, which are presented in the accompanying financial statements for comparative purposes, were examined by another Independent Auditor, whose audit report dated March 27, 2018 contained a qualified opinion about the subject described in paragraph 7 above.

Luanda, March 28, 2019

Ernst & Young Angola, Lda.
Represented by:

Daniel Guerreiro
Chartered Accountant n.º 20130107

Sílvia Silva
Partner

2/2

Sílvia Silva
Partner

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Report and opinion of the Supervisory Board

BAI acknowledges the importance of proper corporate governance, taking on the commitment to follow a model that assures and protects, in a balanced and sustainable way, the interests of shareholders, customers, employees, suppliers, as well as society as a whole.

OPINION OF THE SUPERVISORY BOARD

Dear shareholders,

In compliance with the legal and statutory provisions, namely Law 1/04 of February 13 (Commercial Companies Law), we hereby submit for your consideration the Opinion of the Supervisory Board on the Report of the Board of Directors and Financial Statements for 2018 of Banco Angolano de Investimentos, S.A., which include the Balance sheet, which shows a total of Assets of 2 044 594 810 thousand Kwanzas, a total of Liabilities of 1 845 385 417 thousand Kwanzas and a total Equity of 199 209 392 thousand Kwanzas, as well as the Income Statement:

1. During the year, we had the opportunity to periodically monitor the Bank's activity through accounting information and contacts with both the Administration and the various areas, namely Accounting and Finance, Internal Audit and Planning and Control.

2. In the performance of our duties with the possible depth and extent, we have conducted the analyzes that, in the circumstances, proved necessary and we have assessed the Report of the Board of Directors , the Balance sheet, the Income Statement and the related Notes, which have been prepared in accordance with International Accounting Standards (IASB) and International Financial Reporting Standards (IFRS), in compliance with the provisions of Notice No. 6/16 of June 22 of 2016 of the National Bank of Angola, except for IAS 29 - Financial Reporting in Hyperinflationary Economies, as the independent auditors mention in their report.

3. The non-application of IAS 29 Standard by the Bank is supported by an interpretation of the Angolan Association of Banks (ABANC) and the National Bank of Angola, according to which all the requirements set forth in this Standard are fulfilled so that the Angolan economy is considered hyperinflationary.

4. It should be noted that in 2018, the Ban adopted IRFS 9 Standard – Financial Instrument. This standard introduced an expected credit loss model to replace the incurred loss model, provided for in IAS 39. This implied a strengthening of credit impairment and the impairment of other assets that were not previously subject to it.

5. Accordingly, and taking into account the Report of the External Auditors,we conclude the following:

A) The Report of the Board of Directors and the Financial Statements are in accordance with the accounting records and comply with the legal and statutory provisions;

B) The 2018 financial year was positive, and the Bank achieved a net income of 50 065 689 Kwanzas (Fifty thousand, sixty-five million, six hundred and eighty-nine thousand Kwanzas), observing the legally permitted practice and economically advisable to set up adequate provisions to contribute to the stability of its assets;

C) That the valuation criteria used and the policies followed are consistent with those applied in previous years, except for IFRS 9 Standard which started being adopted in 2018.

6. Considering that the documents mentioned in (2) allow us to globally understand the financial situation and the economic results of the Bank, we propose:

A) The approval of the Management Report of the Board of Directors and the Accounts for 2018;

B) The approval of the proposal for the application of the net income for 2018, included in the Report of the Board of Directors.

7. Finally, we would like to express our gratitude to the Board of Directors and to all the staff of the Bank with whom we have contacted, for the valuable assistance offered.

Luanda, 28 March 2019
The Supervisory Board

Júlio Ferreira de Almeida Sampaio
(Chairwoman)

BAI