ANNUAL REPORT
2016

This is a translation of the original Portuguese Annual Report. In the event of differences between the English translation and the Portuguese original, the Portuguese Annual Report shall prevail.

José Carlos de Castro Paiva
Chairman of the Board of Directors

José de Lima Massano
Chief Executive Officer

Joint message by the Chairman of the Board of Directors and the Chief Executive Officer

The Bank succeeded in having exceptional performance in a year in which the domestic economic and financial context was marked by a challenging macroeconomic situation, one characterized by the slump in the value of oil exports, curtailing, thereby, the fiscal revenues and availability of foreign exchange. Such a context contributed to the significant reduction in economic activity and the increase in the inflation rate, having hiked from 14.27% in 2015 to 41.95% in 2016.

The rebound in the price of oil barrel over the year did not suffice to relieve pressure on the angolan public finances, which led to increased financing needs and, thus, influenced the increase of interest rates. The expansionist approach of the fiscal sector contrasted with the monetary policy which focused on the management of the banking sector's excess liquidity, seeking to put in place more restrictive monetary conditions in order to decrease the mounting inflationary pressures. Before such an economic environment, the banking system recorded a growth of the overdue loans ratio from 11.6% in 2015 to 13.1% in 2016.

The efforts delivered on preventing and combating money laundering and the financing of terrorism were publicly recognized in February 2016 by the Financial Action Task force (FATF), which then withdrew Angola from the list of non-cooperating and/or high risk jurisdictions. Nevertheless, the banking sector was further stricken by the derisking strategy followed by some international banks, with significant impact on transactions in United States Dollars.

Despite this context, we succeeded in increasing deposits by 21%, above the market growth rate, and net profit by 213%, having reached AKZ 49.741 billion, unprecedented in the Bank's history, as well as, strengthening the regulatory solvency ratio by 4.7 percentage points, reaching 25% at the end of the year.

A number of factors have contributed to the Bank's ability to address both domestic and international economic climate. We initiated implementing the 2016-2021 strategic plan, named "Generation BAI". In this regard, we highlight the reinforcement, inter alia, in the corporate and premium segments, of the customer's segmentation and portfolio distribution and the start of the small and medium-sized enterprises segment.

As far as products and services are concerned, we wish to highlight the new BAI Directo service which covers SMS, mobile e internet banking through the use of cutting-edge technology. The aim is to improve customer service, thereby increasing service efficiency and convenience of the bank's customers.

From a financial point of view, we chose to engage in prudent management of the Bank's balance sheet having channeled the bulk of growth in deposits to investment in government bonds which have grown 40% year-on-year, without losing sight of opportunities for lending to the economy, resulting in a 7% increase.

Meanwhile, measures to recover loans written-off from assets were strengthened, which enabled us to reduce customer loan impairment costs by 30%, and the control of administrative costs which recorded a 17% increase during the year, much lower than the inflation rate.

From the regulatory point of view, we successfully

"The Bank succeeded in having exceptional performance in a year in which the **domestic economic and financial context was marked by a challenging macroeconomic** situation".

completed the full implementation of the IAS/IFRS[1], we strengthened the risk management function, as well as measures to prevent money laundering and financing of terrorism. As far as human capital is concerned, we highlight the design of the cultural transformation program, which aims at emphasizing the organizations' values, namely respect, ethical conduct, transparency, customer orientation and professionalism.

We are proud of being an institution with strong participation in social responsibility initiatives, relying also on the intervention of the BAI Foundation. The areas of choice have been education, health, sports and art. We highlight our intervention in a new operating room at the Hospital Pediátrico David Bernardino and the institutional support provided for the hosting of the African Women's Handball Championship, an event in which the national team regained the title of African champion.

The year 2017 will not be very different from that under review in this report, mainly from the point of view of the challenges placed upon us by the economic context. However, we will remain focused on contributing to the diversification of the Angolan economy and to it becoming more sustainable in the medium-long run. As an institution, we will continue implementing the Generation BAI, mainly enhancing the skills of our human capital as well as improving the technology platforms and process which enable us to provide an efficient and effective service.

On behalf of the Board of Directors and the Executive Committee, we thank all employees for the permanent spirit of commitment, dedication and professionalism which has enabled BAI to be a key reference of the angolan financial sector. We also thank our customers, shareholders, suppliers and all stakeholders for the trust placed in BAI, a fact that motivates us to keep the commitment to support Angola's economic growth.

[1] International Accounting Standards / International Financial Reporting Standards

01

RELEVANT ASPECTS

TRUST IS BELIEVING IN A BETTER FUTURE EVERY DAY

01.1

KEY INDICATORS

Amounts in AKZ Million	CONTIF				IAS/IFRS		2015 /2016 △%
	2012	2013	2014	2015	2015	2016	
BALANCE SHEET AND INCOME STATEMENT							
Net assets	1.033.428	1.039.693	1.101.072	1.097.612	1.096.381	1.365.685	24,6%
Loans to customers[1]	257.314	245.708	365.461	353.686	346.974	379.864	9,5%
Deposits	815.204	902.936	950.917	938.494	939.007	1.137.304	21,1%
Total Own funds	99.450	104.430	113.654	125.158	123.414	167.490	35,7%
Operating Income from Banking Activity	55.634	56.784	58.835	72.234	72.819	95.644	31,3%
Administrative costs	20.953	21.951	25.723	27.341	26.164	30.568	16,8%
Net profit	17.217	12.082	12.849	15.358	15.913	49.741	212,6%
OPERATIONAL							
Number of employees	1.747	1.870	2.000	2.004	2.004	1.943	-3,0%
Distribution channels	112	128	138	144	144	143	-0,7%
Active Customers[2]	360.285	435.296	515.862	587.444	587.444	681.346	16,0%
Active ATMs	264	292	321	334	334	341	2,1%
Active POS Terminals	2.040	2.196	2.539	2.806	2.806	4.616	64,5%
Active Debit Cards	146.115	164.131	202.484	202.133	202.133	223.638	10,6%
PRODUCTIVITY/EFFICIENCY							
Number of customers per employee	206	299	258	293	293	351	19,6%
Number of customers per branch	3.217	4.364	3.738	4.079	4.079	4.765	16,8%
Number of employees per branch	16	15	14	14	14	14	-2,4%
(%) Cost to Income Ratio	37,7%	38,7%	43,7%	37,9%	35,9%	32,0%	-53,0%
PROFITABILITY							PP
(%) Return on Average Equity	18,4%	11,9%	11,8%	12,9%	13,4%	34,2%	20,77
(%) Return on Average Assets	1,6%	1,2%	1,2%	1,4%	1,4%	4,0%	2,59
LIQUIDITY AND FUND MANAGEMENT							PP
(%) Loan-to-deposit Ratio	31,6%	27,2%	38,4%	37,7%	37,0%	33,4%	-3,6
(%) Top 20 Concentration of Deposits	50,5%	38,0%	38,7%	37,0%	37,0%	38,7%	1,72
(%) Top 20 Concentration of Credit	48,8%	48,0%	56,9%	57,1%	57,1%	59,6%	2,49
QUALITY OF ASSETS							PP
(%) Overdue loans for more than 30 days (balance sheet) / Loans to customers	6,6%	6,3%	7,2%	7,8%	7,6%	7,4%	1,49
(%) Credit to impairment coverage ratio	9,7%	13,7%	10,1%	12,3%	12,5%	15,3%	2,83
(%) Overdue loans to impairment coverage ratio	133,7%	198,7%	88,2%	125,7%	-	-	-
(%) Net loss on credit[3]	-	-	-	-	6,1%	6,1%	-
(%) Total Credit / Total Assets	24,9%	23,6%	33,2%	32,2%	36,2%	32,9%	-3,32
CAPITAL ADEQUACY							PP
Fixed Assets Ratio	46,1%	49,9%	52,3%	49,4%	49,4%	34,5%	-14,94
(%) Regulatory Solvency Ratio	16,1%	17,4%	17,4%	19,9%	19,7%	23,4%	3,4
Regulatory own funds	84.998	82.810	88.877	101.702	101.702	151.596	49.894

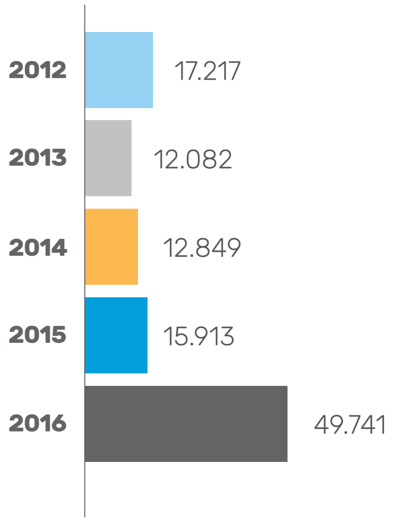
[1]) Loans to customers, net of impairments
[2])The number of active customers, in accordance with the methodology set by BNA and does not include closed accounts
[3]) Loan impairment net of reversals and recoveries (profit and loss)/loans

01.2

GRAPHICAL ANALYSIS OF MAIN INDICATORS

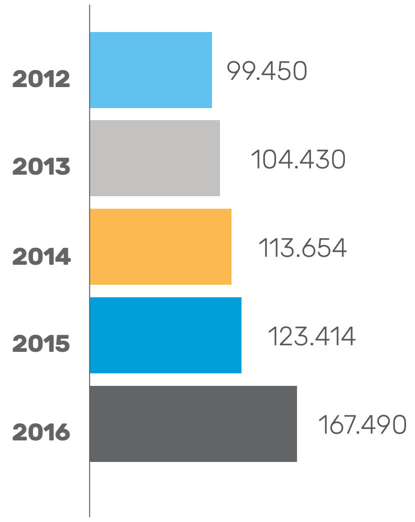
NET INCOME

AKZ MILLION



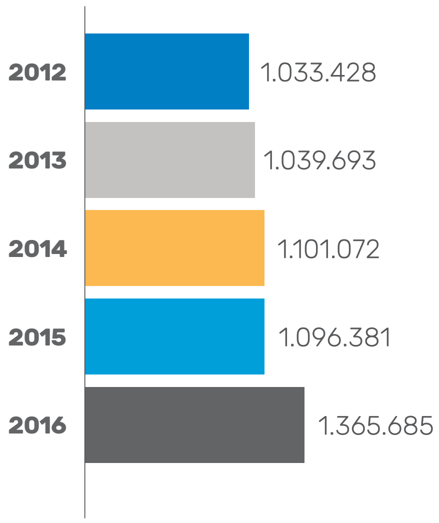
TOTAL OWN FUNDS

AKZ MILLION



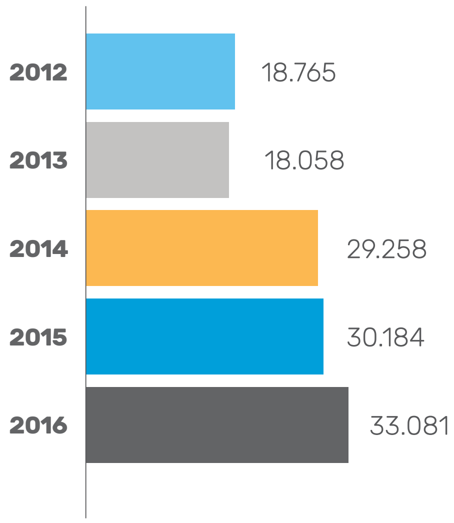
NET ASSETS

AKZ MILLION



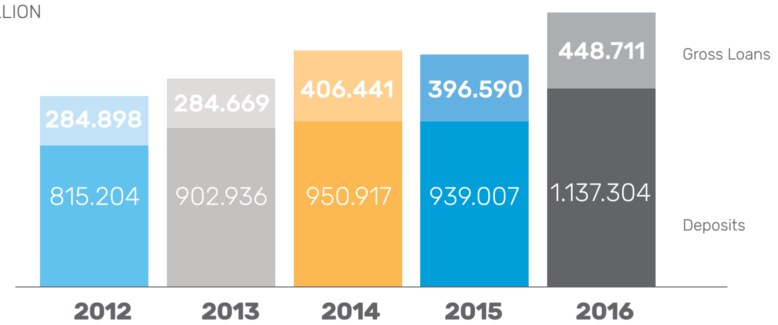
OVERDUE LOANS

AKZ MILLION



TURNOVER

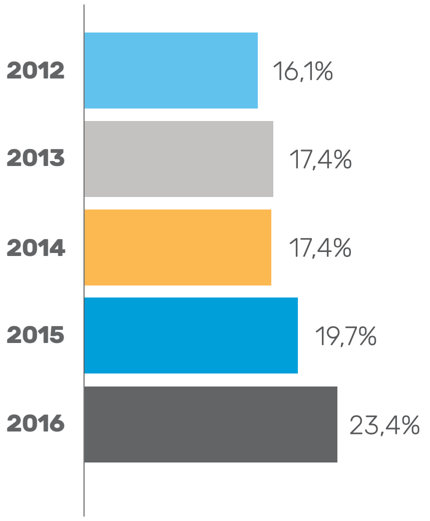
AKZ MILLION



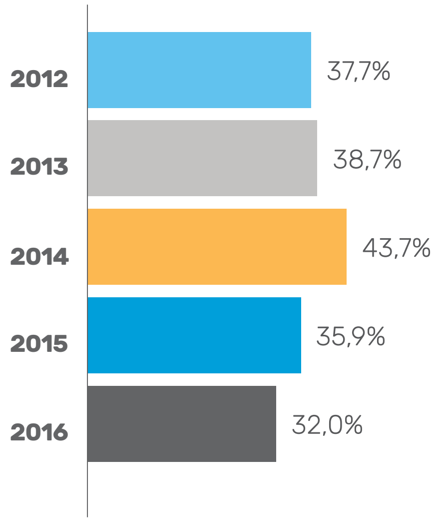
01.2

GRAPHICAL ANALYSIS OF MAIN INDICATORS

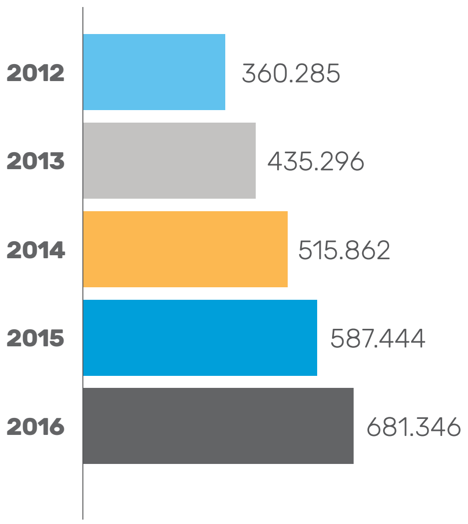
SOLVENCY RATIO



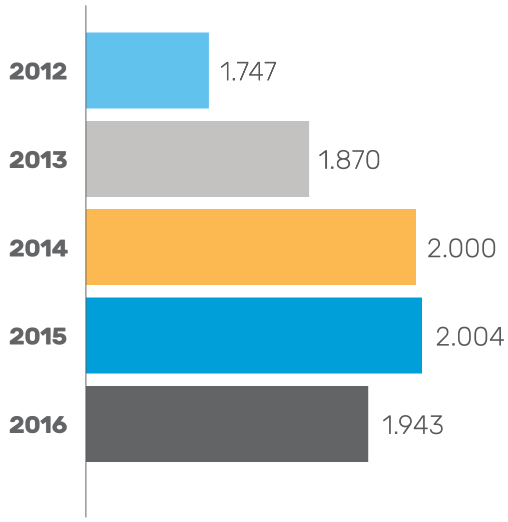
COST TO INCOME



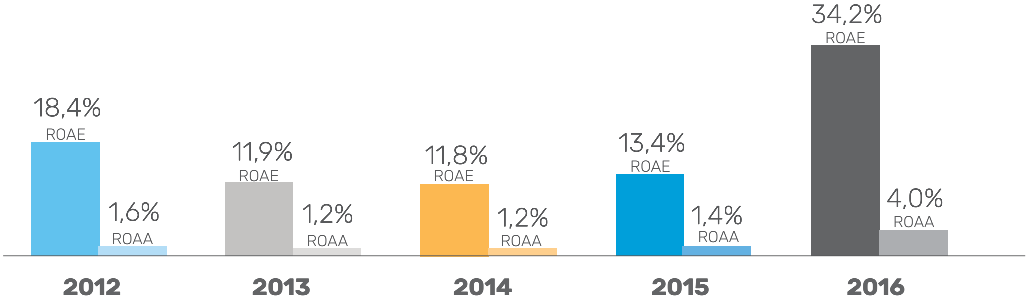
ACTIVE CUSTOMERS



NUMBER OF EMPLOYEES



PROFITABILITY



01.3
MAIN ACCOMPLISHMENTS IN 2016

January
- Update of the policy on prevention and detection of money laundering, financing of terrorism, and enforcement of sanctions
- Implementation of the Know Your Customer (KYC) processes and procedures, in order to ensure proper knowledge of relevant customers falling under the simplified Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD);
- Launch of the 20 Years of BAI stamp on the occasion of the celebration of its 20th Anniversary.

March
- New Headquarters ("Torre BAI"), opened on March 22nd 2016 ("Torre BAI"), bringing together all central services under one roof.

April
- An introduction to the Program "Geração BAI" included in the 2016-2021 Strategic Plan. This program aims at implementing a new organizational service culture, translated into a new way of being and behaving in order to provide the best banking experience for employees and customers;
- Launch of a service quality satisfaction questionnaire by the Human Capital Department addressed at employees.

May
- Appointment of BAI to the chairmanship of the US-Angola Chamber of Commerce's Board of Directors (USACC);
- Launch of the savings campaign for private customers and corporations with exclusive advantages and special conditions. "With BAI Saving is Earning"

June
- Opening of the Cabolombo Branch.

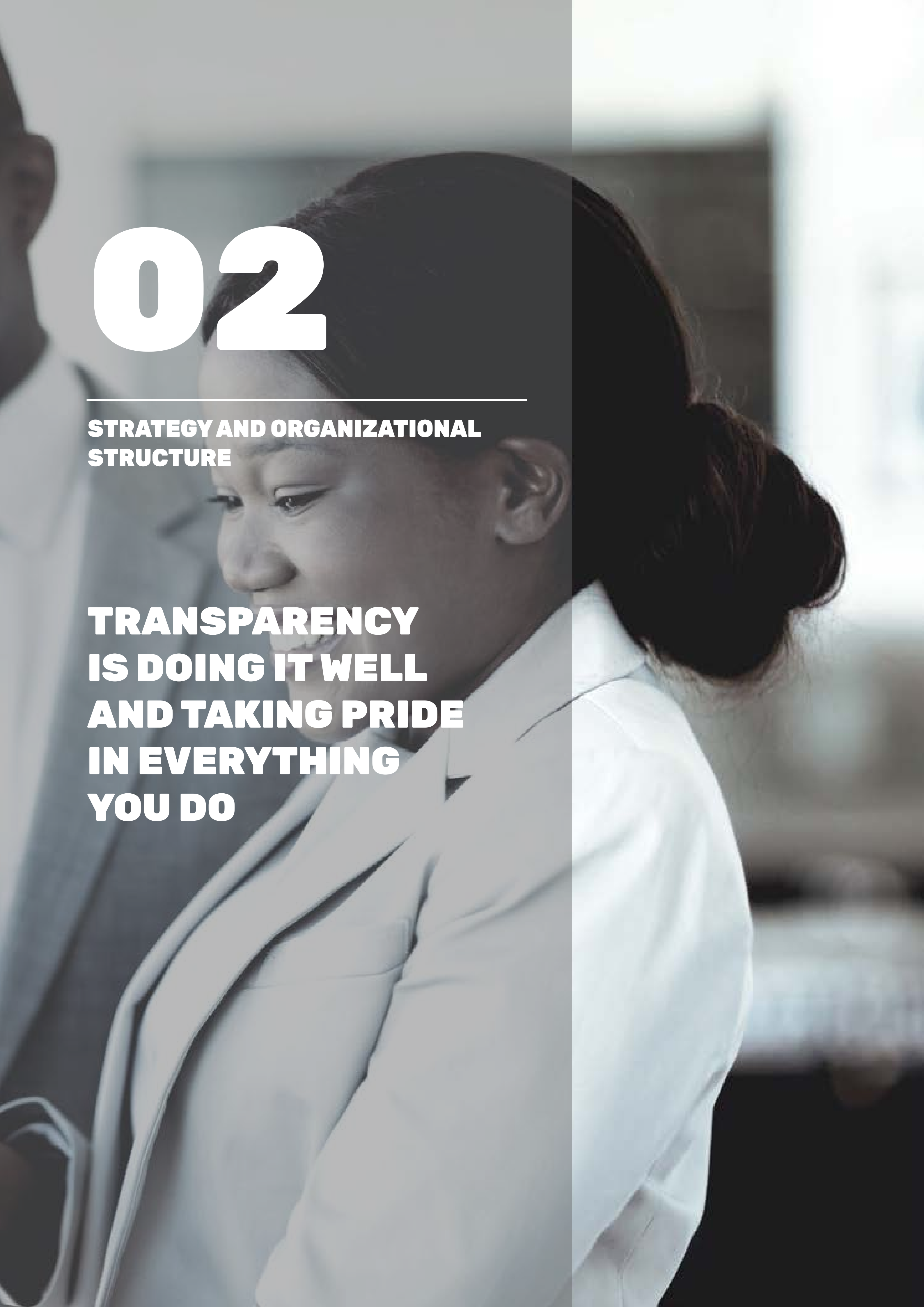
July
- Release of the corporate magazine "Meu BAI", a new instrument of internal communication tool created to share information on the Bank's main achievements, the main programs, as well as general information about the BAI Group, domestic and international economy;
- BAI recognition by Euromoney Magazine as the Best Bank in Angola in 2016, for its dedication, professionalism and a continuous search for the best solutions for its customers.

September
- BAI takes back the lead in the deposits share in the market.

November
- Celebration of the Bank's 20th anniversary;
- Release of the innovative BAI Directo platform, bundling together internet, mobile and SMS banking;
- Release of the new institutional portal;
- Opening of the Torre BAI health post;
- Accession to SIRESS[1];
- Migration of securities to the custody of the BODIVA centralized system (CEVAMA);
- For the second consecutive time BAI is awarded the Sirius prize for the financial sector's best management and accounts report.
- Sponsorship of the African Women's Handball Championship
- Hosting of the BAI Art 2016;
- Hosting of the agro-business conference at BAI Academy

December
- Tribute to the women's national handball team, champions of the 22nd African Women's Handball Championship 2016.

1 "Southern African Development Community (SADC) Integrated Regional Electronic Settlement System"



02

STRATEGY AND ORGANIZATIONAL STRUCTURE

TRANSPARENCY IS DOING IT WELL AND TAKING PRIDE IN EVERYTHING YOU DO

02.1

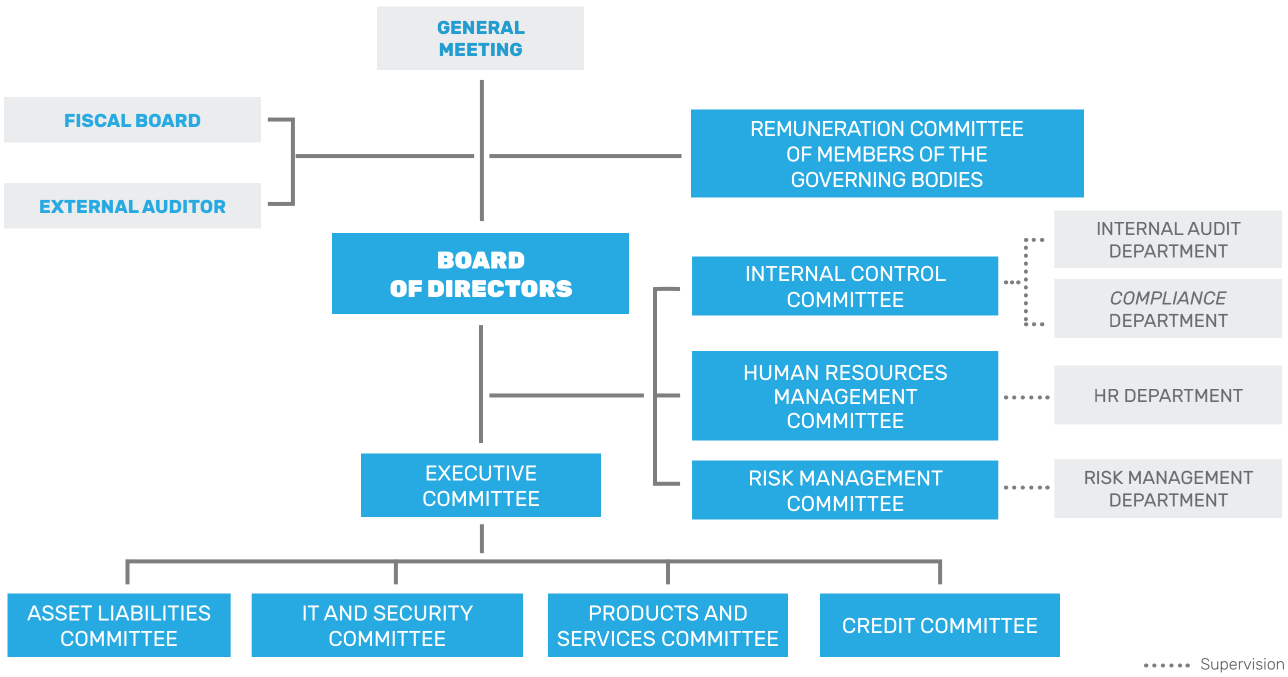
CORPORATE GOVERNANCE MODEL

The mechanisms of corporate governance at BAI are designed to ensure the implementation of effective and independent internal control and risk management processes, having as reference the best international practices in the field.

Mechanisms of corporate governance

- The set of rules governing the participation of shareholders in the Bank, being of special relevance those related to the exercise of their rights and set out in the Articles of Incorporation.
- The set of rules governing the Board of Directors, both in its functional aspects as well as in the determination of the directors' duties and obligations. These rules are set out in the Articles of Incorporation and in the Rules of Procedure of the Board of Directors, its Committees and the Executive Committee;
- The internal rules that contain a series of principles and concrete rules of action, which are contained in the code of conduct;
- The organization chart is underpinned on a functional structure, which allows a clear segregation of duties and responsibilities of different bodies. The distribution of responsibilities, under the authority of each executive director, is made in a way that seeks to ensure segregation between the business, support and control functions;
- The instruments used to improve the information provided to shareholders (in particular the Annual Report and Accounts and the Bank's website) and the processes aimed at making this information accurate, complete and timely, including everything linked to the relationship with the Fiscal Board and the external auditor.

ORGANIZATIONAL CHART

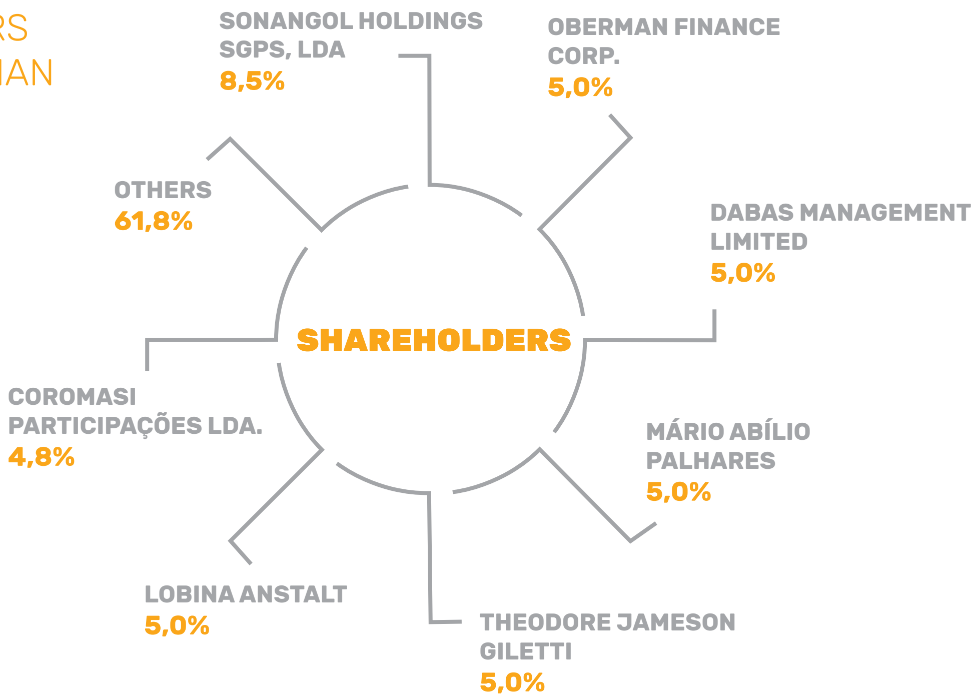


Shareholder structure

BAI share capital is AKZ 14.786.704.520, fully subscribed and paid in cash, and is divided into 19.450.000 ordinary shares represented by securities, with a nominal value of AKZ 760,24 each.

The shareholder structure comprises 54 shareholders and no shareholder holds any qualifying holdings pursuant to Article 6 of Order no. 1/13 of April 19. The capital is owned by entities who are both foreign exchange residents and non--residents in a 65,5% and 34,5% proportion respectively. The shareholdings of members of governing bodies are set forth in Note No 20 of the financial statements.

SHAREHOLDERS WITH MORE THAN 4% OF SHARE CAPITAL



General Meeting

The General Meeting is made up by all shareholders holding voting rights, and shall deliberate on all matters granted to it under the law and the articles of incorporation. In particular, it is incumbent upon the General Meeting to (i) elect and dismiss the members of the Governing Bodies, including their chairpersons, (ii) to deliberate on capital increases, (iii) to approve the annual report and accounts, and the Fiscal Board, (Iv) as well as to deliberate on the appropriation of profits.

The General Meeting is held annually in ordinary session until the end of the first quarter of each year and may be convened extraordinarily by resolution of the Board of Directors or the Fiscal Board, or when requested in writing by one or more shareholders holding at least, 5% of the share capital.

The resolutions of the General Meeting are taken by absolute majority of the votes present, except when decisions require a qualified majority of votes. The right to one (1) vote is acquired for every batch of 100 shares. Shareholders with less than 100 shares may be grouped in such a way as to complete the minimum required and be represented by one of them.

The term in office for members of the governing bodies is four years, and the current term in office began in 2014 and will end on 31 December 2017.

Board of the General Meeting

CHAIRMAN	VICE-CHAIRMAN	SECRETARY
Domingos Lima Viegas	Josina Baião Magalhães	Alice Trindade Escórcio

Governing Bodies Remuneration Committee

The purpose of the Governing Bodies Remuneration Committee is to determine, implement and review the remuneration policy of members of governing bodies pursuant to Article 17, Order no. 1/13 of 19 April. The Remuneration Committee was implemented at the General Assembly of 2014, and members appointed include three shareholders of which none is part of the management or supervisory bodies. The Committee meets annually or whenever it is convened by its chairperson.

Fiscal Board

The Fiscal Board consists of a chairman, two effective members and one alternate, being one of an expert accountant. It meets quarterly and whenever convened by its Chairman or requested by a majority of its members. The operational rules of this body are laid down in the Articles of Incorporation, of which the following roles are highlighted:

- Oversee the acts of the Bank's management;
- Check the accuracy of the Balance Sheet and Income Statement;
- Check the appropriateness of the books, accounting records and supporting documents;
- Convene the General Meeting when the chairman of the respective board does not do so.

The ordinary meetings of this body occur quarterly and extraordinarily whenever necessary. The resolutions are recorded in minutes and signed by all members checking that the books, accounting.

FISCAL BOARD	ROLE
JÚLIO FERREIRA SAMPAIO	CHAIRMAN
MOISÉS ANTÓNIO JOAQUIM	MEMBER
ALBERTO SEVERINO PEREIRA	MEMBER
ISABEL LOPES	ALTERNATE MEMBER

External auditor

The external auditor is appointed every four years by the Board of Directors, and his activity and independence have been supervised since the financial year 2015 by the Internal Control Committee. The external audit is carried out by KPMG Angola, appointed in 2014, under the conditions set forth in Order no. 4/13 of 22 April, in particular with regard to capacity and independence requirements.

Board of Directors

The Board of Directors is composed of an odd number of members, a minimum of five and a maximum of thirteen, with competence to exercise the Bank's broadest management and representation powers, undertake all acts necessary or convenient for the pursuit of its business.

The current Board of Directors consists of 13 directors, 7 executive and 6 non-executive directors and, among the latter, there are independent and non-independent directors. BAI adopts the concept of independent director in line with the criteria set forth in Order no. 1/13 of 19 April (paragraph 9 of Article 3). The CVs of the members of the Board of Directors can be found in the Bank's institutional webpage.
The roles and operation rules of the Board of Directors are outlined in stand-alone regulation drawn under the articles of association. The Board meets quarterly and whenever convened by its chairman or when required by a majority of its members.

Board of Directors Commission

The Board of Directors has the following specialized commissions: Internal control, human resources management and risk management. None of the above have decision-making powers, but exclusively of supervision powers (information, advice and proposal). The operating rules for these commissions are set out in the relevant regulations and they foresee, inter alia, that they should meet at least once per quarter or whenever they are convened by the chairpersons.

COMPOSITION OF THE BOARD OF DIRECTORS AND COMMISSION	NON--EXECUTIVE	EXECUTIVE COMMISSION	INTERNAL CONTROL COMMISSION	RISK MANAGEMENT COMMISSION	HUMAN RESOURCES MANAGEMENT COMMISSION
JOSÉ CARLOS DE CASTRO PAIVA	C				C
FRANCISCO DE LEMOS JOSÉ MARIA	DC				
ANA PAULA GRAY	DC				
THEODORE JAMESON GILETTI				C	
MÁRIO ALBERTO BARBER					
JAIME DE CARVALHO BASTOS	I		C		
JOSÉ DE LIMA MASSANO		C			
LUÍS FILIPE LÉLIS					
INOKCELINA BEN'ÁFRICA SANTOS					
HELDER MIGUEL JASSE AGUIAR					
SIMÃO FRANCISCO FONSECA					
JOÃO CÂNDIDO FONSECA					
PEDRO CASTRO E SILVA					

Note - C: Chairman DC: Deputy Chairman I: Independent

The roles of the Board of Directors Commissions are shown in the following table:

ROLES OF THE INTERNAL CONTROL COMMISSION

- Ensure the formalization and operationalization of a system for the provision of effective information and properly documented, including the process of preparation and disclosure of financial statements;
- Oversee the formalization and operationalization of the institution's accounting policies and practices;
- Review all financial information for internal publication or disclosure, namely the management's annual accounts;
- Monitor the independence and effectiveness of the internal audit, approve and review the scope and frequency of its actions and oversee the implementation of the proposed corrective measures;
- Oversee the performance of the compliance function;
- Oversee the business and independence of the external auditors by putting in place a communication channel aimed at becoming aware of the conclusions of the reviews carried out and reports issued.

ROLES OF THE HUMAN RESOURCES MANAGEMENT COMMISSION

- Design the policy for hiring new employees;
- Design the employees compensation policies and processes, commensurate to the culture and long-term strategy and considering the business and risk aspects;
- Make recommendations to the board concerning the appointment of new employees for management duties, for which a detailed job description should be drawn up, taking into account existing internal skill set;
- Support and oversee the design and conduct of the employees' assessment process.

ROLES OF THE RISK MANAGEMENT COMMISSION

- Make recommendations to the Board of Directors concerning the risk strategy to be pursued by taking into consideration:
  – The Bank's financial situation;
  – The nature, size and complexity of the business;
  – Its ability to identify, assess. monitor and control risks;
  – The work carried out by the external auditor and the delegation of powers to monitor the internal control system;
  – All relevant risk categories in the institution, in particular credit, market, liquidity, operational, reputational and strategy;
- Oversee the implementation of the risk strategy by the Bank;
- Oversee the performance of the risk management function;

The activities carried out in 2016 grouped around the different roles of each Commission include the following:

a) Internal Control Commission
- Follow-up of the plans aimed at addressing the internal control weaknesses;
- Consideration of the quarterly reports on internal control weaknesses;
- Consideration of the quarterly activity reports of the internal audit department;
- Consideration of the yearly reports of the compliance and internal audit functions;
- Consideration of the reports on corporate governance and internal control system;

b) Risk Management Commission
- Consideration of proposals for the review of the lending policy and the new rules on risk management (i) balance sheet and market and (ii) operational;
- State of play of Strategic Initiative 7- Strengthening key risk management and internal control processes;
- Analysis of impacts of the new regulatory package on the RSR (Regulatory Solvency Ratio) and risk management systems;
- Consideration of the degree of compliance with the approved limits and operational risk;
- Consideration of the annual reports on the risk management function;

c) Human Resources Management Commission:
- Consideration of the 2016-21 Strategic Plan for the Human Capital Management;
- Consideration of the results of the Human Capital Management (DCH) Satisfaction Survey for the services provided by this Department;
- Consideration of the stock-taking document of activities carried out by the DCH in 2016.

Executive Commission

The Executive Commission of the Board of Directors (EC) comprises three to seven members, appointed by the Board of Directors, among its members. The powers and rules of operation are laid down in a stand-alone regulation. The Committee meets at least once a month or whenever convened by its Chairman or by at least two executive directors. Its roles are as follows:

- Management of the Bank's daily business by ensuring the compliance with all applicable laws and regulations;
- Preparation of plans and annual and multi-annual budgets, as well as their possible amendments for approval by the Board of Directors;
- Preparation of the accounting documents for approval by the Board of Directors;
- Approval of internal operating standards;
- Acquisition, disposal and encumbrance of movable property and intangible fixed assets required for the Bank's business;
- Acquisition, disposal and encumbrance of real estate for the Bank's business;
- Procurement of the services required for the Bank's business;
- Implementation of the human resources policy;
- Exercise of disciplinary authority;
- Opening or closure of branches;
- Appointment of officials to conduct certain acts or categories of acts;
- Representing the Bank in court or outside it, actively and passively, initiating and challenging judicial or arbitration proceedings, confessing, waiving or accepting any actions.

Within the scope of its roles, the Executive Commission is assisted by four specialized committees including the Assets and Liabilities Committee (ALCO), the Credit Committee (CCR), the IT and Security Committee (CIS) and the Product and Services Committee. To the committees are delegated the handling, management and decision making in specific matters.

COMPOSITION OF COMMITTEES	ALCO	CCR (4TH GRADE)	CIS	CPS
JOSÉ DE LIMA MASSANO	C	C		C
LUÍS FILIPE LÉLIS			C	M
INOKCELINA BEN'ÁFRICA SANTOS	M	M		
HELDER MIGUEL JASSE AGUIAR				M
SIMÃO FRANCISCO FONSECA	M	M		M
JOÃO CÂNDIDO FONSECA	M	M		
PEDRO CASTRO E SILVA	M	M		M

Note: C - Chairman M - Member. Managers of relevant departments also sit in their respective committees as permanent members

DISTRIBUTION OF AREA OF RESPONSIBILITY

CHIEF EXECUTIVE OFFICER
JOSÉ DE LIMA MASSANO

1. Internal Audit Department
2. Compliance Department
3. Financial Markets Department
4. Human Capital Department

EXECUTIVE DIRECTOR
LUÍS FILIPE LÉLIS

1. Legal Affairs and Litigation Department
2. Organization and Quality Department
3. Information Systems Department
4. Electronic Banking Department

EXECUTIVE DIRECTOR
INOKCELINA BEN'ÁFRICA DOS SANTOS

1. Credit Analysis Department
2. Specialized Credit Department
3. Risk Management Department
4. Credit Recovery Department

EXECUTIVE DIRECTOR
HELDER MIGUEL JASSE AGUIAR

1. Banking Agents
2. Digital Payments Business Unit

EXECUTIVE DIRECTOR
SIMÃO FRANCISCO FONSECA

1. Integrated Security Office
2. Enterprises and Institutions Department
3. Small and Medium-sized Enterprises Department
4. General Services Department

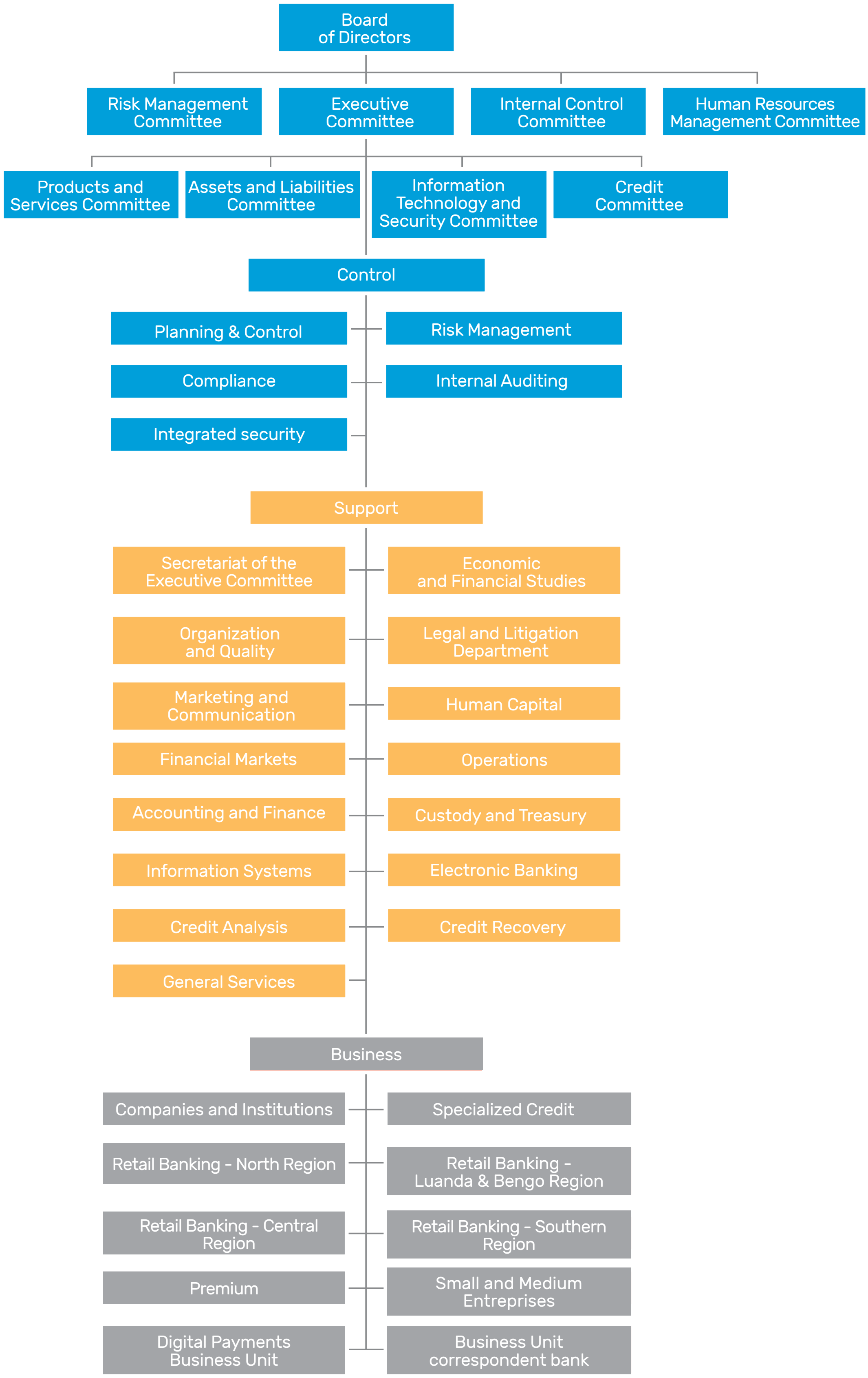
EXECUTIVE DIRECTOR
JOÃO CÂNDIDO FONSECA

1. Accounts and Finance Department
2. Planning and Control Department
3. Treasury and Custody Department
4. Operations Department

EXECUTIVE DIRECTOR
PEDRO CASTRO E SILVA

1. Office for Economic and Financial Studies
2. Marketing and Communication Department
3. Premium Services Office
4. Retail Banking Department

ORGANIZATIONAL CHART



Internal control system

The internal control system is defined as the integrated set of policies and processes, permanent and transversal to the whole institution, conducted by the board of directors and other employees with a view to ensuring:

i) The continuity of the business through the efficient allocation of resources, implementation of operations and control of the risks (performance objectives);
ii) The reliability and timeliness of the accounting and management support information (information objectives);
iii) Compliance with legal regulations and internal regulations (compliance objectives).

In view of these objectives, BAI seeks to ensure an adequate environment and control, a sound risk, management system, an efficient information and communication system and a continuous monitoring process, aimed at ensuring quality and effectiveness of the system itself throughout the time. [1]

SUMMARY DESCRIPTION OF THE KEY FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

Board of Directors
Regularly review and approve the internal control and risk management strategy and policies as well as the progressive alignment of the financial group's institutions.

Executive Commission
Propose the review of the internal control and risk management policies and ensure its implementation within the Bank.

Planning and Control Department (DPC)
Implement and monitor the Bank's planning and management control process through the budget and management indicators, and monitor the performance of the subsidiaries.

Risk Management Department (DGR)
Identify, assess, monitor, control and report on all relevant risks of the Bank's business, as provided for in the laws and regulations.

Compliance Department (DCL)
Ensure compliance and correct enforcement of the legal, regulatory, statutory and ethical provisions as well as recommendations and guidelines issued by relevant supervisory authorities. Evaluate the effectiveness and efficiency of the corporate governance model and internal control system for mitigation of the reputational and compliance risks which may put in question the achievement of the Bank's objectives as well as to ensure compliance with a focus on Anti-Money Laundering and Financing of Terrorism Measures.

Internal Audit Department (DAI)
Ensure and coordinate the overall audit and the internal inspection actions conducted in the units of the Bank's structure, in order to ensure the control and compliance with regulations, procedures and established standards of service. Support in identifying the risks inherent to new business, products, or information systems and monitor the amounts contained in the assets list of the Bank.

Integrated Security Office (GSI)
Set policies, rules and controls that ensure the proper management and monitoring of the security systems and electronic and computer equipment, as well as ensure their implementation.

1 - Risk Management is the subject of a stand-alone chapter in this report and a specific disclosure in note no. 40 of the financial statements.

Compensation Policy

The Bank has a compensation policy consistent with the objectives, values, interests and solvency in the long term, whose guiding principles are as follows:

i) The laying down of rules must be clear, simple, transparent and aligned with the bank's culture and values considering the nature of its business.

ii) The laying down of principles of proportionality that ensure external competitiveness enough to attract and retain employees, as well as internal equity to promote a sense of justice and cohesion of the teams;

iii) The policy design must consider the constant needs of risk mitigation and avoid situations that give rise to conflicts of interest;

iv) The policy design should consider all the forms of compensation (fixed, variable, and benefits) and be aligned with the strategy and the Bank's business objectives.

iv) The determination of fixed and variable individual compensation as well as other benefits must take the relevant performance evaluation into consideration (objectives and skills), according to the duties performed and the Bank's economic and financial situation.

COMPENSATION PER TYPE

FIXED COMPENSATION	VARIABLE COMPENSATION		OTHER BENEFITS
BASIC SALARY	CASH SHORTAGES SUBSIDY	WORK TRAVEL ALLOWANCE	SUBSIDISED LOAN
13TH MONTH (HOLIDAYS)	OVERTIME	PERFORMANCE BONUS	HEALTH INSURANCE
14TH MONTH (CHRISTMAS)	RISK ALLOWANCE	FUEL ALLOWANCE	PENSION FUND
MEAL ALLOWANCE	ACTING ALLOWANCE	TECHNICAL ALLOWANCE	INCENTIVE TO SELF-TRAINING
FAMILY ALLOWANCE	SPECIAL DUTY ALLOWANCE	ATTENDANCE ALLOWANCE	TRANSPORTATION
	TRANSPORTATION ALLOWANCE	OTHER ALLOWANCES (SHIFT/ATM)	COMMUNICATIONS ALLOWANCE

Members of Governing Bodies

The Governing bodies with executive roles have a distinct compensation policy from that of employees which is approved by the Governing Bodies Remuneration Committee and made public at the annual general assembly. The compensation of non-executive members of the Board of Directors, the Fiscal Board and those of the General Meeting is exclusively fixed. The variable compensation of the executive members of the board is decided annually and tied to the overall performance of the Bank. The determination of the compensation is in line with the achievement of the Bank's strategic objectives, by taking the following into consideration, as applicable to the different bodies:

i) The bank's economic and financial situation;
ii) The Bank's interests in a perspective of business continuity;

iii) The characteristics of the tasks performed;
iv) The performance of the tasks in the different components (technical/operational and behavioral performance).

The compensation of the members of the governing bodies is disclosed in Note 30 of the financial statements.

Employees

The policy is based on the following human resources management policies and instruments

1. Job descriptions;
2. Role qualifier;
3. Salary scale (with levels and brackets);
4. Performance Evaluation and Management System (SAGD);
5. Careers Management Policy;
6. Individual development policy for employees.

The Performance Evaluation and Management System aims at recognizing and improving employee performance by supporting personal and professional development, based on the following criteria: Objectives, skills, punctuality and attendance.

Code of Conduct

The Bank has a Code of Conduct that establishes the principles of operation and standards of professional conduct observed in the course of employment applicable to all employees and members of the board, namely:

- Ethical duties: principle of equality of treatment towards all customers, professionalism duties, honesty, competence, diligence, loyalty, neutrality and integrity, the principle of the prevalence of customers ' interests over the interests of staff, duty of confidentiality, of collaboration with all supervisory authorities, duties of internal conduct and special duties to protect the market and its transparency;
- General principles relating to the prevention of money laundering and financing of terrorism;
- General principles on reporting fraud and irregularities and dealing with customer complaints.

The Code of Conduct is handed over to all new Bank employees and is available on the intranet.

Related Parties' Transactions Policy

The policy on transactions with third parties was prepared pursuant to Order no. 02/13 of 19 April and Order no. 9/16 of 22 June both from the BNA, the Corporate Tax Code and the Presidential Order no. 147/13 of 1 October, as well as IAS 24 and covers (i) the definitions, (ii) the terms under which transactions with related parties shall take place, (iii) the applicable laws, (iv) the limitations in providing loans to related parties and (v) disclosure.

The definitions of the terms under which transactions with related parties should take place are set forth in Note 38 of the financial statements.

CONFLICT OF INTEREST POLICY

The conflict of interest policy is underpinned on the following principles:

1. Priority of customer's interest	BAI recognizes the priority of its customer's interests, which is a duty of loyalty to them, a fundamental principle of conduct in all the standards that guide the Bank's actions;
2. Provision of transparent information	BAI provides its customers with clear clarifications and accurate information on the benefits or remunerations the Bank offers for deposits received and on the prices or charges inherent to the products and services it makes available;
3 Prohibition of holding potentially conflicting positions in other companies	The job demands exclusivity due to both ethical motivation and performance requirements;
4. Use of information	Except in cases expressly provided for in the law, disclosure and the use of information on BAI's business or its relations with customers are prohibited;
5. Procurement of services or goods	The direct or indirect involvement of employees in the procurement of goods or services in which they have a financial stake is prohibited;
6. Lending decisions concerning related persons	In accordance with the provisions of Article 84 of Law 12/05 on Financial Institutions, "Loans to related parties";
7. Prohibition on granting loans	In accordance with the provisions of article 83 of Law 12/05, on Financial Institutions, "Loans to members of the governing bodies";
8. Loan pricing	Loans granted to shareholders and stakeholders and persons related thereof will be under normal market conditions in accordance with the their level of risk and BAI pricing except those loans for permanent home ownership and for payment of health expenses, which fall under the policy set by the Human Resources Management Committee.[1]

The policy provides for, in particular, the existence of a process prior to the making of decisions in the Executive Committee and Board of Directors, which ensures that these decisions do not give rise to potential conflicts of interest and that transactions with related parties are identified and evaluated pursuant to Order no. 1/13 of 19 April. Other situations of conflict of interest are considered by the Compliance department, and the relevant decision made by the Executive Committee.

1 - The concept of affected persons encompasses (i)all members of governing bodies, (ii) all employees of the bank (iii) anyone who provides services to the bank under a subcontracting arrangement; and (iv) anyone who provides services to the bank and who. Working under his/her control and responsibility ensures the provision of services included in the bank's business.

Transparency and Disclosure of Information Policy

The transparency and disclosure of information policy aims at ensuring the transparency and easy understanding of the BAI corporate governance model pursuant to the requirements of the Order no. 1/13 of 19 April. It is based on the following general principles:

- The information of mandatory publication should be disclosed in a complete, correct and timely manner;
- Any institutional disclosure decided about the Bank the and market should be based on complete, correct, timely and adequate information;
- The provision of information should always observe the rules of banking secrecy.

It is incumbent on the Board of Directors to review and update the policy annually, or whenever necessary, in particular when there is a change in the mandatory reporting information.

COMPLIANCE WITH TRANSPARENCY REQUIREMENTS (ARTICLE 21 OF ORDER NO. 1/13)

Content	Disclosure			Comments
	Yes	No	Non--applicable	
Composition of the management and supervisory bodies and the appointment of executive and non-executive directors	X			Report and accounts and institutional website
Appointment of the external auditors, including ascertaining their credentials and compliance with the independence requirements pursuant to Order no. 4/13 of 22 April.	X			Report and Accounts
Identification of the unit structures, the powers assigned to them and their responsible officials, particularly in the case of the key roles of the internal control system (internal audit, compliance and risk management).	X			Report and Accounts
Distribution of responsibilities and segregation between the business, support and monitoring roles	X			Report and accounts and institutional website
Identification of policies and communication channels concerning relations of authority, delegation of powers, communication and reporting, in particular with regard to irregularities under the framework of corporate governance	X			Report and Accounts

COMPLIANCE WITH DUTY OF INFORMATION DISCLOSURE (ARTICLE 22 OF ORDER NO. 1/13)

Content	Disclosure			Comments
	Yes	No	Non--applicable	
a) the institution's capital structure identifying the holders of qualified shareholdings.	X			Report and Accounts
b) corporate deeds related to major changes in the institution's overall strategic objectives and the financial groups organizational and business structures	X			Report and Accounts
c) financial information	X			Report and accounts and quarterly trial balance
d) information on members of the governing bodies, including:				
i. compensation policy outlining the overall amounts paid by the institution to each body;	X			Report and Accounts
ii. qualifications and professional experience;	X			Institutional Website
iii. disclosure of the institutions shareholdings;	X			Report and Accounts
iv. disclosure of positions held by officials in corporate bodies of other concerns which are part or otherwise of the financial group;	X			Website of each concern holding shares
v. categorization of board members as executive and non-executive directors and the latter both as independent and non-independent	X			Report and Accounts
e) description of the materially relevant risks for the institution arising from the existing processes for the management thereof and forecasting the evolution of the risk-associated factors.	X			Report and Accounts
f) corporate governance policies, including the institution's code of conduct as well as the policies aimed at identifying and mitigating conflicts of interest.	X			Report and Accounts
g) training policy, specifying the number of annual training hours, broken down into the nature of the training, identifying in particular that training geared at the personnel working in risk subject areas and control positions.	X			Report and Accounts
h) dissemination of the aforementioned information with regard to the consolidated scope of the financial group.	X			Published annually in the financial information website

02.2

STRATEGY AND BUSINESS MODEL

The growth expectations of the Angolan financial sector in the medium term are marked by increased demands at regulatory level, with a view to aligning the financial sector to the international best practices of compliance, corporate governance, financial reporting and antimoney laundering and financing of terrorism; by a more moderate economic growth and the inherent need for the economy's structural transformation; due to the uncertainties regarding macroeconomic stability; and by the social, demographic and political changes.

Against this background, BAI has reviewed its strategy in order to define new paths, take advantage of the best opportunities and circumvent future challenges. The 2016-2021 Strategic Plan sets for its mission the consolidation of the Bank's competitive position as a universal bank, underpinned on a Vision to offer the best banking experience in all segments, by providing products and services of excellence.

The Strategic Plan is supported on 3 business pillars:

1. **Protection of Core Segments** Our first priority is to protect and strengthen the relationship of trust established in the large corporate and premium segment, by providing innovative products and services, as well as improve the quality of services provided to these segments.

2. **Development of high potential segments and exploitation of new frontiers;** The SME segment is the foundation of the business fabric of any economy and it is, thus, our objective to increase engagement with this sector. The number of affluent customers has been growing significantly over the years, which requires the bank to provide a differentiated value proposal so as to retain an increasingly demanding class of customers. The mass market segment is the final challenge in becoming a universal bank and, as such, we intend to explore it through an approach tailored to the particular features of this segment.

3. **Transformation of critical platforms:** The provision of innovative and excellent products and services results from the efficiency and effectiveness of the business support platforms in terms of organization, processes, systems and human capital. Improving the main business platforms is the foundation for the success of our strategy.

The policy for the expansion of the commercial network is governed by principles of sustainability, having the availability of services to all target segment as a focus. The network is divided in branches, offices, customer service facilities to corporation and premium services. Besides its physical presence, BAI has a multi-channel strategy in its dealings with customers covering (i) internet banking, (ii) mobile banking, (iii) mobile payments, (iv) correspondent banking, and (v) contact centre.

The success of the 2016-2021 Strategic Plan relies mainly on the Bank's ability to attract, capture, retain and develop human capital aiming at setting up a team of competent and dynamic professionals with a culture of delivering, geared towards "providing the best banking experience" to customers. To implement this goal, BAI offers a range of incentives and professional training, mainly through the BAI Academy.

Under the business expansion strategy in Angola and in order to supplement banking activity in Angola, BAI has a stake in **Nossa Seguros** that operates in the life and non-life insurance fields and also in pension fund management.

To supplement its domestic business, BAI is operating internationally focused on the financial market of the Portuguese-speaking world.

- It initiated the internationalization process in 1998 by opening **BAI Europe**, focused on providing support to transactions between corporations resident in Portugal with customers resident in Angola from public and private sectors as well as in providing correspondent banking services.

- In 2008, it opened **BAI Cabo Verde** whose main segment are corporations (it has a reduced retail network);
- It has a stake in the **Banco Internacional de São Tomé e Príncipe**, the oldest bank and market leader of the São Tome market with a share of 71% in deposits and 45% in lending.

The **Financial Group's** main business areas are as follows:

- **Retail Banking** – It is essentially concerned with raising of funds and lending operations towards private customers, serviced by the network of branches and internet banking and, in the case of Angola, mobile and SMS banking;
- **Private Banking** – Brings together all activity with private customers;
- **Commercial Banking** – It is essentially concerned with raising of funds and lending towards the corporations and institutions segment, including foreign trade;
- **Investment Banking** – Provides financial advice services and integrated financing solutions for business conduct and development, including solutions of business combination such as re-lending, subscription and purchase of securities, mergers, acquisitions and privatizations;
- **Correspondent Banking Services** – These services are provided by BAI Europa and BAICV to Angolan banks, thereby ensuring easier access to payments in foreign currency and other international instruments;
- **Insurance Business and Pension Fund Management** – Life and non-Life Insurance as well as pension fund management services provided by Nossa Seguros.

MAIN BUSINESS AREAS OF THE FINANCIAL BANKING GROUP

	BAI	BAIE	BAICV	BISTP	BMF	NOSSA
RETAIL BANKING	X		X	X		
MICROCREDIT					X	
PRIVATE BANKING	X					
COMMERCIAL BANKING	X	X	X	X		
INVESTMENT BANKING		X				
CORRESPONDENT BANKING SERVICES		X				
INSURANCE BUSINESS AND PENSION FUND MANAGEMENT						X

Note: BAIE – BAI Europa; BAICV - BAI Cabo Verde; BISTP – Banco Internacional de São Tomé e Príncipe

MECHANISMS OF CORPORATE GOVERNANCE OF THE GROUP

Business monitoring

According to the regulation of the BAI Board of Directors (BoD), it is incumbent on the BoD to, inter alia, ensure the consistency of all financial institutions under the direct and indirect control of BAI, regarding: (i) strategy; (ii) financial information; (iii) risk management and compliance system; (iv) monitoring of internal control; and (v) policies and processes applicable to related parties. The monitoring of the financial group by the BoD is done at three levels:

- On regular basis (at least quarterly) during the meetings of the BoD by reviewing the strategic approaches and by analyzing the financial information;
- By way of the participation of the Chairman of the BoD in the general meetings, or a director appointed for that purpose; and
- By appointing members of the BoD to serve as representatives in the subsidiaries' statutory bodies.

Compensation policy

The compensation policy is designed individually by each of the entities comprising the Group, by abiding by the following common principles:

- It is reviewed annually to ensure consistency and coherence between the performance and economic situation of each entity and its objectives;
- Takes into account:
    - The nature of the business of the entity;
    - The institution's economic and financial situation;
    - The institution's interests in a perspective of business continuity;
    - The characteristics of the tasks performed;
    - The performance of the tasks in the different components (technical/operational and behavioral performance).

Policies and processes relating to transactions between companies

In the context of the financial group's parent company, BAI follows the principles and procedures outlined in this chapter to ensure that transactions between companies within the financial group are controlled with respect to their purpose and conditions.

Other policies and processes to be implemented within the financial group

In connection with the evolution and improvement of the corporate governance (CG) model and the internal control system (ICS) within the financial group, BAI's BoD monitors its internal control systems and those of its banking subsidiaries through the annual report prepared for submission to the BNA, thereby ensuring proper management of each entity and monitoring of the risks inherent to the business.
As a result of the findings of the external auditor and BNA in previous periods that require improvement in terms of compliance with the regulatory requirements regarding the group's corporate governance and internal control system, the following initiatives are currently underway:

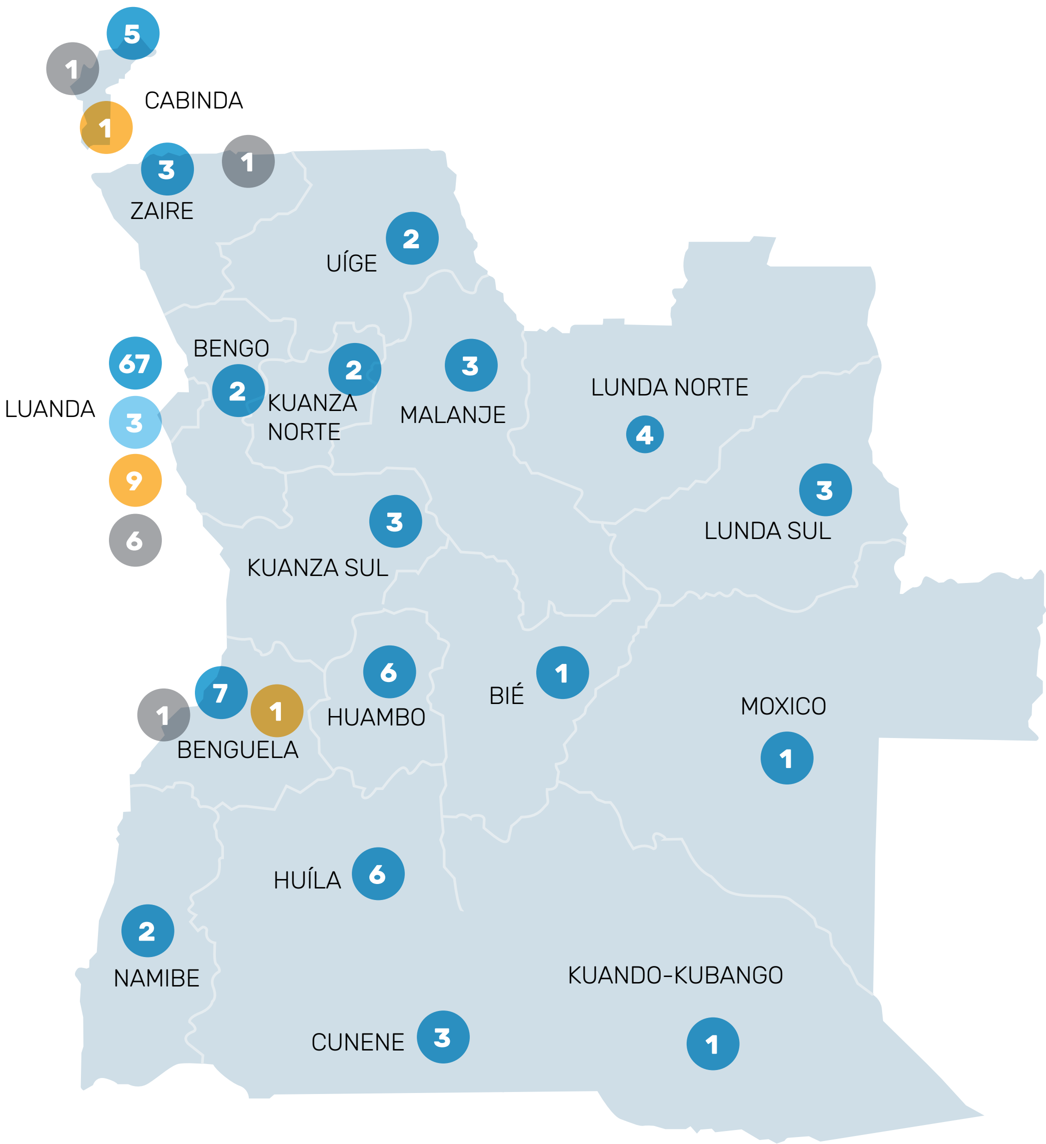
- Implementation of the Group's ICS governance model, which follows-up and monitors the internal control areas of the subsidiaries of BAI (parent company), approved by the BAI Board of Directors.
- The implementation of the CG and ICS model of the BAI Financial Group will be supplemented by a programme of training and awareness-raising actions, approved in 2016 and to be carried out during 2017, which will also include the subsidiaries.
- The cross-cutting intervention of the internal audit role of the BAI Financial Group with a view to coordinate and assess the effectiveness and efficiency of the ICS. This activity will be extended to other key internal control roles, such as compliance and risk management.

Conflict of Interests

Each entity of the group has its own code of conduct that sets out the operating principles in the conduct of its business. The main common principles of the codes are in line with those of BAI, in particular:

- They impose a set of ethical duties: principle of equal treatment of all Bank customers, competence, diligence, principle of the prevalence of customer interests over those of employees, duty of secrecy and collaboration with all supervisory authorities;
- They lay down general principles relating to the prevention of money laundering and financing of terrorism;
- They establish general principles on reporting fraud and irregularities and dealing with customer complaints.

GEOGRAPHICAL PRESENCE AND DISTRIBUTION CHANNELS



Branches
Banking Service Desk
Company Service Desk
Private Banking and BAI Directo Channel

02.3
SOCIAL RESPONSIBILITY

The actions undertaken by BAI within the framework of the social responsibility program cover the following areas:

- Education;
- Art and culture;
- Sports;
- Health;
- Social welfare.

Education

"The root of education is bitter but its fruit is sweet" - Aristotle
Education is the key factor for the development of societies and BAI, committed to social responsibility, has sought to do its share. Through the BAI Foundation, during the first half of 2016, it supported the construction of three additional classrooms to respond to the demand of the needy children in Funda, under the responsibility of the NGO AMEN.
BAI was also able to award scholarship grants for higher education to five girls from the Centro Feminino Horizonte Azul.

Art and culture

"Art says the unsayable; expresses the inexpressible, translates the untranslatable" - Leonardo da Vinci
Art, as a primary form of cultural expression of a people has always enjoyed particular attention by Banco Bai. The Bank joins Arts and Culture with a view to promoting artistic diversity and new talents because it considers that by safeguarding the cultural heritage, it plays a key role in its sustainable development and its surrounding environment.
In this context, BAI's intervention, through its foundation, was directed at the following actions:

BAI ALSO CONTRIBUTED TO THE LAUNCH OF A BOOK WRITTEN BY HELDER CACULO

- Purchase of a set of musical instruments to materialize and set up the Funda Symphony Orchestra (NGO AMEN), fully funded by the BAI Foundation.
- Sponsorship of the book edition " History of the Catholic University of Angola", volumes I and II, by Father Apolinário Hilemusinda
- Still in connection with the attention dedicated to Angolan and international literary and musical manifestations and with a view to supporting and promoting an enhanced reading culture, BAI sponsored the 10th Edition of the International Book and Record Fair, one of the country's largest cultural events, promoted by ARTEVIVA, Edições e Eventos Culturais.
- BAI also contributed to the launch of a book written by Hélder Caculo, a journalist, believing that such initiatives should be embraced as literature is of great importance to the society.
- The Bank provided support for the hosting of several music concerts under the umbrella of the 'Show of the Month', a project which values both Angolan music and musicians and kick-started in January 2014, aimed at generating a different concept of concerts in Luanda, awarding leading musicians and new talents, bringing together multiple generations and musical conflations in the same space which result in new experiences for Angola's music scene. In order to support the Show of

the Month, BAI was associated with the quality of each show through the BAI Arte brand. Throughout the year, more than 8,000 Angolans watched the performances at the 'Show of the Month' stage.

- Provision of support to the folk project to rescue Rebita (song, dance, and instruments) also became a reality.
- BAI Arte started 17 years ago, also within the framework of the Bank's social responsibility policy. Aware of its cultural dimension, the Bank remains committed to supporting the development of the Angolan visual arts in its various areas. This commitment of a participatory partner in the domestic culture was further strengthened with the hosting on 17 to 30 November 2016, of an exhibition under the theme "20 Years, 20 Works, BAI Arte 2016", showcasing works from its collection selected by professor and artist Jorge Gumbe. This event, falling under the celebrations of the Bank's 20th anniversary was hosted at BAI Academy multipurpose venue and had both an educational purpose and that of disseminating Angola's artistic creativity.
- BAI provided support for the construction of the Casa das Artes, an independent project led by filmmaker Maria João Ganga, specializing in cultural training and education. The venue offers dancing, painting, theatre and photo lessons as well as other creative activities. Casa das Artes was opened on September 10th and also hosts workshops and exhibitions, and a theatre for the presentation of shows with a capacity for 270 people.

- BAI Arte lent its brand to the Show of the Month, a project of events born in 2014 that values the music and the Angolan musicians, which leads to new experiences for the Angolan musicality. In 2016, the Afra Sound Star, Carlos Burity, Pedrito, Boy Gé Mendes, Euclides da Lomba, among other stars such as Patricia Faria and Yola Semedo took to the stage of the Show of the Month, which took us to relive great hits in unique moments with BAI Arte Brand.


Sport

"Sport is a war without guns",
George Orwell

BAI has been sponsoring other sports disciplines such as football, basketball, cycling and judo.

- Full support to the Olympic judo athlete Antónia de Fátima Moreira " FAYA " for her trip to the training camp in Hungary (May, 2016), on the way to the Rio 2016 Olympics (Brazil - August 2016).
- In sports, BAI sponsored sports activities in basketball, cycling, handball and football, including:
  - Benfica Petróleos do Lubango in women's basketball;
  - National Basketball Association;
  - Sporting Clube de Benguela;
  - 2nd Prize in Cycling, Baía de Luanda;
  - CAN in handball 2016

ANGOLA EMERGED AS THE AFRICAN CHAMPION BY DEFEATING TUNISIA IN THE FINAL IN DECEMBER

In terms of support to sports, the main highlight was the sponsorship of the 22nd African Women's Handball Championship, a major initiative for the country where BAI was part as the event's official sponsor. Angola emerged as the African champion by defeating Tunisia in the final in December.

Healthcare

In 2016, the donation of yellow fever vaccines in the Comarca de Viana Prison Facility as well as the support provided to the Hospital Pediátrico David Bernardino in Luanda are to be highlighted.

Social welfare sector

"One should think more of doing good deeds than being good: and one would also end up being good." - Alessandro Manzoni

BAI, aware of and attentive to the problems and needs of the people, gave recurrent support in terms of food items, school and transportation for residents of a reception centre and to the female orphanage in Viana, otherwise known as Horizonte Azul. During the year 2016, it extended support in terms of food items to AACA - Angolan Association of Abandoned Children.

- Funding for the construction of 10 social houses for needy families under the aegis of the NGO – Associação de Profissionais e Amigos de Combate à Pobreza (APACP);
- Provision of food support (frozen food) to the orphanage under the management and monitoring of the Associação Angolana de Crianças Abandonadas (AACA);
- Christmas season support for sick and unprotected children (Office of the Chief of Staff of the President);
- Christmas season support to the Children Friends of Quicabo;
- Support to Madam Ana Maria Carneiro's initiative (solidarity Christmas with Luanda children);
- Supported the Osivambi Village Project (School with five classrooms and two offices, a medical office and a Catholic church);
- Support to the S. José de Cluny School (construction of a school complex from scratch);
- TISA Project (Information Technology in Classrooms).

Likewise, BAI continues to promote and generate opportunities by undertaking actions aimed at supporting civil society. In this regard, BAI implemented a number of initiatives for institutional support and actions able to add social value, such as:

- The fight against poverty as a scourge to do away with, prompted BAI to support ALCOPA, an association which seeks, inter alia, to inform, educate and sensitize the population on issues that concern the fight against poverty;
- Clarifying the nuances of Labour Law: In its regular support to institutions, the Bank supported the initiative by FBL Advogados who, in partnership with the Law Faculties of both the Agostinho Neto and Católica universities hosted the 1st Congress on Labour Law;
- Leveraging the affirmation of women as entrepreneurs, in the perspective of supporting entrepreneurship. BAI has contributed to the March Woman days, by providing support to FMEA - Federation of Women Entrepreneurs, an association that seeks to provide conditions to women so that they are able to become solid entrepreneurs, diversify the economy and alleviate poverty.

02.4
BRAND AND RECOGNITION

Euromoney, a prestigious magazine of the banking sector, selected BAI as the Best Bank in Angola for the year 2016. It was the fourth time BAI earned this distinction.

In the 2016 Edition of the Sirius Awards, an initiative by Delloitte, BAI was awarded the prize for the Financial Sector's Best Management and Accounts Report.

IN 2016, BAI WAS AWARDED THE PRIZE FOR THE FINANCIAL SECTOR'S BEST MANAGEMENT AND ACCOUNTS REPORT

03

MACROECONOMIC CONTEXT

DIVERSIFICATION IS TAKING PART IN THE COUNTRY'S GROWTH WITH GRIT

03.1

INTERNATIONAL ECONOMY´

Economic growth

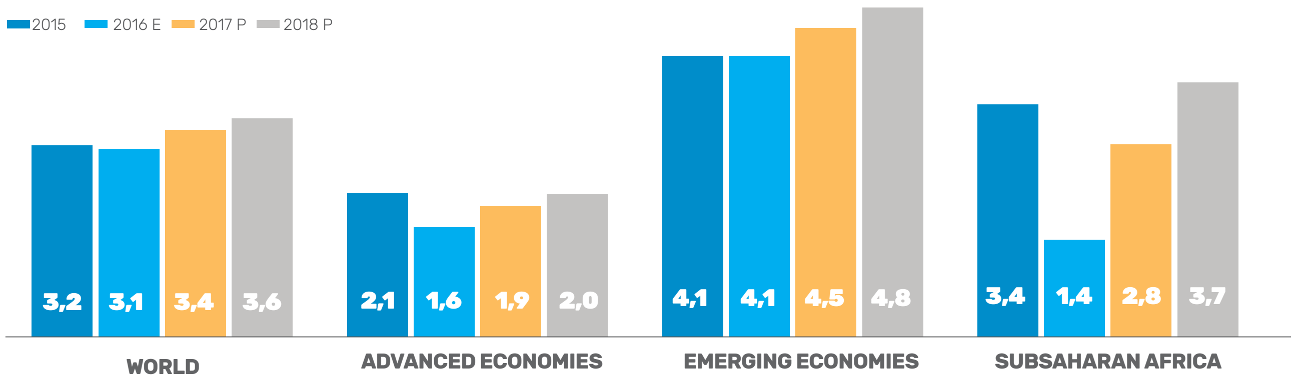
According to the January 2017 World Economic Outlook (WEO), the International Monetary Fund estimates that the world economy grew by 3.1% in 2016, suggesting a deceleration of 0.1 pp compared to 2015. Emerging and developing economies maintained their trend as in 2015 (4.1%), while developed economies reported a 0.5 pp deceleration (from 2.1% in 2015 to 1.6% for 2016).

The year 2016 was marked by high geopolitical risks, such as the results of the Brexit referendum, continued tensions in Middle East, Dilma Rousseff's impeachment in Brazil, the election of Donald Trump in the USA, among others. In addition, the El Niño phenomenon has negatively impacted the performance of the agricultural sector in many economies, particularly in emerging markets.

For 2017 and 2018, the IMF projected an acceleration of growth of the global economy to 3.4% and 3.6%, respectively, projections that remain unchanged compared to those published in October 2016. This acceleration of growth is driven both by developed economies, with projected annual accelerations of 0.3 pp for 2017 and 0.1 pp for 2018, and by emerging economies, which are projected to accelerate by 0.4 pp and 0.3 pp for 2017 and 2018. An alert is sounded over the underlying risks to these projections, among others, the political orientation of the current US administration and its repercussions worldwide.

In Sub-Saharan Africa, after an estimated deceleration of -1.8 pp in 2016, which is expected to have grown 1.6%, growth is projected to increase to 2.8% and 3.7% in 2017 and 2018, respectively. The forecast for 2017 is based on increased oil production by Nigeria due to improved security and to commodities prices recovery. Better performance by the agricultural sector may leverage trade in the region.

REAL OVERALL ECONOMIC GROWTH RATE (%)



Source: FMI: WEO - JANUARY 2017

IN THE YEAR UNDER REVIEW, THE EXCHANGE MARKET **WAS MARKED BY A GENERALIZED APPRECIATION OF THE US DOLLAR** AGAINST MOST CURRENCIES

Foreign Exchange and Money Market

In the year under review, the exchange market was marked by a generalized appreciation of the US Dollar against most currencies and the US Dollar Index has appreciated about 4%. After the US presidential elections in November 2016, expectations of greater fiscal stimulus had emerged, both by way of cutting taxes, spending on infrastructure and by way of deregulating key sectors such as the financial and oil sectors. Accordingly, inflation expectations rose such as treasury bond yields and LIBOR rates.

Thus, as unemployment rates decreased (4.7% in December 2016) and inflation rates increased (2.1% in December 2016) in the US, there were increased expectations around the Fed monetary policy stance and, consequently, the strengthening of the USD. These expectations materialized by the end of the year with the Fed raising by 25 bps, the Fed funds interest rate, remaining in the range of 0.50% and 0.75%. This stance contrasted with the more accommodative monetary policy adopted by the European Central Bank (ECB), the Bank of England (BoE) and the Bank of Japan (BoJ).

In this way, the USD appreciated in value 3.33% against the Euro and 19.4% against the Pound. It should be noted that the USD progress against the Pound depreciated steadily in the first half due to speculation and after confirmation of the positive outcome of the referendum on the exit of United Kingdom's from the European Union (Brexit). Reaching its peak shortly after the results of the referendum, there was a correction of the British currency in the second half of the year, given the increased demand for pounds for investment in the stock market and real estate. The BOE reduced its lead rate to 0.25% to calm investors after the Brexit referendum and maintained the asset purchase program at GBP 435 billion, with a commitment to extend it if Brexit's repercussions intensify.

In the Euro zone, after having reduced the benchmark interest rate by 5 basis points to 0% in March and preceded by the strengthening of the monetary stimulus, the ECB has left open the possibility of further stimulating the economy. According to the ECB, about EUR 1.76 billion in assets will be purchased by March this year, mainly public debt, thus injecting an additional EUR 540 billion into the region's economy [1].

The Yen followed a trend of appreciation throughout the year 2016 (2.7%), particularly in the first half, when the USD depreciated against the Japanese currency by 14%, due to the fact that it is seen as a safe refuge asset considering the turbulent year in the financial markets. However, this trend only reversed as the odds of the Fed's interest rate climbed closer to 100%, and only in the second half of the year the yen depreciated 13% against the US dollar.

In the monetary area, the BoJ set its rate of return for additional surplus reserves at -0.1% (previously it was 0.1%) and changed its stimulus program to the economy by setting the 10-year government financing interest rate at 0%, thereby relinquishing control of the future injection of reserves.

As for the emerging and developing economies, the performance of the USD was somewhat mixed. On the one hand, several emerging market currencies have substantially depreciated in recent months, such as the Turkish lira and the Mexican peso. It should be noted that the Mexican currency served as a barometer for the chances of the Republican party winning the US elections, even renewing historic lows after the election results were released. Other important depreciations to be highlighted in emerging markets are the Chinese currency (7%) and the Indian currency (2.7%).

1 - Thereafter the pace of assets purchase will decline from 80 to 60 billion Euros monthly.

On the other hand, the currencies of several commodity-exporting countries have appreciated against the dollar. Noteworthy is the accumulated depreciation of the Dollar against the Ruble and the Real of 16% and 18%, respectively.

In relation to inflation, in particular the evolution of annual inflation in Angola's main trading partners in the first half of 2016, there was a slight slowdown in price growth in Brazil, from 10.67% in 2015 to 6.29% this year; an improvement in the low inflation scenario in the Euro zone (from 0.2% in 2015 to 1.1% in 2016); and, finally, the recovery of inflation in China (2.1%) and South Africa (6.8%).

Commodities

2016 was a hectic year on the global political landscape, which boosted demand for gold, an asset that serves as a safe haven in times of uncertainty. Furthermore, monetary conditions characterized by lower interest rates further boosted appetite for gold. In addition to gold, the price of other base metals also strengthened due to strong investment in real estate and infrastructure in China, as well as expectations of US tax easing.

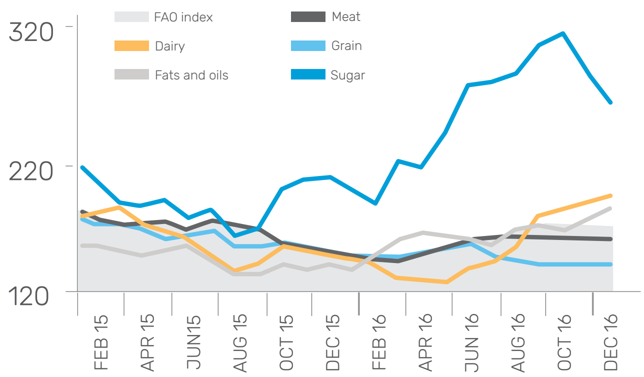
The price trend of agricultural commodities followed the same direction, with the index of food prices (FAO) reaching at the end of the year 171.80 points, which suggests an annual variation of 11%. With the exception of the fall in the price of cereals (6.3%), all other commodities contributed positively towards this evolution. However, notwithstanding the year-on-year evolution of agricultural commodities, comparison of FAO indices in annual average terms gives us lower figures than in 2015.

Regarding the oil market, according to the OPEC report of January 2017, the average daily oil production in 2016 reached 96.9 million barrels per day, to meet a demand in the order of 96.5 million barrels/day. This excess supply contributed to the accumulation of stock equivalent to 1.8 million barrels/day, which could contribute to push the price downwards. However, notwithstanding the actual and potential oversupply over demand, as well as the high level of existing stock, the price of this commodity experienced significant increases throughout the year, from the minimum reached in January, reflecting a combination of several factors.

GOLD PRICE
USD/GOLD OUNCE

Source: Bloomberg

FAO INDEXES



Source: FAO

OIL MARKET

(AVERAGE OF MILLION OF BARRELS PER DAY)

	2014 Annual	2015 Annual	2016 Annual	2017 Annual (P)
OECD countries	45,70	46,20	46,40	46,60
Non-OECD countries	45,70	46,80	49,80	51,20
Overall demand	**91,40**	**93,00**	**96,50**	**97,80**
OPEC countries	30,80	31,80	32,60	...
Non-OPEC countries	55,60	57,10	57,60	58,00
OPEC Natural Gas	6,00	6,10	6,70	6,70
Overall Supply	**92,40**	**95,10**	**96,90**	**...**
Oversupply	1,00	2,10	0,40	...

Source: OPEC Monthly Reports

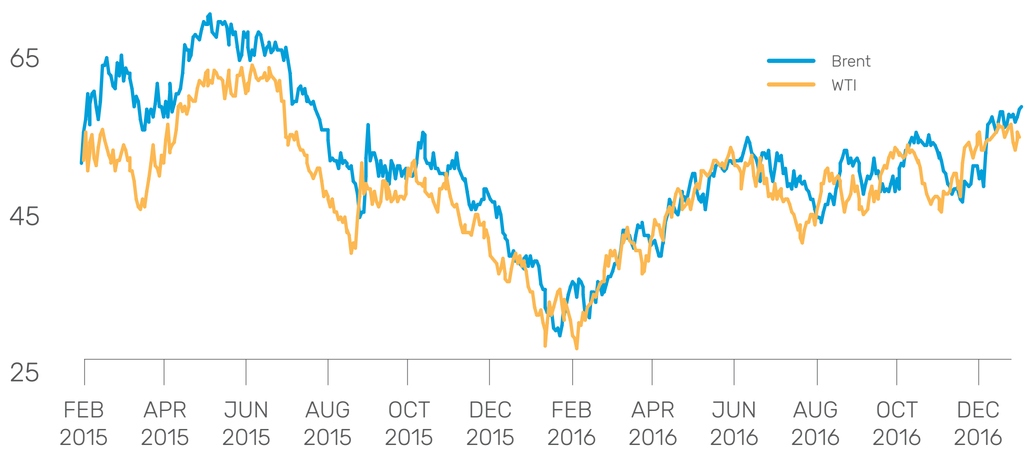
By way of example, a more positive sentiment was generated in the market following the release of data confirming expectations of reduced US production. In addition, the reduction in production in other regions, coupled with cutbacks in investments by companies in the sector, unplanned production outages in Iraq and Nigeria, and greater optimism about the evolution of the US economy also contributed to the upward movement, although with fluctuations in the price of oil.

However, it was the expectations about a possible production cut deal by OPEC members one of the factors driving prices higher. This deal even occurred at the November OPEC meeting which stipulated a reduction of 1.2 million barrels per day from the beginning of 2017. In addition, in early December 2017, OPEC extended this deal to some producer countries, chief among those Russia and Mexico, and was assured by these countries an additional cut of production by almost 600 thousand barrels per day, also starting from the beginning of 2017.

Thus, at the end of 2016, the Brent oil price traded in London, appreciated by 52% compared to the end of 2015, trading at USD 52.41 per barrel. As for the WTI price negotiated in New York, it increased 45% compared to the one reported at the end of 2015.

CHANGES TO THE CRUDE PRICE

(USD PER BARREL)



Source: Bloomberg

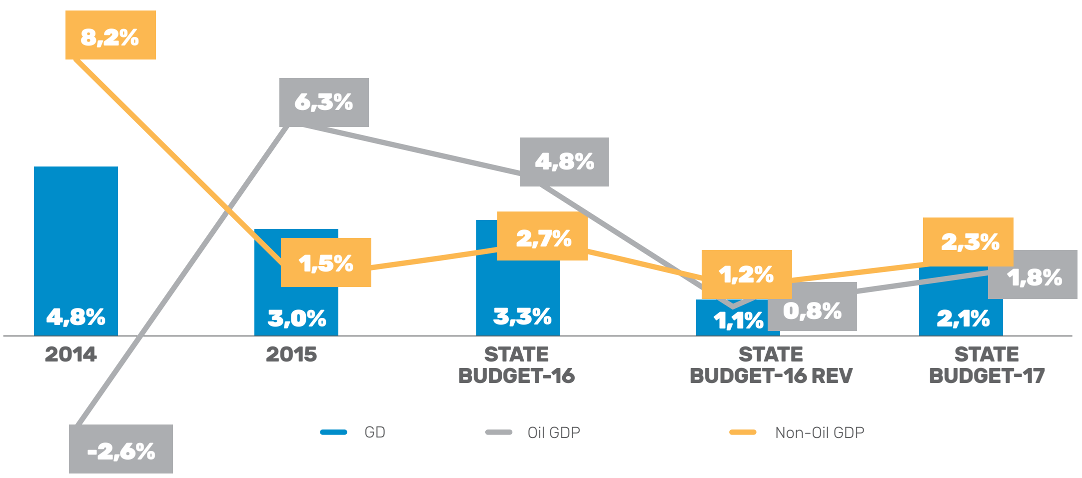
03.2
ANGOLAN ECONOMY

Economic growth perspectives

Data provided by Government through the 2016 State General Budget, initially indicated a 3.3% GDP growth of the Angolan economy and the share by both the oil and non-oil sectors would be 4.8% and 2.7% respectively. However, due to a sharp decline in oil export revenues and the deepening of fragilities of the economic environment, a review of the initial General State Budget was prepared in September.

According to revised the 2016 General Budget, projections indicated 1.1% real economic growth in aggregate terms, with oil GDP growing at 0.8% and non-oil GDP at 1.2%. In these projections were based on a daily oil production of 1,793,000 barrels per day at an average price of 40.9 USD / barrel and an inflation rate of 38.5% at the end of 2016.

REAL GDP GROWTH RATE



Source: Background Report to the 2016 State Budget; 2016 – Revised State Budget; 2017 State Budget

The downward review of the economic growth for 2016 is mainly explained by the poor performance of the oil sector, for which is expected a significant deceleration of 5.5 pp is expected with growth of 0.8% in 2016. The dynamics of oil sector is due to technical and operational problems that restrict production in some production blocks, delays in the start-up of some projects and the downward trend of investment volumes in the sector.

Comparing to 2015, a 0.3 pp deceleration is forecasted for the non-oil sector, shifting from 1.5% to 1.2% in 2016. Notwithstanding the fact that the Angolan economy is expected to report weak economic growth in the period, it continues to be heavily based on oil and this may expose the whole economic activity to risks related to the unfavorable development of oil prices. In addition, an overall slowdown in the growth of approximately 1.9 pp of 2016 growth compared to 2015 is forecasted for 2016.

It should be noted that the energy and agriculture sectors are identified as those that contribute the most to the growth of the non-oil sector[2], with growth forecasts of 40.2% and 7.3%, respectively. On the other hand, the sectors of diamonds and market services are projected to contribute the least to the non-oil GDP growth, some 0.5% for diamonds, and even stagnation for market services.

According to the 2017 General State Budget, projections for economic growth are more optimistic, pointing at an acceleration of real growth of the economy by 2.1%, with the oil sector growing 1.8% and the non-oil sector 2, 3 %. Noteworthy are the changes in the assumptions used by Government to prepare the 2017 General State Budget compared to those used for the 2016 revised budget, which are based on an oil production of 1,821 million barrels per day (2% above the 2016 revised budged), an average price of USD 46/barrel, (superior in 5,1 USD/ barrel) and an inflation rate of 15.8% (down 22.7 pp).

According to these projections, energy and agriculture are the sectors that stand out the most, with a growth of 40.2% and 7.3%, respectively, followed by the manufacturing industry with a 4.0% growth in real terms.

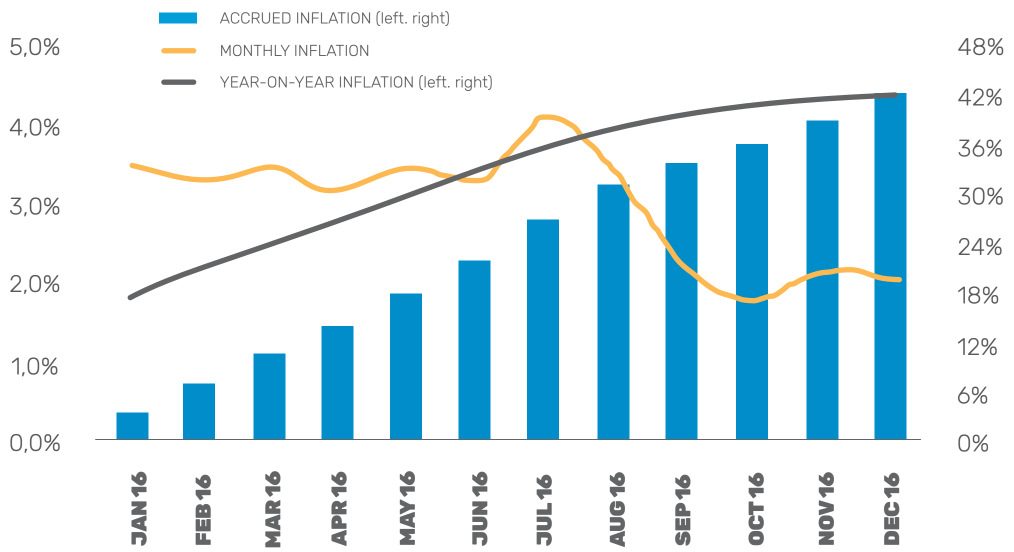
The projected growth for the energy sector is grounded on key structuring projects that will enable the operation of the Cambambe, Lauca and Soyo combined cycle power plants. In the agriculture sector, it is argued that with improvements on the distribution of inputs and the continued actions under the agriculture season 2015-2016 - such as an increase on mechanized land preparation, increased use of animal traction and facilitation of credit to this sector. Finally, for the manufacturing industry a growth of 4.0% is projected, mainly due to the potential dynamism of the agricultural sector, as well as the upturn in availability of foreign exchange.

Inflation

The Consumer Price Index (CPI) in Luanda reported a change of 41.95% in 2016, which compares to an inflation of 14.27% in 2015, i.e. an increase of 27.68 pp. It should be noted that this was the highest inflation rate since 2003. Among the main causes that pushed the price level up are the following: the sudden depreciation of the currency at the beginning of the year; cuts in fuel subsidies; increases in telecommunications costs, restrictions on imports of both finished and intermediate goods.
This increase on the CPI was driven both by the increase

INFLATION RATE

LUANDA CONSUMER PRICE INDEX (CPI) **EXPERIENCED IN 2016 A 41,95% CHANGE**



Source: National Statistical Institute of Angola

2 –This statement is due to the fact that these sectors account for more than 30% of the non-oil GDP and are, therefore, the sectors with highest weight in this GDP component after the services sector.

DURING 2016, THE GOVERNMENT COLLECTED OIL **REVENUES IN THE VALUE OF AKZ 1,308 BILLION**

in prices of goods (45.03%) and services (33.87%). In the category of goods, industrial goods varied the most (48.16%), followed by food (43.02%). When it comes to the CPI classes, the health category reported the highest variation in the period under review (75.57%), followed by miscellaneous goods and services category (64.87%), where personal care items and products, such as jewellery, watches and related items have risen the most and the alcoholic beverages and tobacco class (53.84%), with a special emphasis on tobacco.

FISCAL ACCOUNTS

Revised General State Budget VS Initial General State Budget

The initial 2016 state budget was prepared on the basis of some assumptions that are no longer consistent, given the economic environment in the year. As such, the revised 2016 general budget changed the economic scenario and the underlying assumptions. Among the most important assumptions are the price of oil, which shifts from 45 USD / barrel to 40.9 USD / barrel, an inflation rate that shifts from 11% to 38.5% and a real GDP growth rate of 1.1% (more modest than the assumed value in the original general budget of 3.3%).

Compared to the original general budget revenues, the revised budget forecasted a reduction of 9.1% in oil revenues, when converted in local currency standing at 9.1% of GDP (11.9% in the original state budget). As for the tax revenue collection forecast for the non-oil sector, notwithstanding the upward review, in nominal terms it accounted for 9.2% of GDP, 1.7% pp less than the original general budget.

On the expenditure side, a decrease in current expenditure as a percentage of the GDP was estimated (from 24.5% of GDP in the initial general budget to 20.9% of the GDP in the revised one), offset by an increase in the weight of capital expenditure (5.7% of GDP in both versions of the GDP, there is an increase in the nominal value of these expenses of 17.8%). In terms of composition of expenditure by function, noteworthy is the focus of the general budget on the economic sector spending, with an increase of 35.5%, rising from AKZ 630.5 billion of the initial general budget to AKZ 854.4 billion in the revised one.

Accordingly, with estimated tax revenues of AKZ 3,486.6 billion and fiscal spending of AKZ 4,484.6 billion, the revised general budget indicated a fiscal deficit of AKZ 1.000 billion, equivalent to 5.9% of GDP, 0.4 pp higher vis-à-vis the initial general budget.

Execution and Debt Market – 2016

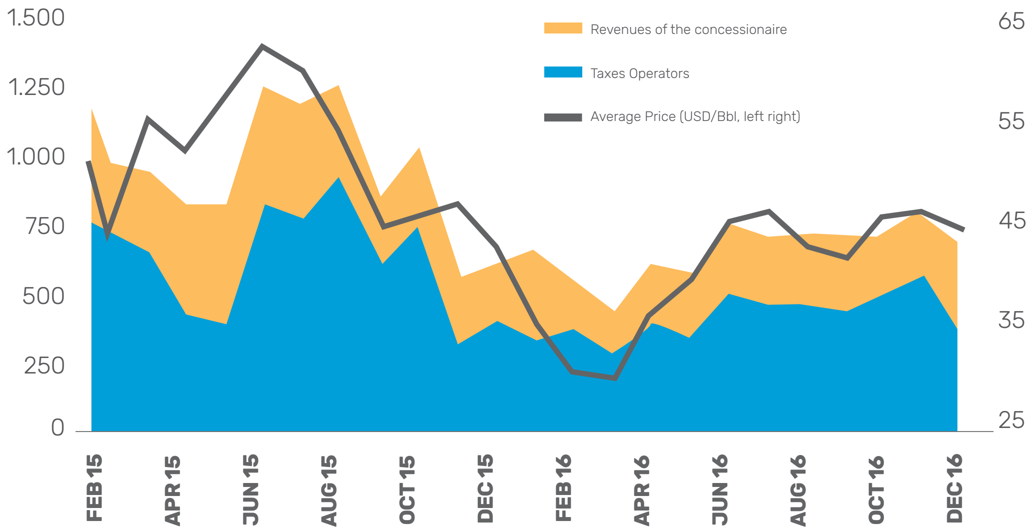
In terms of execution, during 2016, the government collected oil revenues to the tune of AKZ 1,308 billion (equivalent to USD 7,963 million), which represents a 6.6% decrease over the previous year (a drop of 32 % when converted into USD), of which AKZ 347 billion (USD 2,117 million) are taxes on oil income, AKZ 119 billion (USD 723 million) accounts for taxes on oil production, while AKZ 842 billion (USD 5,123 million) related to the concessionaire's revenue.

Despite a 22.1% average contraction of oil prices (average price of 38.8 USD / barrel) and the contraction of 2.1% in oil exports (484 million barrels), the increase in oil company's cost of oil led to a reduction in their profits, impacting the concessionaire's potential revenue and oil tax revenues

Thus, the lower than forecast tax enforcement and petroleum revenues prompted the treasury to resort to issuance of internal debt to meet cash needs, totaling AKZ 2,429 billion, of which 67% were treasury bills and 33% in treasury bonds. Taking into account the redemptions of treasury bills of AKZ 1,176 billion and treasury bonds of AKZ 431 billion, the stock of debt from securities stood at close to AKZ 4,307 billion in 2016, of which 22% are treasury bills (AKZ 941 billion) and 78% are treasury bonds (AKZ 3,366 billion).

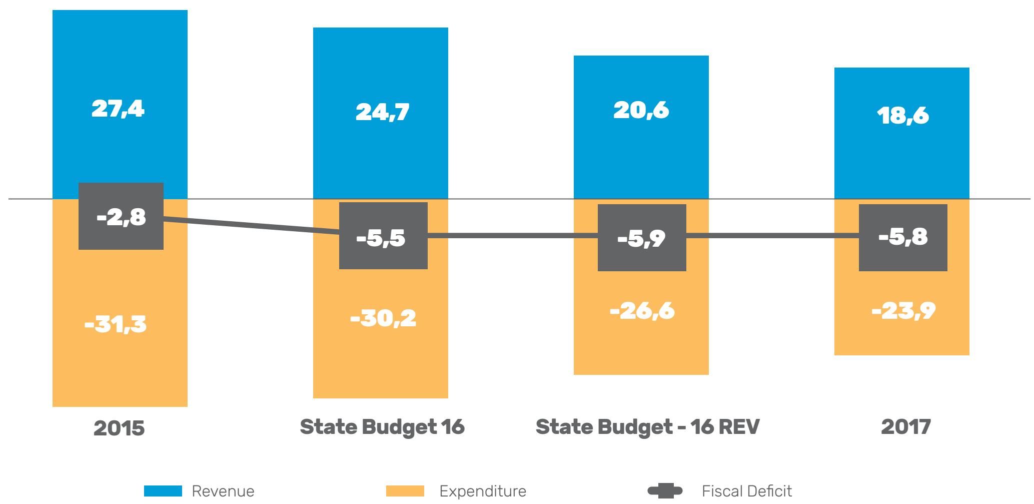
The 2016 revised general budget forecasts that public debt will be 62% of GDP, with domestic debt accounting for about 33% of GDP, while external debt 29%. The 2017 general budget indicates a public debt of 53% of the GDP and both domestic and foreign debt account for 25% and 27% of the GDP, respectively.

OIL TAX REVENUES
(USD MILLION)



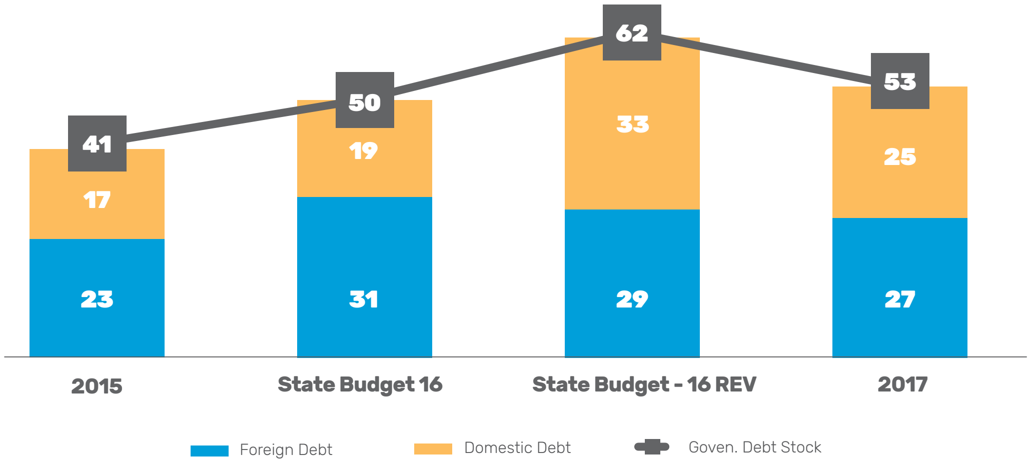
Source: Ministry of Finance

CHANGES TO THE FISCAL DEFICIT
(IN % OF GDP)



Source: Background Report to the Revised State Budget 2017

GOVERNMENT DEBT STOCK
(IN % OF GDP)



Source: 2016 State Budget Report (2016; 2016 – Rev; 2017)

The interest rates for treasury bills with maturities of less than one year more than doubled year-on-year, with the TB rates at 91, 182 and 364 days in December 2016 standing at 16.38%, 24.49 % and 24.49%, respectively, representing increases between 2.48 pp and 9.54 pp compared to December 2015.

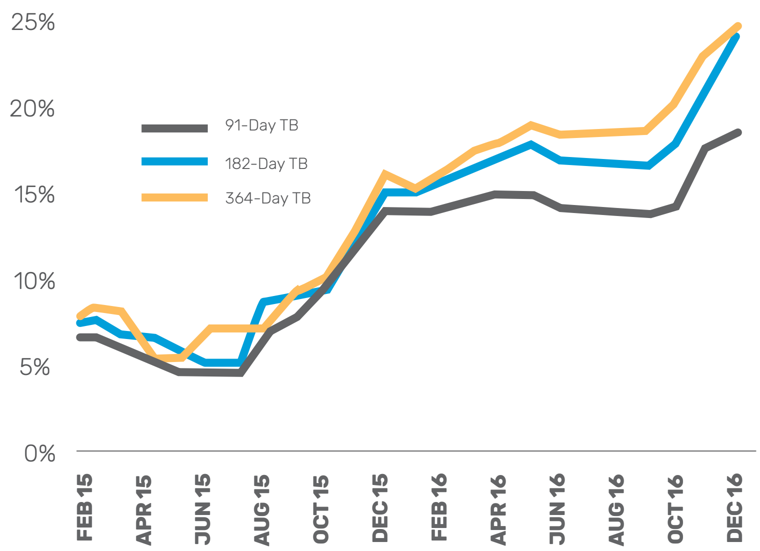
This increase in the state's financing costs brings to the fore the need for financing by government especially short term, which is evidenced by the 142% increase in TB issues compared to 2015, corresponding to more than 380% of the estimates outlined in the 2016 Annual Indebtedness Plan (PAE). Also in the long term, this need became evident with the increase of 87% of treasury bonds issuances compared to 2015, which implied a 153% execution of the 2016 PAE.

PRIMARY MARKET
(AKZ BILLIONS)

	2015	2016
Supply of TB	1.006,51	1.918,69
Issuance of TB	**615,20**	**1.546,05**
Redemption of TB	571,65	1.194,59
Net Offering	**43,55**	**351,46**
Supply of T. Bills	495,19	1.100,95
Issuance of T. Bills	**330,22**	**732,29**
Redemption + Interest of T. Bills	245,28	570,98
Net Offering	**84,94**	**161,31**

Source: Sigma/ BNA

TREASURY BILLS INTEREST RATE



Source: BNA

DESPITE THE UPWARD REVISION IN NOMINAL TERMS, **TAX COLLECTION FROM THE NON-OIL SECTOR ACCOUNTED FOR 8.7% OF GDP**

General Budget 2017

Regarding the government's prospects outlined in the 2017 general budget, changes are expected in the most relevant assumptions, such as the price of oil which reached USD 46.0 / barrel, against the USD 40.9 / barrel contained in the 2016 revised general budget, an inflation rate that shifted from 38.5% to 15.8%, and an exchange rate that, although not disclosed, is presumed stable compared to that contained in the 2016 revised general budget.

As far as revenues are concerned, the 2017 general budget forecasts a 10.4% increase in oil revenues, standing at 8.6% of the GDP. Despite the upward revision in nominal terms, tax collection of the non-oil sector accounted for 8.7% of GDP, 0.5% less than the 2016 revised general budget.

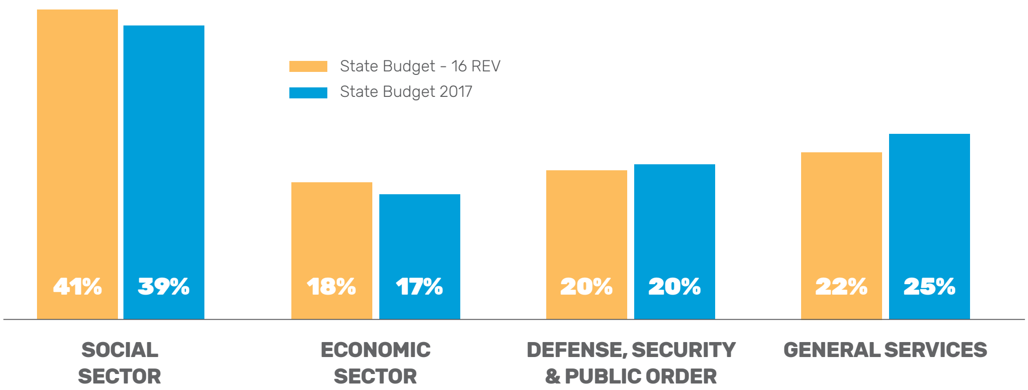
On the expenditure side, the share of total spending is estimated to have decreased by 2.3 pp, as a result of the reduction in current spending as a percentage of GDP (from 20.9% of GDP in the 2016 revised general budget to 19.3% of the GDP in 2017) and the decrease in weight of capital expenditure (from 5.7% to 5%). In terms of the composition of spending by function, the figures for the economic sector account for 17% as a percentage of GDP, indicating a reduction of 1 pp, shifting from AKZ 854 billion in the 2016 revised general budget to AKZ 825 billion in the 2017 budget.

Government Debt Overview

Taking into account the expected evolution of the public debt and the various factors that determine the evolution of the Angolan economy, international rating agencies have all decided to review their rating and / or the outlook during the year:

- After reviewing Angola's two-level rating from "Ba2" to "B1" in the first half of 2016, Moody's credit rating agency again assigned a negative rating to the country in January this year, noting that Angola will face commodity-induced liquidity challenges in 2017, with recurring budget deficits in challenging financial conditions. The agency resorts to indicators such as political accountability, political stability indicators and the GDP per capita in parity with purchasing power to justify its outlook;
- Fitch maintained Angola's debt rating on "B +", although it changed the outlook from stable to negative, due to the combination of a strong dependence on oil revenues and deteriorating commodity prices in international financial markets;
- Standard & Poor's has decided to lower the long-term rating of Angolan debt to "B" by one level due to the downward revision of Brent prices; On the other hand, the agency maintained the stable outlook due to the agency's perspective that Angola's external financing needs may decrease, in line with the expected gradual reduction of the current account deficit.

FUNCTIONAL DISTRIBUTION OF EXPENDITURE



Source: State Budget Background Report 2017

Foreign Accounts and Foreign Exchange Market

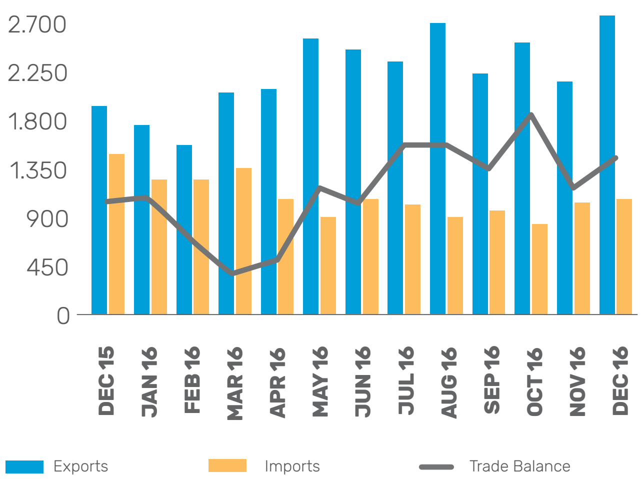
In 2016, the accumulated balance of the Current Balance featured a surplus and showed a year-on-year 6% improvement, owing to the fact that the accumulated reduction in imports (41%) had occurred in greater magnitude compared to the reduction in exports (around 18%).

The drop in exports is mainly due to the combination of a drop of around 22% in the average price of Angolan crude oils and 2.1% in the quantity exported in 2016 year-on-year. The fall in imports is justified by the strict management of international reserves undertaken by the Central Bank, which entailed decreased availability of foreign exchange for the execution of foreign operations.

Therefore, the value of gross international reserves amounted to USD 24,438 million (an increase of about 0.08%) in the year, which may correspond to a coverage ratio equivalent to 8.19 months of future imports of goods and services. However, due to the increase in short-term liabilities which shifted from USD 154 million in 2015 to USD 3,039 million in 2016, net international reserves (RIL) declined by approximately 12% to USD 21,399 million.

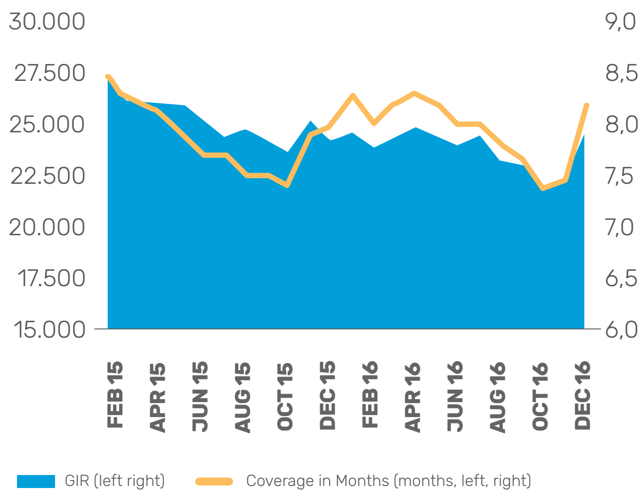
In 2016, commercial banks purchased hard currency in the primary market and from their customers amounting to USD 13,276 million, corresponding to a year-on-year fall of 32% (USD 19,569 million). Of these, USD 10,962 million were purchased from the Central Bank, 82% of which were in the form of direct sales (-7% compared to 2015) and the rest purchased through the auction system. Furthermore, Banks have also purchased USD 2,312.03 million from customers (13.38% less than 2015) and USD 12.09 million from the interbank market (62.65% more than in 2015).

TRADE BALANCE
(USD MILLION)



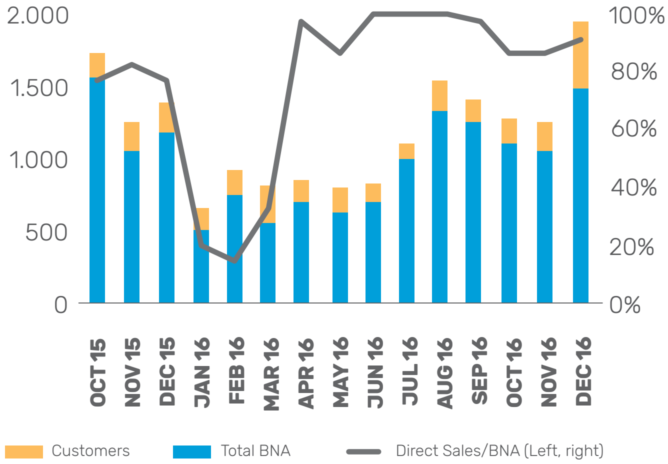
Source: BNA

INTERNATIONAL RESERVES
(USD MILLION)



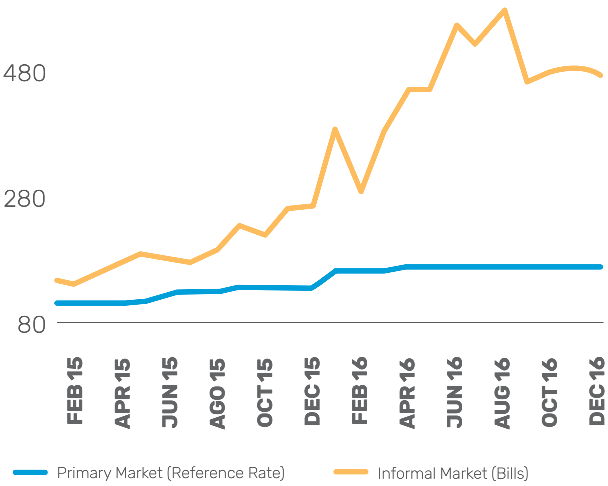
Source: BNA

SALE OF FOREIGN CURRENCY
(USD MILLION)



Source: BNA

EXCHANGE RATE
(USD/AKZ)



Source: BNA

IN 2016, COMMERCIAL BANKS PURCHASED HARD CURRENCY IN THE PRIMARY MARKET AND FROM THEIR CUSTOMERS **AMOUNTING TO USD 13,276 MILLION**

In the primary exchange market, the Kwanza depreciated against the US Dollar around 22.60%, rising from 135.32 USD/AKZ at the end of 2015 to 165.90 USD/AKZ in December 2016. It should be noted that most of this depreciation occurred early in the year, with a 15% correction in the USD / AKZ exchange rate, followed by a more gradual depreciation until April, retaking the stability of the primary exchange rate since then. In the informal market, the exchange rate, the average purchase and sale which was priced at 265 AKZ/USD in 2015, shot up to 480 AKZ/USD in December 2016, a depreciation above 80%. At its yearly peak, the average rate in the informal market reached close to 600 AKZ/USD.

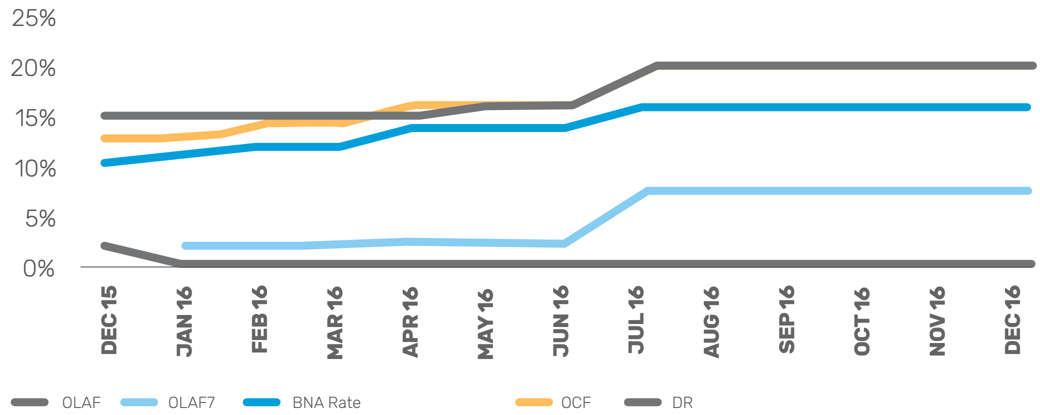
MONETARY AND FINANCIAL OVERVIEW

Monetary and Liquidity Policy

In 2016, the monetary policy focused on the management of the banking sector surplus liquidity, seeking to achieve more restrictive monetary conditions in order to curb the growing inflation pressures in the economy. In this way, the BNA made a number of more restrictive changes to the reference rate (BNA rate) and in the overnight marginal lending facility towards, having decided to increase the first in 5.5 percentage points over the year to 16%, and the second in 7 percentage points, or rather from 13% in December 2015 to 20% in June. The standing liquidity absorption facility went on to operate at a longer maturity, from overnight to 7 days at a rate of 1.75% as of January of this year, after which, it increased 5.5 pp to 7.25% in July. In addition, through Instruction 4/2016 of May 13, the coefficient of mandatory reserves (MR) in domestic currency was increased by 5 percentage points, from 25% to 30%, while the coefficient of MR in foreign currency remained at 15% [3].

3 - The said instruction provides for a discriminatory treatment to some sectors of economic activity, so as to align the monetary policy with economic policy measures aimed at diversifying the economy. As a result, commercial banks will be deducting from the liabilities an amount corresponding to 80% of the loan portfolio granted to agriculture, livestock, forestry, fisheries, industry, energy, water and services provision, restaurant, hotel, transportation and IT services and others to be considered on a timely basis, as well as all loans granted under the program Angola Invest and the BDA credit lines, provided they are of maturity greater than or equal to 24 months.

KEY INTEREST RATES

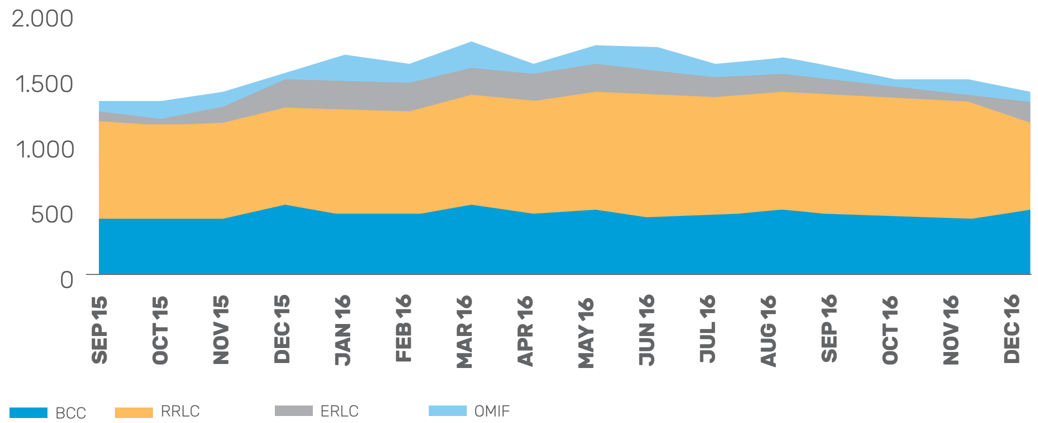


Source: BNA

THERE HAS BEEN A **REDUCTION OF THE AMOUNTS TRADED IN THE INTERBANK MONEY MARKET IN 79% COMPARED TO 2015**

Notwithstanding the increase in the coefficient of mandatory reserves in domestic currency, bank reserves decreased by 11% in the last 12 months, justified by the retreat of the bank's free deposits in the BNA (25,93%) and mandatory payments (7%). As regards the foreign currency component, there was a slight year-on-year increase, in terms of both the mandatory deposits and free deposits of roughly 16% and 17%, respectively. Finally, the liquidity-absorbing operations, increased from AKZ 18 billion at the end of 2016, to AKZ 230 billion, an increase that was not sufficient to confirm a reduction of 7.2% of the broader monetary base to AKZ 1.554 billion at the end of the period under review.

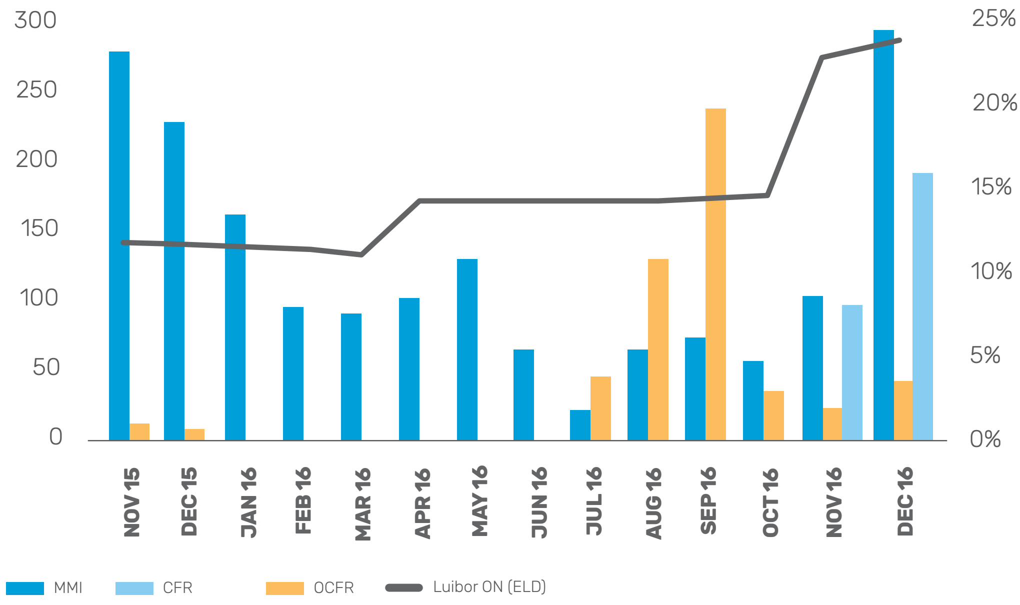
CHANGES TO THE MONETARY BASE (EXCL. FOREIGN CURRENCY)
(AKZ BILLIONS)



Source: BNA

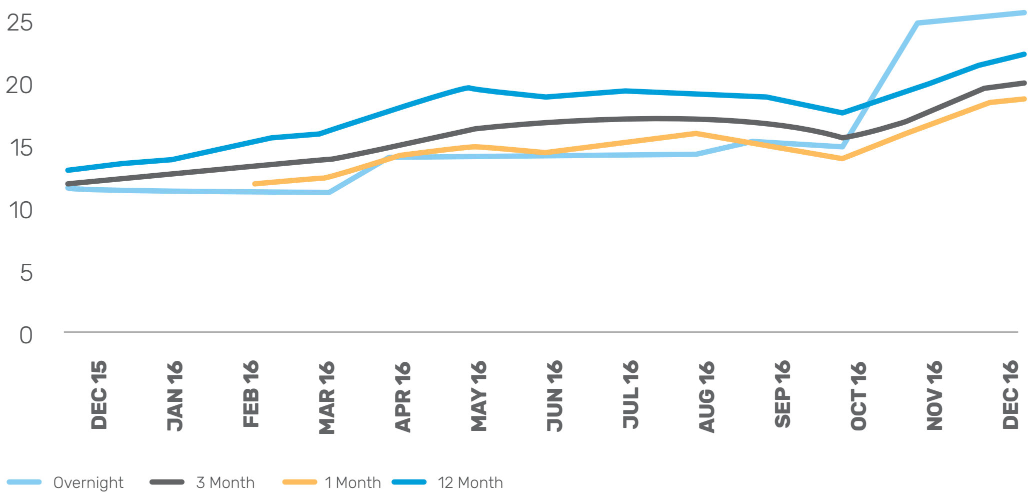
In turn, before increasingly restrictive monetary conditions, there has been a reduction of the amounts traded in the Interbank Money Market in 79% compared to 2015, reaching AKZ 1.286 billion. In addition, in this period, the volume provided by the Overnight Lending Facility (OLF) amounted to near AKZ 240 billion, lower by 47% compared to the amount provided in the previous year.

TRANSACTIONS IN IMM AND FCO
(AKZ BILLION)



Source: BNA

CHANGES TO THE LUIBOR
%



Source: BNA

In view of this lower volume of liquidity traded and given the prospects of continued tightening of monetary policy, the interest rates of the IMM (LUIBOR) increased for all maturities during this period. The LUIBOR overnight rose 12,35 pp to 23,66% at the end of 2016. The 1 month Luibor has increased 7.23 percentage points from January to December, 7,23 pp settling at 18.90% and the interest rates for the 3, 6, 9, and 12 months maturities recorded increases between 6.00 pp and 8.00 pp settling in the 19.67%, 19.91%, 21.01% and 21,50%, respectively.

It is important to highlight a particular moment in the year, which was the introduction of the special levy on banking operations, whereby the initial uncertainty on the payment of this levy in the IMM had some influence on the increase in the recurrence to the OLF rather than to transactions in the MMI. It should be noted that the recurrence to the OLF from October last year to May this year had been nil.

Monetary Summary

The AKZ denominated net foreign assets experience an 11.1% year-on-year growth.
It should be pointed out that the year-on-year growth of this item does not reflect the depreciation of the exchange rate at the beginning of the year. The domestic net assets experienced a 140% year-on-year growth, as a result of the significant increase of lending to the Central Government by 40%, to meet its cash requirements, and the credit to the economy by 14.6%. It should be noted that the Central Government's debtor position increased by 165%, due to increased government borrowing of 40%, which was higher than the increase in deposits held by the government (20.3%) in the banking sector.
As for lending to the economy, notwithstanding its increase in nominal terms (14.6%), when reviewed under the foreign currency component and domestic currency component they become more modest. When reviewed in USD it shows a 7% contraction over the year. Though the lending to the economy component in domestic currency expanded slightly by 14.8% in this period. On the other hand, growth falls far short of the year-on-year inflation rate. On the other hand, considering that a sizeable chunk of the lending to the economy in domestic currency will be destined to foreign exchange operations, the rate of exchange depreciation rate causes the growth of lending in real terms to be even lower.
The lending to the private sector, which accounts for more than 90% of the overall lending to the economy stood at the end of 2016 at AKZ 3.857 billion, which corresponds to a 15% growth. Similarly to the lending to the economy, by excluding the effect of the currency revaluation, these variations become more modest. It should be noted

MONETARY SUMMARY

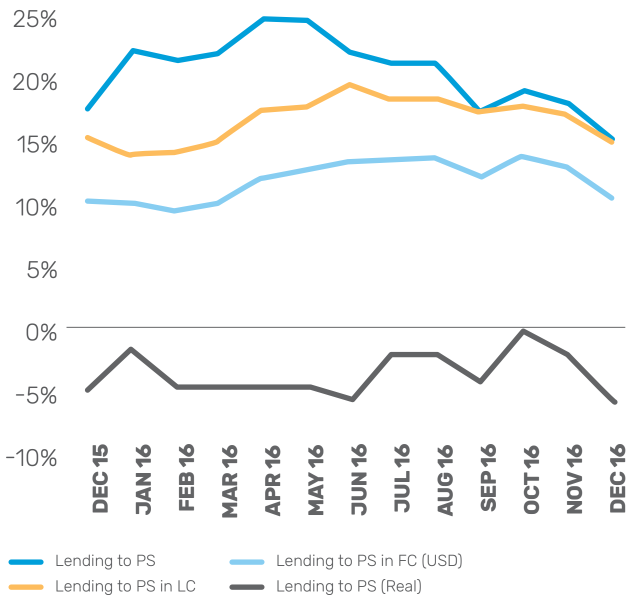
(UNIT: AKZ BILLION)

	dec-15	dec-16	T.v. (%)
Net Foreign Assets	**3.570,4**	**3.967,8**	**11,1**
BNA	3.361,0	3.637,0	8,2
Net International Reserves:	3.283,5	3.550,2	8,1
Commercial banks:	209,4	330,8	58,0
Net Domestic Assets	**3.998,0**	**5.143,4**	**28,6**
Net Domestic Lending	3.821,2	4.908,5	28,5
Credit to the Central Government (Net)	351,8	932,2	165,0
Credit to the Central Government	2.582,2	3.614,4	40,0
Deposit by the Central Government	2.230,4	2.682,2	20,3
Lending to the economy	3.469,4	3.976,3	14,6
Lending to other non-monetary financial institutions	33,0	33,9	2,7
Lending to the Public Sector	82,0	85,0	3,7
Lending to private sector	3.354,4	3.857,3	15,0
Other net assets	176,8	234,9	32,9
M3	**5.711,9**	**6.450,5**	**12,9**
M2	**5.703,7**	**6.446,7**	**13,0**
M2 MN	3.902,7	54.461,6	14,3
M1	**3.419,8**	**3.807,8**	**11,3**
Notes and coins in circulation	380,7	385,3	**1,2**
Demand deposits - Domestic Currency	2.263,8	2.555,0	**12,9**
Demand deposits - Foreign currency	775,4	867,5	**11,9**
Quasi money	**2.283,9**	**2.638,9**	**15,5**
Term deposits - Domestic currency	1.258,3	1.521,4	**20,9**
Term deposits - Foreign currency	1.025,7	1.117,5	**9,0**
Other Quasi-Deposits Financial Instruments	8,2	3,8	**-53,4**

Source: BNA

LENDING TO PRIVATE SECTOR

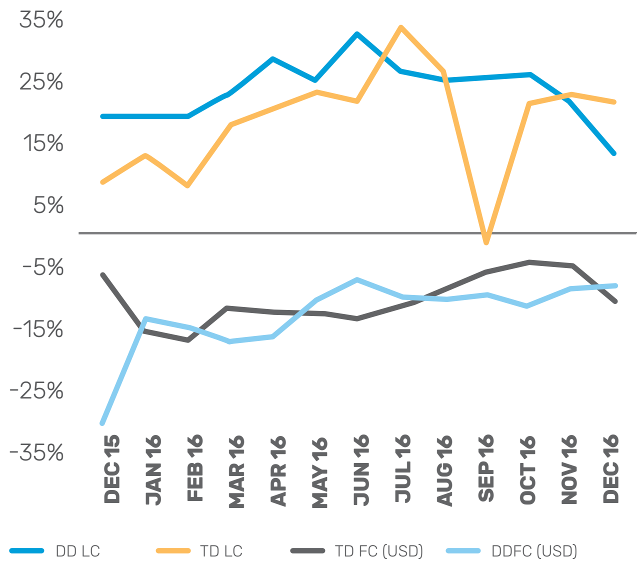
(YEAR-ON-YEAR CHANGE)



Source: Sigma/ BNA

EVOLUTION OF DEPOSITS

(YEAR-ON-YEAR CHANGE)



Source: BNA

DEPOSITS DENOMINATED IN LOCAL CURRENCY **GREW FROM AKZ 3.039 BILLION IN DECEMBER 2015 TO AKZ 3.423 BILLION** AT THE END OF THE PERIOD UNDER REVIEW

that, by excluding the effect of the domestic currency [4], depreciation, in which a decrease in the foreign currency component can be seen in that item, to overall lending to the private sector increased by 10.5% in the year.

In return to the growth of assets from the monetary summary, money supply expanded and the broader money aggregate (M3) grew by 13% year-on-year. M2 increased in the same proportion as M3 given the residual weight of Other Quasi-Deposits Financial Instruments [5]. A particularly notable feature is the increase in around 13% of demand deposits and 16% of term deposits.

One should note that the deposits denominated in domestic currency saw an annual growth of 16%, as they went from AKZ 3,039 billion in December 2015 to AKZ 3,423 billion at the end of the period under review, where demand and term deposits grew by 13% and 21%, respectively. On the other hand, the growth in deposits in foreign currency stood at 10%, with demand deposits growing 12% while term deposits increased at a more moderate pace (9%).

The deposits denominated in foreign currency, when converted to USD stood at USD 12 billion at the end of 2016 as compared to the USD 13 billion recorded year-on-year (-10%), meaning that, demand deposit contraction stood at 9% while that term deposits receded about 11%.

Banking Sector Stability

As already seen in 2015, the banking system was strongly constrained by the foreign exchange shortage scenario in the exchange market, with consequences on liquidity in foreign currency. In terms of regulation, the implementation of the full adoption of IAS / IFRS continued to be promoted by the central bank.

4 - Under the guidance of a set of measures aimed at strengthening operations control, improvement of the statistical information and reporting due diligence and Know Your Customer requirements, among others.
5 - Under the guidance of a set of measures aimed at strengthening operations control, improvement of the statistical information and reporting due diligence and Know Your Customer requirements, among others.

The topic of prevention against money laundering and combating the financing of terrorism was also highlighted [6]. However, in terms of the soundness of the banking system, the risk related to the credit portfolio of the system has evolved unfavorably, with overdue loans accounting for 15.1% of the overall loans in October 2016 [7], about 2.1 pp above the ratio recorded in the same period. As for the analysis of the overdue loans ratio net of provisions, it stood at 20.3 percent, lower than the recorded figure of 23.7% in October 2015.

ASSETS PORTFOLIO QUALITY (%)

	Oct 2015	Dec 2015	Oct 2016
Overdue loans / Total loans	13	11,6	15,1
(Overdue loans - provisions for overdue loans)/RCAP	23,7	19,6	20,3

Source: DSI/BNA

AS FOR THE ANALYSIS OF THE OVERDUE LOANS RATIO NET OF PROVISIONS, **IT STOOD AT 20.3 PERCENT,** LOWER THAN THE RECORDED FIGURE OF 23.7% IN OCTOBER 2015

The ratio of foreign exchange exposure to capital has remained in a long position, having increased from 38.6% in October 2015 to 53.8% in October 2016. Thus, when compared to the exchange market, this sensitivity ratio has been distancing itself from the 20% limits of exchange exposure in long position pursuant to that stipulated in Order no. 2/2015, of 29 January. Meanwhile, the proportion of credit and liabilities in foreign currency over the total has followed an upward trend. However, the review of credit evolution in foreign currency reveals that it has shrunk considerably when reviewed in USD. As such, the exchange rate exposure change is owed mainly to the exclusion of the foreign currency indexed securities and the depreciation of the domestic currency from its calculation.

SENSITIVITY AND CHANGES IN THE FOREIGN EXCHANGE MARKET (%)

	Oct 2015	Dec 2015	Oct 2016
Net Open Exchange Exposure/Own Funds	38,6	34,4	53,8
Loans in LC/Total Loans	35,2	30,8	32,4
Liabilities FC/Total Liabilities	35,1	33,5	33,4

Source: DSI/BNA

The average return on equity (ROE), as measured by the ratio of net income to own funds, increased by 0.7 pp year-on-year. In turn, the profitability of the assets as measured by the ratio between net profit and average total assets, stood at 1.6% in October 2016 (+0.1 percentage points year-on-year), explained by a higher growth in net profit that outpaced the growth in assets in the period.

6 - Guided by a set of measures aimed at strengthening operations control, improvement of the statistical information and reporting due diligence and Know Your Customer requirements, among others.
7 - When this report was prepared, the available data reported up to October

This increase in profitability occurred despite the increase in the cost-to-income ratio in the system. The administrative and marketing costs, which were worth close to 45.3% of the gross income, at the end of last year, equated to approximately 47.3% in October 2016. Another indicator that is to be highlighted has to do with the rates of return on saving deposits used by banks, which increased by 1 pp year-on-year, standing at 4.9% in October 2016. In addition, there was a year-on-year reduction of 8.5% in net interest income over the gross margin of intermediation and 8.3% since the end of 2015.

PROFIT AND PROFITABILITY (%)

	Oct 2015	Dec 2015	Oct 2016
ROA	1,5	1,7	1,6
ROE	11,6	12,9	12,3
Cost-to-income	45,3	47,4	47,3
Interest rates on loans less interest rates on demand deposits (Spread)	10,2	9,9	21,1
Interest rate on savings deposits	3,9	3,5	4,9
Financial Margin/Gross Intermediation Margin	52,8	53,0	61,3

Source: DSI/BNA

As for the system liquidity ratios, the ratio of net assets to total assets increased by 1.6 pp year-on-year to 41.13% (down 1.4 pp since the beginning of the year). Also, in this period, the coverage of short-term liabilities by net assets increased by 1.2 pp to 52.09% (down 1.5 pp compared to December 2015). Furthermore, the transformation ratio, provided by the ratio between loans and, stood at 58.19%, which represents a reduction of 0.81 pp compared to the end of the previous year and in relation to the same period last year.

LEVELS OF LIQUIDITY (%)

	Oct 2015	Dec 2015	Oct 2016
Net Assets/Total Assets	39,5	39,7	41,1
Net Assets/Short Term Liabilities	50,9	50,6	52,09
Total Lending/Total Deposits	59,0	59,0	58,19

Source: DSI/BNA

Finally, the system's regulatory solvency ratio suggests that it has comfortable capitalization levels compared to the minimum regulatory threshold (10%). In October 2016, the regulatory solvency ratio stood at 18.3%, 1.4 pp lower than the end-2015 ratio and 0.2 pp lower in the year-on-year comparison. Taking into consideration the share of basic capital (of better quality) already in risk-weighted assets (RWA), this stood at 13.09%, lower in the year-on-year comparison (13.5%) and at the end of the previous year (13.8%).

CAPITAL ADEQUACY (%)

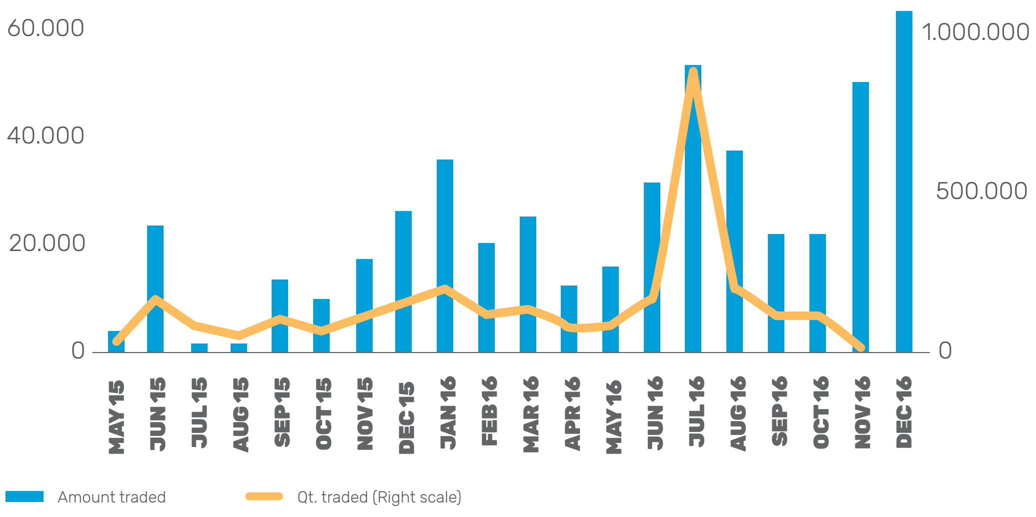
	Oct 2015	Dec 2015	Oct 2016
Solvency = FPR/(RWA+RCFGR/0,10)	18,5	19,8	18,33
Base Own Funds (Tier 1)/RWA	13,5	13,8	13,09

Source: DSI/BNA

Debt Market

In 2016, the Debt and Securities Exchange of Angola recorded more than 1,820 transactions, totalling a volume of transactions of AKZ 299.6 billion, all of them in domestic currency. Notwithstanding the fact that in 2015 BODIVA only started its operations in May, by the end of 2016, it recorded approximately 942 transactions, with approximately 661 thousand Treasury Bonds being transacted, totaling a volume of transactions of AKZ 88.5 billion, of which 3% are transactions of foreign exchange securities.

TREASURY BONDS SECURITY MARKET IN LC
(AKZ BILLION)



Source: BODIVA- Trading Reports

BY THE END OF 2016, **BODIVA RECORDED APPROXIMATELY 942 TRANSACTIONS,** WITH APPROXIMATELY 661 THOUSAND TREASURY BONDS BEING TRANSACTED

The generation of investment alternatives through differentiated products, as provided for in the 2017 Annual Debt Plan, may encourage the admission of more institutions as BODIVA members, boosting thereby the secondary market for government securities over the coming months and provide it with increased liquidity. On the other hand, efforts have been undertaken by the Capital Markets Commission to launch the Corporate Debt Market, which will allow financing alternatives to corporations.

RELEVANT LEGISLATION IN THE YEAR

Piece of legislation	Description
CMC Regulation 02/ 16 of May 05	Sets the lower limit of share capital of non-banking financial institutions which are part of the capital market
BNA Instruction 01/2016 of January 22	Regulation of the Clearing and Settlement Operations Subsystems
Directive 13/DMA/BNA/15 of 30 January 2016 made public in the official gazette	Operations of the Standing Facilities of Liquidity Absorption - Term higher than overnight
Presidential Legislative Decree 1/16 of 24 February 2016	Sets the 0.1% special levy on bank transactions
Ministry of Finance Executive Decree 111/16 of March 1	Assigns AGT the role to draw up a list of defaulting taxpayers
BNA Order 01/2016 of 15 April	Sets limits of exit and entry of currency
BNA Instruction 02/2016 of 11 April	Mandatory reserves
BNA Instruction 03/2016 of 25 April	Automated Clearinghouse of Angola - Guarantee for Balance Settlement
BNA instruction 04/2016 of May 13	Mandatory reserves
CMC Regulation 3/16 of 2 June	Lays down the rules applicable to the prospectus of securities public offering
CMC Regulation 3/16 of 2 June	Approves the regulation that lays down the conditions for preventing money laundering and the financing of terrorism
BNA Order 6/2016 of June 22	Lays down the general principles to be observed from the 2016 financial year including by financial banking institutions for the full adoption of the IAS/IFRS
BNA Order 6/2016 of June 22	Sets large exposures limits to holding shares in non-financial corporations
BNA Order 6/2016 of June 22	Lays down the requirements and principles governing internal risk governance systems of financial institutions
BNA Order 9/2016 of June 22	Sets the regulatory own funds requirement that financial institutions should consider in the context of market risk and counterparty lending risk in the trading portfolio on Regulatory Own Funds - Repeals Instruction no. 06/2007 of the National Bank of Angola of September 12, after 18 months from the date of publication of this Order
BNA Order 9/2016 of June 22	Establishes the analysis Requirements to be observed by Financial Institutions, under the supervision of the National Bank of Angola in connection with interest rate in the banking portfolio
CMC Regulation No 8/16 of July 6	Sets out the rules for the registration organization, duties and services reserved to credit rating agencies
Presidential Decree 162/16 of 29 August	Approves the Agreement between Angola and the USA on FATCA
BNA Order 10 /16 of 5 September	Sets out the general terms and conditions for opening, holding and closure of bank deposit accounts
BNA Order 11 /16 of 5 September	Sets the procedures and requirements for confirmation on the opening and closing of branches and dependencies
BNA Order 11 /16 of 5 September	Lays down rules and procedures to be observed in the marketing of financial products and services
BNA Order 11 /16 of 5 September	Sets out the reporting duties to be observed by both banking and non-banking financial institutions in connection with the deposit-taking activities
BNA Order 13/16 of 7 September	Sets out the reporting duties to be observed by both banking and non-banking financial institutions in connection with lending
MINFIN Order 427/16 of 6 October	Sub-delegates the AGT the power to undertake the duties of relevant authority for the purposes of the intergovernmental agreement between the Government of the Republic of Angola and that of United States of America for the implementation of FATCA

04

ACTIVITY BY SEGMENTS

DYNAMISM IS TO INVEST IN THE DRIVING FORCES OF THE ECONOMY WITH ENTHUSIASM

04.1

BAI is a universal Bank which caters for all segments of customers. The innovation of products and services, the focus towards quality of service and the strength of the brand, in particular its recognition in terms of key attributes such as soundness, confidence and size, make BAI a reference in the domestic and international market.

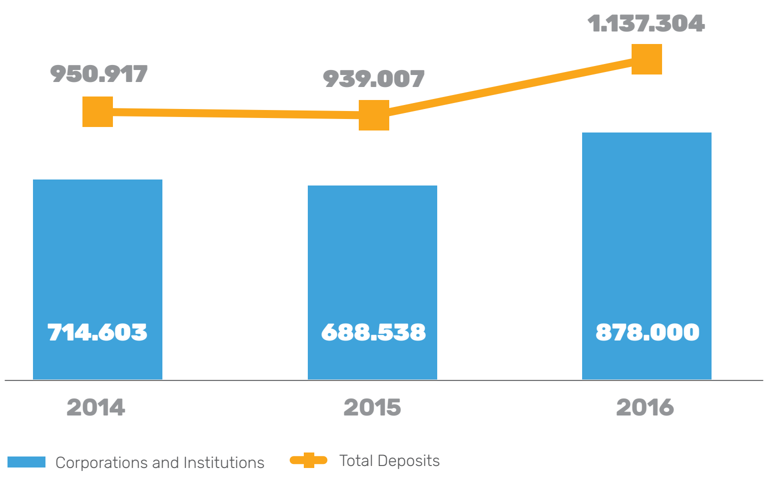
BAI has a market-driven approach to deliver a comprehensive range of products and services that meet the needs of customers. Front-office services and direct customer services are available through the network of specialized branches.

Corporations	**A**. Banking for corporations and institutions - Major corporations and institutions **B**. Small and medium sized enterprises; **C**. Retail banking – Micro Enterprises;
Individuals	**D**. Premium Service Desk – Liberal professionals, businesspeople and Top Private; **E**. Retail banking – Individuals – Affluent and Mass market.

The corporations and institutions segment is the one with the highest value for the Bank, accounting for 77% of deposits and 85% of loans granted. In 2016, the Bank beefed up its services to corporations by establishing the Small and Medium-sized Enterprises Department (DPME), a unit specialized in providing support to and follow up companies with levels of annual turnover exceeding the equivalent of USD 1 million and less than USD 30 million, served either by the corporate service centers such as branches, strategically located. In 2016, the number of customers in this

COMPOSITION OF DEPOSITS

(AKZ MILLION)



segment stood at 46.330, a 20% increase compared to 2015 (38.593 customers).

Deposit Portfolio

Unlike in the previous year, in 2016, there was an increase in the volume of deposits in the portfolio allocated to the corporate segment. Deposits in this segment stood at AKZ 878 billion, representing an increase of 28% compared to 2015.

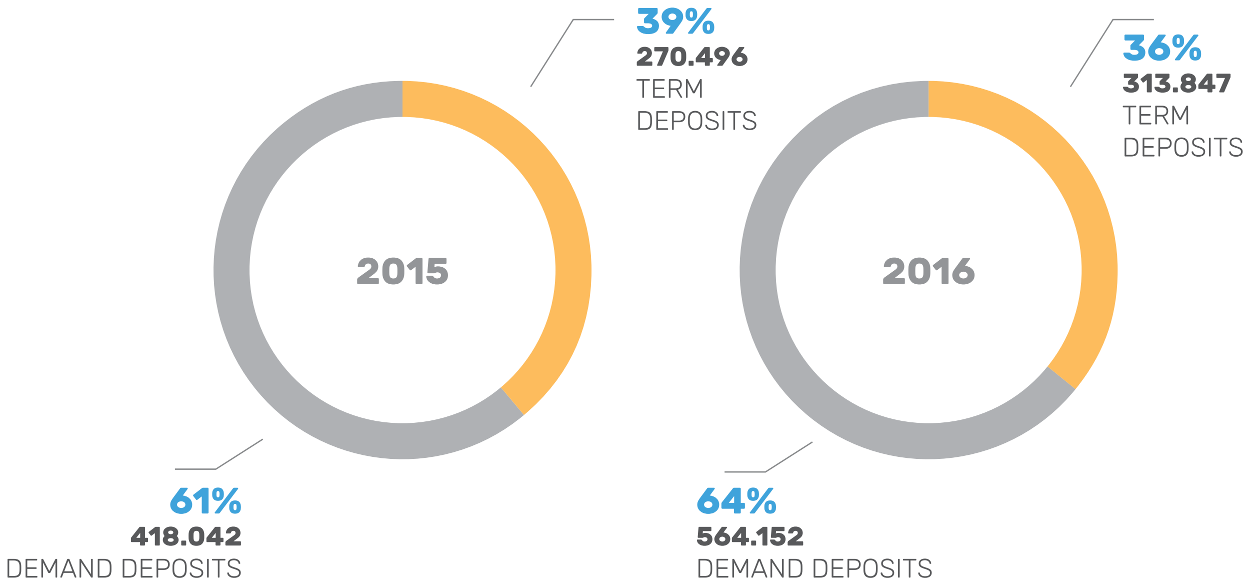
At the end of 2016, 64% of deposits of this segment maintained were demand deposits, an increase of 3 pp year-on-year. Demand deposits in this segment amounted to AKZ 564,152 million, an increase of AKZ 146,111 million (35%), mainly due to the increase of non-financial corporate private sector deposits to the tune of AKZ 171,544 million (52%).

Term deposits in the business segment amounted to AKZ 313,847 million, an increase of AKZ 43,351 million over the year 2015, influenced by non-financial corporate private sector time deposits and those of the social security funds, increasing from AKZ 28.682 million (+13%) and AKZ 11.549 million (+23%), respectively.

In terms of deposits composition by product and currency, demand deposits in local currency accounted for 41%, amounting to AKZ 362,919 million, an increase of AKZ 82,857 million over 2015 (30%), driven by the increase of AKZ 104,788 million (48%) in demand deposits in local currency of the non-financial private sector. Demand deposits in foreign currency amounted to AKZ 201,233 million (23% of total deposits in this segment), an year-on-year increase of AKZ 63.254 (+46%), owing mainly to an increase of AKZ.66.899 million in deposits from the non-financial private sector (+59%).

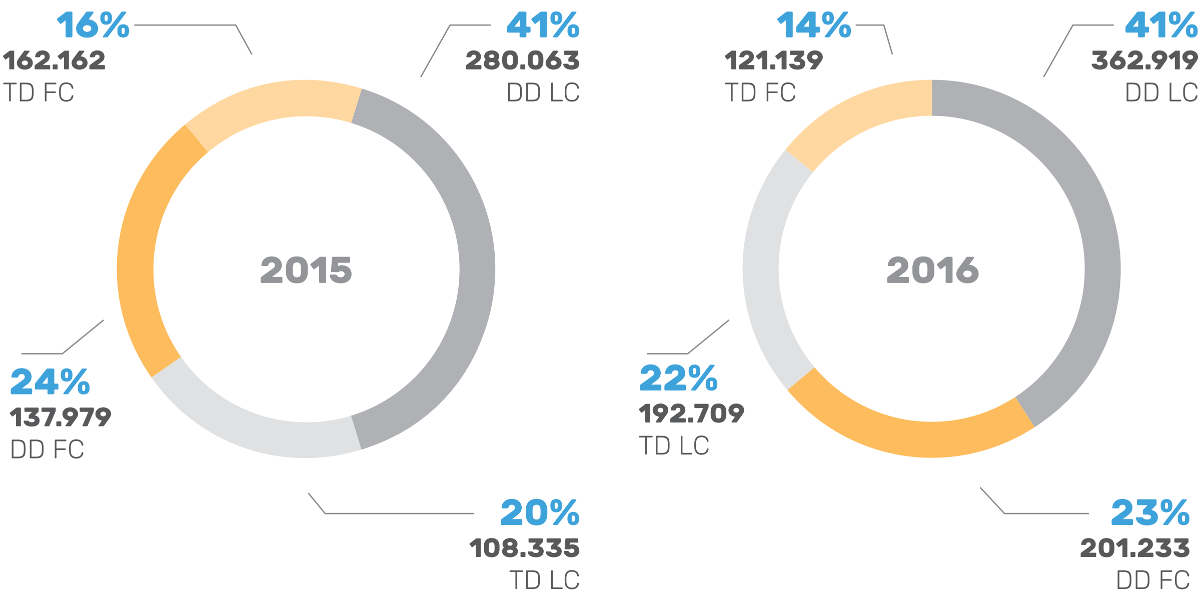
DEPOSITS BY PRODUCT

CORPORATE (AKZ MILLION)



DEPOSITS BY CURRENCY AND PRODUCTS

COMPANIES (AKZ MILLION)



Loan Portfolio

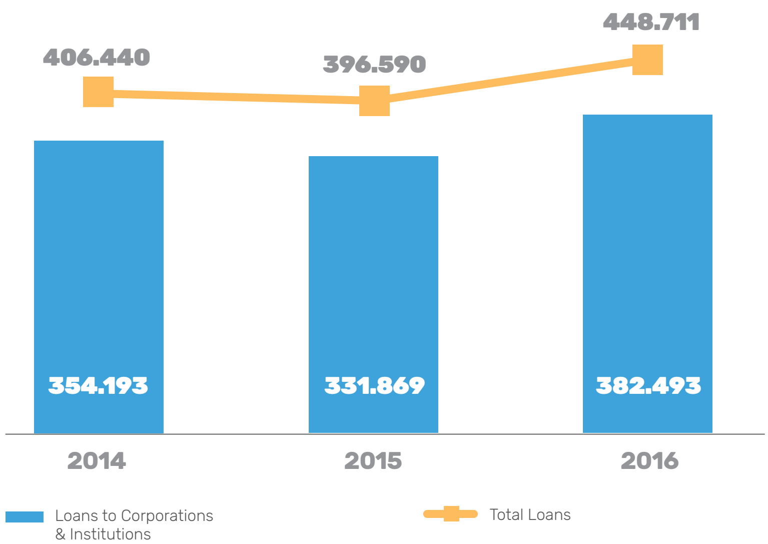
Loans granted to the corporate segment amounted to AKZ 382,493 million, compared to AKZ 331,869 million in 2015, representing a 15% increase in lending. Loans granted to this segment account for 85% of the total loans granted.

Medium- and long-term credit amounted to AKZ 307,977 million, an increase of 21% brought about by the increase of AKZ 50,487 million in disbursements to the non-financial private sector. On the other hand, short-term lending declined by 4% in the year to AKZ 74,516 million. Thus, the weight of short-term lending declined from 23% in 2015 to 19% in 2016, reducing thereby gap between the demand for resources and the liquidity of short-term investments.

LOANS COMPOSITION

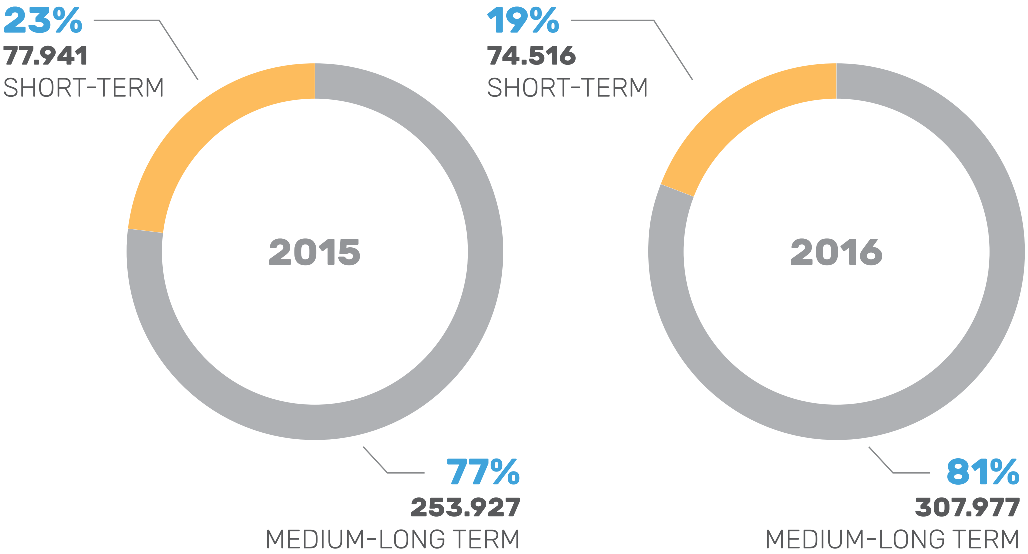
(AKZ MILLION)

LOANS GRANTED TO THE CORPORATE SEGMENT AMOUNTED TO **AKZ 382,493 MILLION**



LOANS BY TERM

COMPANIES (AKZ MILLION)



MEDIUM- AND LONG-TERM LOANS AMOUNTED TO AKZ 307,977 MILLION,
AN INCREASE OF 21% BROUGHT ABOUT BY THE INCREASE OF AKZ 50,487 MILLION IN DISBURSEMENTS TO THE NON-FINANCIAL PRIVATE SECTOR.

04.2
INDIVIDUALS

In its dealings with private customers, BAI is committed to a diversified and distinctive offering, according to the financial needs of its customers. BAI's value proposition is based on innovative solutions that seek to provide customers with a fast, efficient and convenient way of performing their banking operations.

As such, over the past few years, BAI has been generating innovative value propositions for private customers, divided into three sub-segments, including: (i) Premium, Affluent ('BAI Loengo') and eMass-market. Private customers are currently serviced by a network of 135 branches (a net increase of 5 branches per year) out of which 81 branches are located in Luanda and 54 in the rest of the country.
During the year, the number of active private customers increased by 86,165 (16%) compared to 2015, amounting to total of 635,016.

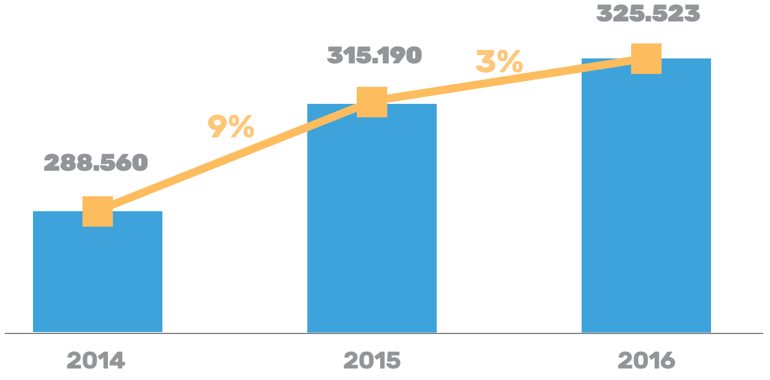
In the same period, the number of customers particularly in the premium segment increased from 570 to 1,204, as a result from the implementation of segmentation improvement measures and the inclusion of private customers from the retail network who meet the requirements to be part of the aforementioned segment.

The turnover, measured by the deposit and loan portfolio, increased by 34% to AKZ 422,569 million, compared to AKZ 315,190 million in 2015. This increase is a reflection of an increased commercial efforts by the staff teams as well as the introduction of appropriate products and services for the private customers segments.

THE TURNOVER, MEASURED **BY THE DEPOSIT AND LOAN PORTFOLIO,** INCREASED BY 34% TO **AKZ 422,569 MILLION**.

TURNOVER - INDIVIDUALS

(AKZ MILLION)

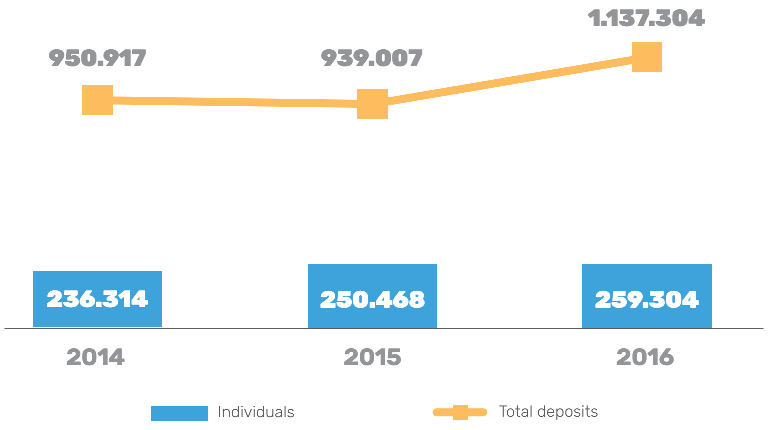


Deposit Portfolio

At the end of 2016, the private individuals deposit portfolio amounted to AKZ 259,304 million, representing 23% of the Bank's total deposits (2015: 27%). This figure was higher than that of 2015 (AKZ 250,304 million) which highlights the importance of the private individuals segment in the portfolio diversification strategy.

COMPOSITION OF DEPOSITS

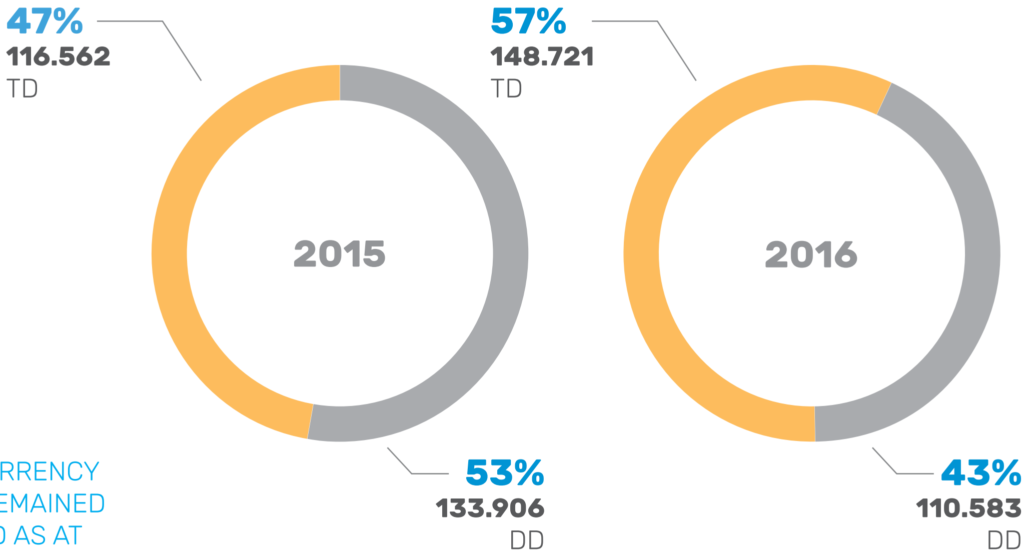
(AKZ MILLION)



The term deposits portfolio of the private retail banking amounted to AKZ 148,721 million, representing a 28% increase compared to that of 2015 (AKZ 116.562 Million). Demand deposits accounted for 43% of the total deposits in this segment, totaling AKZ 116,562 million, representing a 17% reduction over the previous year.

DEPOSITS BY PRODUCT

INDIVIDUALS (AKZ MILLION)



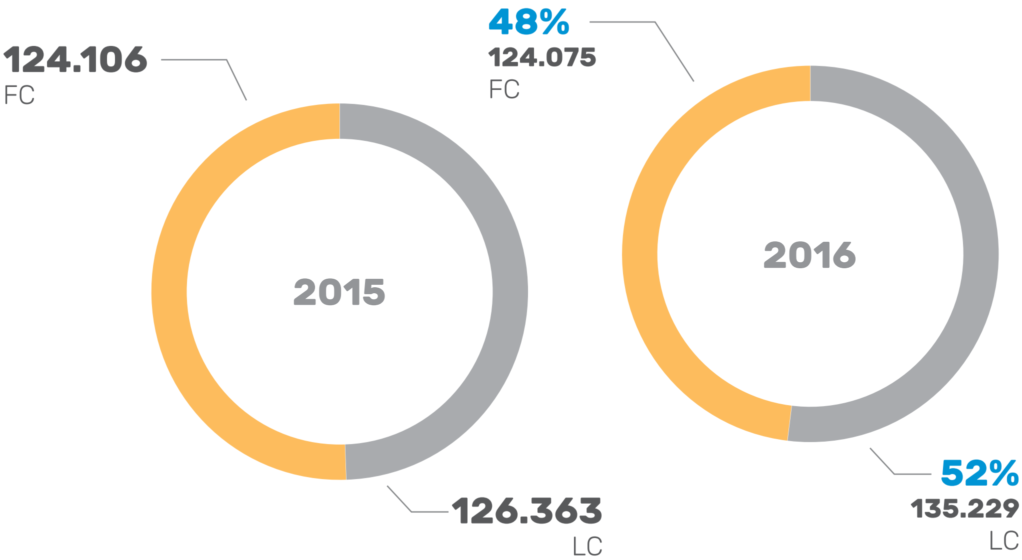
FOREIGN CURRENCY DEPOSITS REMAINED UNCHANGED AS AT THE END OF 2015

Deposits in local currency (LC) accounted for 52% of deposits of private customers, settling at AKZ 135,229 million impacted by the increase of AKZ 6,873 million in term deposits in local currency. This figure portrays a 7% increase compared to that of 2015 (AKZ 126,363 million).

Foreign currency deposits remained unchanged as at the end of 2015, reaching AKZ 124,075 million (2015 AKZ 124,106 million), owing essentially to the stability of the Kwanza against the US dollar from April to December 2016.

DEPOSITS BY CURRENCY

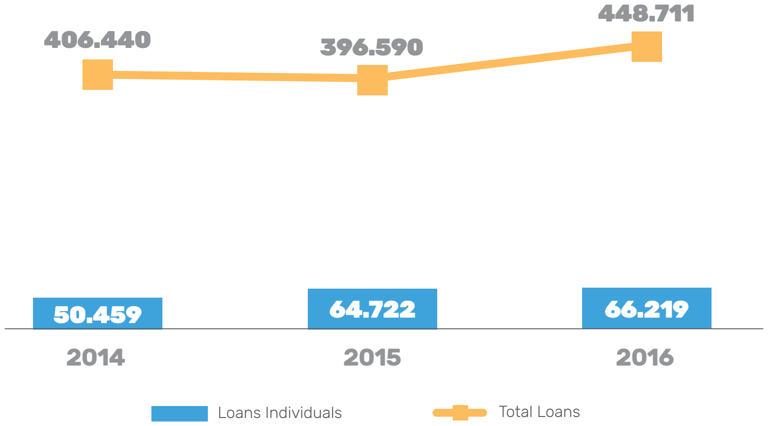
INDIVIDUALS (AKZ MILLION)



Loan portfolio

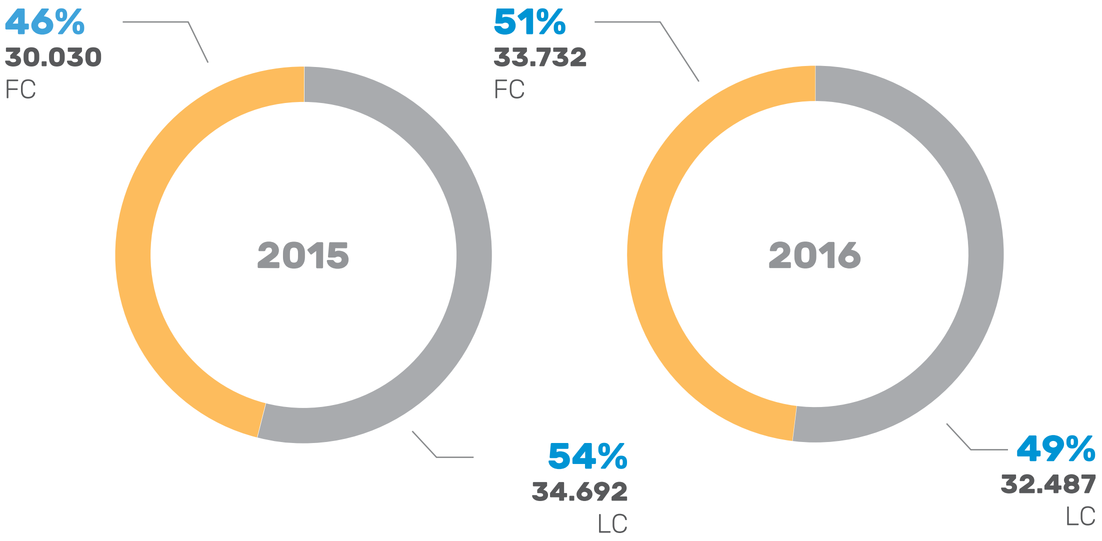
The private customers loan portfolio stood at AKZ 66,219 million, an increase of 2% as compared to the end of 2015 of AKZ 64.277 million), resulting from the 16% increase in the long-term loans in foreign currency. In 2016, the loan portfolio of private clients accounted for 15% of the total loan portfolio granted by the Bank, reducing its weight by 1 percentage point compared to the previous year.

LOANS COMPOSITION
(AKZ MILLION)



In terms of the composition of lending by currency, lending in foreign currency (AKZ 33,732 million) accounted for 51% of disbursements to private customers, an increase of 3 percentage points over the previous year, impacted essentially by exchange impact arising from the Kwanza depreciation.

LOANS BY CURRENCY
INDIVIDUALS (AKZ MILLION)



04.3
ELECTRONIC BANKING

The year 2016, was marked by the release of the new version of the BAI Live (BAI Directo) which evidences the Bank's continuous efforts in the quest for electronic banking solutions, as well as for increased customer satisfaction.

BAI Directo

On November 10, 2016, BAI implemented the new electronic platform that provides customers with unique access to mobile (MB) and Internet banking (IB). By the end of 2016, 36,683 customers were registered with access to the new platform.

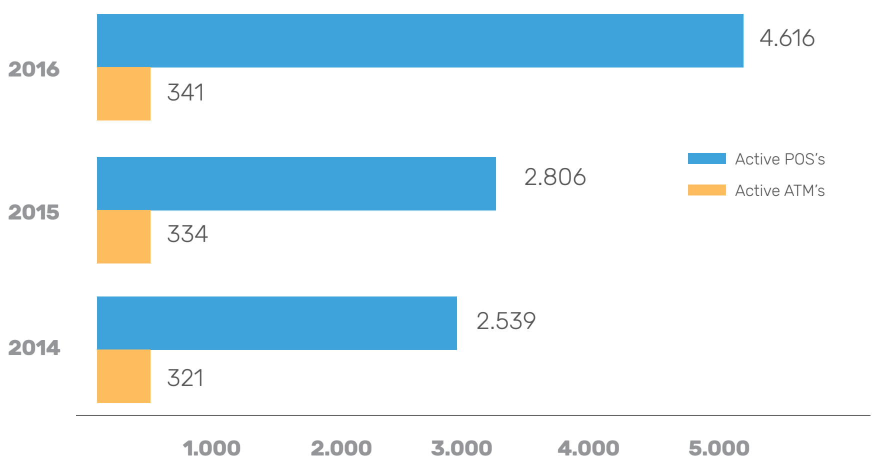
BAI Directo services comprise a set of solutions made available to customers through mobile phones and Internet, referred to as Mobile Banking and Internet Banking. With a very intuitive use, the BAI Directo channel enables customers to track the balances and transactions in current accounts, conduct the most common transactions such as payments, refilling of mobile phones and transfers, in a simple, fast and safe way.

Banking Terminals

Throughout the year of 2016, BAI has seen a growth of its Automatic Teller Machines (ATM) and Point of Sale Terminals (POS) networks. As such, 343 ATMs and 4,616s POS terminals were active, compared to the 334 ATM and 2,806 POS terminals active in 2015, representing growth of 3% and 64.5%, respectively. This growth is due to increased trade operations targeting both large and small and medium-sized enterprises.

THROUGHOUT THE YEAR OF 2016, BAI HAS SEEN A GROWTH OF ITS **AUTOMATIC TELLER MACHINES (ATM) AND POINT OF SALE TERMINALS (POS) NETWORKS.**

BAI BANKING TERMINALS



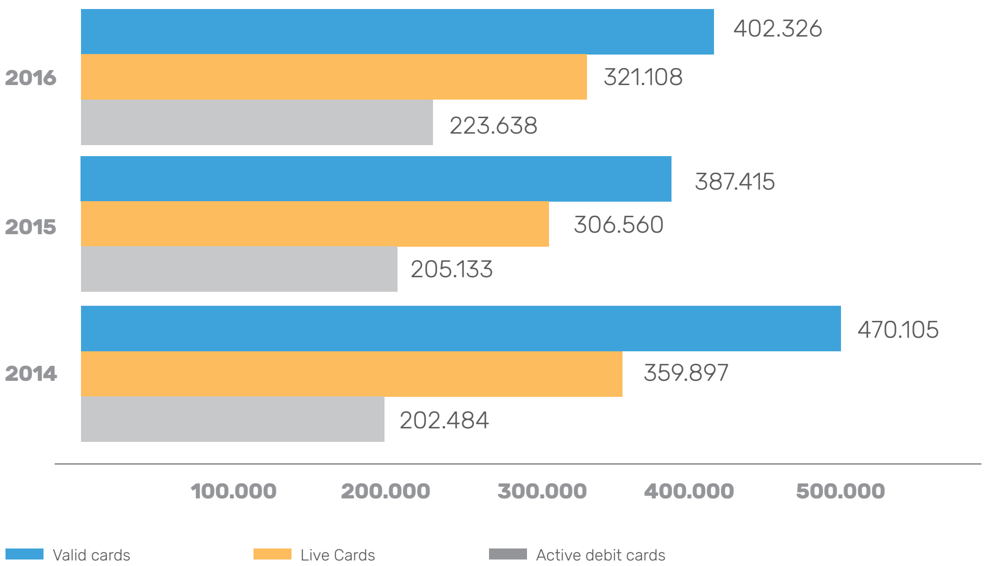
Payment Cards

Active cards have seen a 9% growth compared to 2015, amounting to 223,638 cards, while live and valid cards experienced a total increase of 29,459 cards (4%), impacted by the increase in the issuance of Local debit cards. In 2016, BAI reached an operating ratio of 56%, up 3% from last year, reaching a market share of 9%.

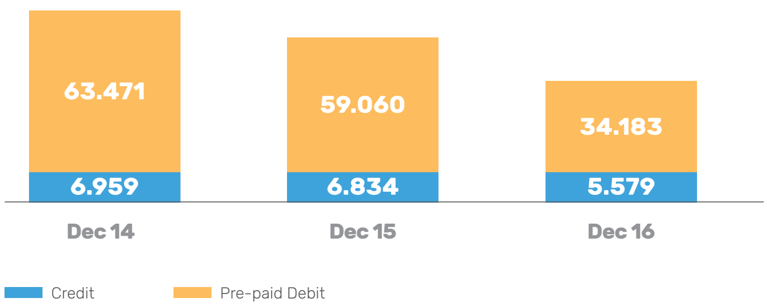
With respect to Visa's international cards, there has been an 18% reduction in the number credit cards and the number of valid cards as at the end of the year stood at 5.579, and 42% in the number of Kamba debit cards, amounting to 34.183 valid cards at the end of the year. The decrease in the number of cards was due to the reduction of foreign exchange available for their coverage.

LOCAL DEBIT CARDS

IN 2016, BAI REACHED AN **OPERATING RATIO OF 56%, UP 3%** FROM LAST YEAR, REACHING A MARKET SHARE OF 9%



VISA CARDS



05

FINANCIAL INVESTMENTS IN COMPANIES

INNOVATION IS TO BEAR IN MIND THAT IDEAS ARE MOST IMPORTANT

05.1

FINANCIAL INVESTMENTS IN COMPANIES

The financial investments are set forth in Note No. 13 attachment to the financial statements.

BAI-Europa

In 2016, total assets increased 87% compared to 2015, due to the growth in customer deposits. The quality of the loan portfolio remained stable and with reduced risk, reaching EUR 113 million (AKZ 20,994 million), representing a 9% increase.

The bank's business enabled to generate a net income of EUR 3.7 million (AKZ 678 million), up 13% compared to 2015. This performance is explained by the increase in the complementary margin by 7% (EUR 0.2 million, AKZ 134, 2 million), improvement in other operating income and expenses, but remained net negative (EUR 0.3 million less, AKZ 152.2 million) and the reduction in provisions and impairment of EUR 0.5 million (AKZ 92.4 million).

BAI EUROPA – SUMMARY OF INDICATORS

Amounts expressed in EUR MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dec-16 (preliminary)	2015/2016	
				Abs	%
Total Assets	699	437	818	381	87,3%
Customer loans *	94	110	113	3	3,0%
Customer Deposits	628	363	737	374	103,0%
Equity	65	67	72	5	7,4%
Income for the period	3,5	3,2	3,7	0,4	13,4%
Ratios				percentage points	
ROAE	5,8%	4,8%	5,1%	0,3	6,4%
Cost-to-income	39,8%	43,2%	42,6%	-0,6	-1,4%
Overdue loans	3,0%	0,5%	0,0%	-0,6	-100%
Solvency ratio (BdP)	18,3%	28,6%	17,0%	-11,6	-40,5%
Operations					
Number of branches	2	2	2	0	0%
Number of employees	27	26	27	1	3,8%

BdP – Banco de Portugal

In terms of year-on-year changes, the solvency ratio decreased by 11.6 percentage points as a result of the increase in risk-weighted assets.

BAI Microfinanças (BMF)

In 2016, the BMF recorded a positive income of AKZ 1,917 million, improving thereby the Regulatory Solvency Ratio (RSR), which stood at 18.1% at the end of the year (this ratio was minus 52% in December 2015). The improvement of both the outcomes and RSR was essentially due to transfer of credit operations in equity to BAI under the Bank's restructuring process, amounting to around AKZ 4,300 million.

On the asset side, the growth of bonds and securities which increased from AKZ 41 million in December of 2015 to AKZ 4.346 million in December of 2016 and the reduction of net loans to customers to the tune of AKZ 1.799 million, as a result of the aforementioned process.

BAI MICROFINANÇAS – SUMMARY OF INDICATORS

Amounts expressed in AKZ MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dec-16 (preliminary)	2015/2016	
				Abs	%
Total Assets	8.970	8.100	8.534	435	5,4%
Customer loans *	4.765	2.063	264	-1.799	-87,2%
Customer Deposits	6.416	7.475	6.542	-933	-12,5%
Equity	380	-1.723	569	2.291	-133,0%
Net Income (loss) for the year	-2.959	-2.097	1.917	4.015	-191,4%
Ratios				percentage points	
ROE	-88,8%	-552,8%	142,0%	694,8	-125,7%
Cost-to-income	91,1%	202,4%	181,0%	-21,4	-10,6%
Overdue loans	32,0%	46,0%	38,0%	-8,0	-17,4%
Solvency ratio (BNA)	4,6%	-51,5%	18,1%	69,6	-135,1%
Operations					
Number of branches	28	21	18	-3	-14,3%
Number of employees	248	216	199	-17	-7,9%

IN 2016, BMF RECORDED A POSITIVE INCOME OF AKZ 1,917 MILLION, **THEREBY IMPROVING THE REGULATORY SOLVENCY RATIO (RSR)** WHICH **STOOD AT 18.1%** AT THE END OF THE YEAR.

BAI Cabo Verde

In December 2016, net assets reached ECV 16,856 million (AKZ 28,338 million), an increase of 20.5% over December 2015, of which the following is to be highlighted:

- Increase in available-for-sale financial assets around ECV 914.4 Million (AKZ 1,536 million), as a result of new subscriptions in treasury bonds in ECV 2,336.6 million (AKZ 3,928 million) since January, coupled with the maturity of approximately ECV 1,405.9 million (AKZ 2,362 million) of the active portfolio in Dec-15.
- The increase of ECV 1.029 million (AKZ 1.730 million) in the loan portfolio was essentially due to the combined effect of the allocation of new loans to the tune of ECV 1.109 million (AKZ 1.865 million), owing to the increase in medium and long-term loans to corporations and the increase in loan portfolio impairments to the tune of ECV 80 million (AKZ 135 million).

The transformation ratio decreased from 49.8% in 2015 to 47.5% in December 2016, as a result of an increase in deposits higher than loans.

The Bank made a positive net profit of CVE 56 million (AKZ 94 million) in 2016, corresponding to a 212% increase compared to 2015, as a result of the increase in interest on loans and other operating income.

BAICV – SUMMARY OF INDICATORS

Amounts expressed in ECV MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dec-16 (preliminary)	2015/2016	
				Abs	%
Total Assets	15.104	13.988	16.856	2.868	20,5%
Customer loans *	4.664	6.410	7.439	1.029	16,1%
Customer Deposits	4.286	6.453	8.916	2.463	38,2%
Equity	1.016	1.034	1.089	56	5,4%
Net Income (loss) for the year	13	18	56	38	211,9%
Ratios				Percentage points	
ROE	1,3%	1,7%	5,3%	3,6	211,8%
Cost-to-income	79,0%	79,8%	78,8%	-1,0	-1,3%
Overdue loans	10,9%	12,2%	9,3%	-2,9	-23,8%
Solvency ratio (BCV)	17,1%	14,0%	15,3%	1,2	8,7%
Operations					
Number of branches	5	6	7	1	16,7%
Number of employees	72	81	79	-2	-2,5%

BISTP - Banco Internacional de São Tomé e Príncipe

In 2016, the BISTP made a net profit of STD 33.4 billion (AKZ 253 million), an increase of 30.9% over the previous year. This increase was essentially due to the improvement in non-interest income in the value of STD 8.6 billion (AKZ 65 million) and the decrease of the impairments and provisions costs in the value of STD 3.1 billion (AKZ 24 million).

BISTP – SUMMARY OF INDICATORS

Amounts expressed in STD MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dec-16 (preliminary)	2015/2016	
				Abs	%
Balance Sheet					
Total Assets	2.121.672	2.445.436	2.493.093	37.657	1,5%
Customer loans *	607.641	637.948	614.429	-23.518	-3,7%
Customer Deposits	1.739.644	1.925.788	1.888.675	-37.113	-1,9%
Equity	299.338	305.767	323.905	18.138	5,9%
Net Income (loss) for the year	31.912	25.577	33.484	7.907	30,9%
Ratios				Percentage points	
ROE	9,9%	8,4%	10,3%	2,0	23,6%
Cost-to-income	67,7%	75,5%	72,6%	-2,9	-3,8%
Overdue loans	17,0%	19,7%	14,8%	-5,0	-25,2%
Solvency ratio	19,9%	20,6%	24,1%	3,5	17,1%
Operations					
Number of branches	12	12	12	0	0%
Number of employees	152	168	165	-3	-1,8%

The net assets stood at STD 2,493 billion (AKZ 19 billion), up 1.5% compared to the previous year. The deposit portfolio showed a decrease of 1.9%, standing at STD 1,889 billion (AKZ 14 billion).
Loans to customers experienced a decline by 3.7% in net terms, reaching STD 614 billion (AKZ 4,649 million), mainly due to the increase in loan impairment to the tune of STD 27 billion (AKZ 206 million).

NOSSA Seguros

In 2016, among the main achievements, the following stand out: i) authorization for the setting up of the "Nossa Seguros" Open Pension Fund; ii) Draft of the Anti-Money Laundering and Financing of Terrorism Policy; iii) Integrated governance model in the Bancassurance channel, as well as iv) the opening of two branches (Dundo and SIAC Talatona), increasing to 26 the total of sales points.
The net income reached AKZ 827 million in 2016, featuring a variation of 143% over the last year based on the following: i) increase by 7% in premium earnings and its additional; (ii) reduction in claims costs by 17%, particularly the reduction of claims in both work accidents by 58% and car accidents by 19%; and (iii) increase in investment income by 68%.

The total assets amounted to AKZ 12,268 million at the end of the year, featuring an 11% increase over the previous year. The largest change in assets was recorded under the heading of fixed income securities, which rose from AKZ 3,707 million in 2015 to AKZ 5,807 million in 2016, resulting from its portfolio diversification strategy.

THE NET INCOME REACHED AKZ 827 MILLION IN 2016, FEATURING A VARIATION OF 143% OVER THE LAST YEAR.

NOSSA SEGUROS – SUMMARY OF INDICATORS

Amounts expressed in AKZ MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dec-16 (preliminary)	2015/2016	
				Abs	%
Total Assets	9.466	11.028	12.268	1.240	11,2%
Equity	1.803	2.177	3.105	928	42,6%
Gross written premiums	5.384	5.544	5.959	415	7,5%
Claims Costs	1.514	2.509	2.095	-414	-16,5%
Net Income (loss) for the year	297	340	827	487	143,2%
Ratios				Percentage points	
Claims ratio	28%	45%	35%	-10	
ROE	18%	17%	31%	11	
Solvency Margin	120%	166%	195%	29	
Operations					
Number of employees	137	139	138	-1	-0,7%
Number of branches	21	24	26	2	8,3%

Sociedade Angolana de Ensino Superior Privado (SAESP)

The SAESP activity was marked by the process of establishing the Higher Institute of Administration and Finance (ISAF) completed in February 2017 with the granting of the authorization by the Council of Ministers. ISAF will also initiate its first training cycle with a bachelor's degree in economics in 2017.

SAESP experienced a net loss of AKZ 59 million in 2016, an improvement of 48% over the previous year.

The Earnings Before Taxes, Depreciation and Amortization (EBTDA) increased from AKZ 99 million in 2015 to AKZ 97 million in 2016, as a result of a 30% increase in turnover, especially of income from rental of offices and stores which increased from AKZ 391 million in 2015 to AKZ 555 million in 2016.

SAESP – SUMMARY OF INDICATORS

Amounts expressed in AKZ MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dec-16 (preliminary)	2015/2016	
				Abs	%
Non-current assets	7.008	6.797	6.673	-124	-2%
Current assets	288	341	398	57	17%
Current liabilities	255	211	203	-8	-4%
Equity	7.042	6.927	6.868	-59	-1%
Turnover	664	688	897	209	30%
EBITDA	-36	-24	97	121	504%
Net Income (loss) for the year	-298	-114	-59	55	48%
ROAE	-4,14%	-1,65%	-1,0%	0,7	-48%

Net assets stood at AKZ 6,673 million, a 2% reduction over 2015. Equity stood at AKZ 6.868 million, also experiencing a negative year-on-year change of AKZ 59 million, which resulted from the net income in the period. In terms of profitability, there have been improvements in ROAE by 0.7 percentage points, standing at minus 1.0%.

BAI Center

The corporation undertakes the management of a single building, the BAI Center, intended for commercial use and offices and part of it is leased to BAI Cabo Verde.

In 2016, BAI Center reported a net loss amounting to ECV 48 million (AKZ 81 million), a 25% improvement over the previous year due to increased turnover of 16% and a 2% decrease in operating costs. The Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased by 36%, reaching ECV 69 million (AKZ 115 million) in 2016.

Private Investment Fund of Angola

FIPA raised USD 39 million of committed capital with a 10 year maturity, with the possibility of a 2 year extension. Its investors include BAI, Norfund, the European Investment

Bank, the Spanish Ministry of Foreign Affairs, the Danish Industrialization Fund for Developing Countries and the Banco Atlântico.

After a period of investments which took place between the years 2010-2015, the Fund is in the divestment stage, the duration of which is scheduled to last 5 years. In the same vein, FIPA II is in the kick-start stage, ensuring thereby continuity in contributing towards the development of business in Angola.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) INCREASED BY 36%, REACHING **ECV 69 MILLION (AKZ 115 MILLION) IN 2016.**

BAI CENTER – SUMMARY OF INDICATORS

Amounts expressed in ECV MILLION, except when otherwise indicated	Dec-14 (audited)	Dec-15 (audited)	Dez-16 (preliminary)	2015/2016	
				Abs	%
Total Assets	5.270	2.598	2.610	12	0,5%
Equity	2.091	2.032	1.990	-42	-2,1%
Turnover	43	88	102	14	16%
Operating costs	49	37	37	-1	-1,7%
EBITDA	1	50	69	18	36,3%
Net Income (loss) for the year	-69	-65	-48	16	-25%
ROAE	-3%	-3%	-2%	1%	-24%
ROAA	-1,30%	-2,49%	-1,85%	0,6%	-26%

FIPA – SUMMARY OF INDICATORS

Investors (Amounts in MILLION of USD)	Stake %	Commitment Assumed	Contributions accumulated	Earnings and Losses accumulated	Fair value in 31-12-16	Contributions missing
Banco Angolano de Investimentos	25,6%	10	8,85	-1,56	16,00	1,15
Norfund	25,6%	10	8,85	-1,56	16,00	1,15
European Investment Bank	15,4%	6	5,31	-0,94	9,60	0,69
MAEC Spain	15,4%	6	5,31	-0,94	9,60	1,69
IFU (Danish Investment Fund	12,8%	5	4,42	-0,78	8,00	0,58
Banco Millennium Atlântico	5,1%	2	1,77	-0,31	3,20	0,23
Total	**100,0%**	**39**	**32,13**	**-5,71**	**62,84**	**6,87**

06

RISK MANAGEMENT

SOUNDNESS IS TO BE ABLE TO ASSESS WHAT REALLY MATTERS AT ANY MOMENT

MAJOR DEVELOPMENTS IN 2016:

- Credit Policy Review;
- Review of the credit decision matrix;
- Approval of the Risk Management Policy;
- Approval of the Operational Risk Management standards, Balance Sheet and Market Risk Management and Operational Risk Events reporting;
- Implementation of the calculation model of impairment losses;
- Approval of the deposits behaviour analysis model in domestic and foreign currency;
- Calculation of the RSR and the interest rate risk under the new BNA notices;
- Introduction of risk associated profitability measures;
- Calculation of the modified duration and yield to maturity of the securities portfolio;
- Training sessions and workshops covering various regions of the country in order to disseminate the culture of reporting operational risk events;
- Completion of the operational continuity plan of the commercial network, under the business continuity plan.

Risk Management System

Risk management is a central element in the BAI strategy through which it systematically identifies, assesses, monitors and controls the risks inherent to the business, with a view to ensuring legal compliance, financial soundness and the confidence of depositors, partners and other stakeholders, pursuant to the best market practices and recommendations issued by supervisors and regulators.

The risk management system is documented through policies, internal standards (processes) manuals of procedures.

Risk Management shall be governed by the following principles:

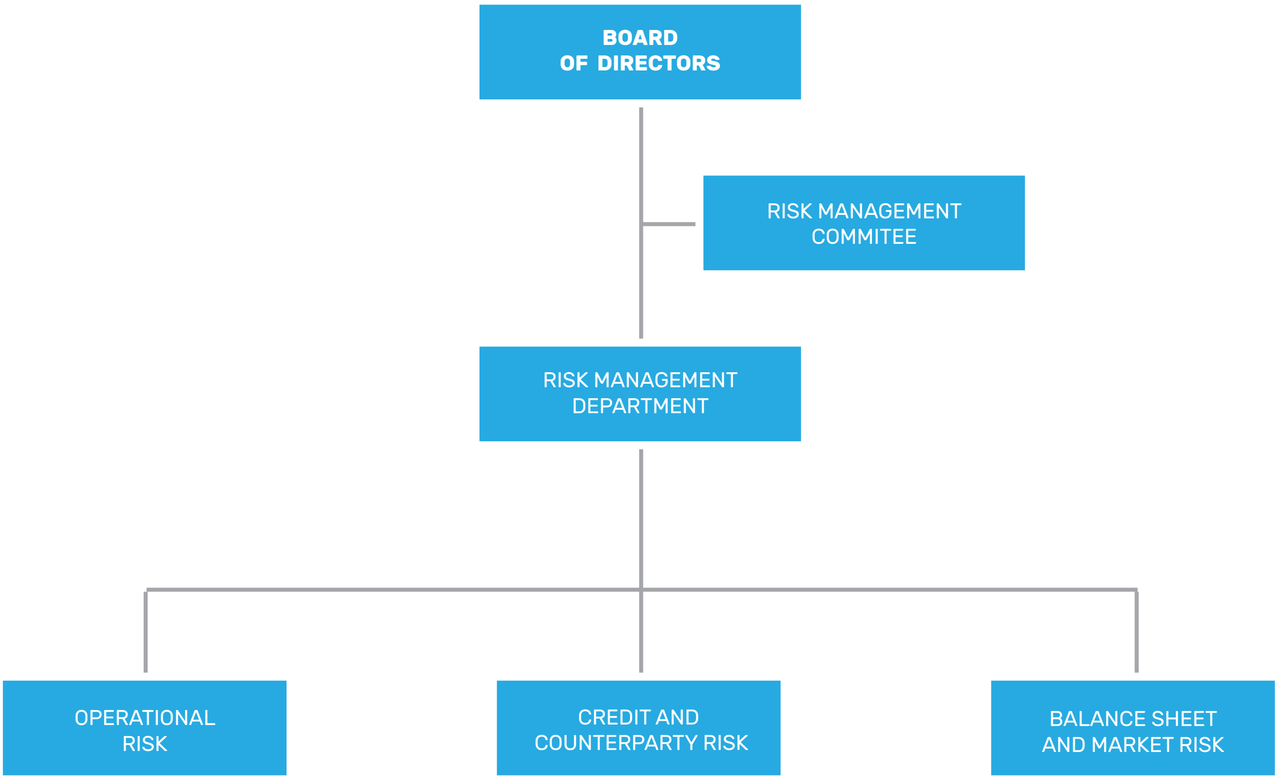
- Protect the financial soundness; Exercise control over the risks with the purpose of limiting the impacts of potential adverse effects in the Bank's equity and earnings;
- Protecting the reputation: reputation is essential to the Bank's good performance and must be preserved diligently;
- Transparency: for a proper perception of the Bank's financial situation, it is essential to identify all the risks. To that end, the definition of risks should always be the most accurate and be properly assessed in order to support the management body in the decision-making process;
- Independence: A governance structure that allows for the identification, assessment, monitoring and control of risks, undertaken by an area that operates independently of the business areas;
- Limit control: Risk monitoring is done by setting the risks within the defined limits.

06.1

GOVERNANCE AND ORGANIZATION OF THE RISK MANAGEMENT SYSTEM

The risk management system in BAI was designed taking into account the strategic orientation and level of risk tolerance set by the Board of Directors, and the size, nature and complexity of the Bank's business. The organizational structure of the risk management system includes a stand-alone and independent position - the Risk Management Directorate (DGR) - without direct responsibility over any risk-taking role, which is hierarchically and functionally answerable to the Board of Directors, being supervised by the Commission of Risk Management and monitored on a daily basis by an executive director:

ORGANIZATION STRUCTURE OF THE RISK MANAGEMENT SYSTEM



The bodies involved in the risk management system and their respective roles are outlined in Note 40 of the financial statements ("Internal organization").

Model of responsibilities in risk management

In BAI, risk management comprises a structure of internal controls and assessments set up by three lines of defense:

IAF -INTERNAL AUDIT FUNCTION

The first line of defense comprises the areas that own risks, who must ensure the effective risk management within the scope of their direct organizational responsibilities, in particular:

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

The second line of defense is the independent review process conducted by the teams of the Risk Management Department and the Compliance Department. These have responsibility over the activities to be examined. These roles perform an independent review of the management control over their own activities (first line of defense) and the processes maintained by the risk control and compliance roles (second line of defense).

The DGR ensures the total effectiveness of the risk management system.

Internal Audit is the third and final line of defense at BAI and it is the responsibility of the Bank to regularly evaluate policies, methodologies and procedures to ensure that they are being implemented effectively.

Setting the risk profile and the risk tolerance degree

The Board of Directors has set as its overall objective the adoption of a conservative risk profile for all material risks taken by the Bank and, therefore, a low risk tolerance, thus ensuring business continuity. This profile was determined based on the designed business strategy and the macroeconomic environment in which it operates.

Identification and evaluation of the most relevant risk categories

BAI characterizes risks according to the following categories:

- **Financial risk**: credit risk; balance sheet risk (interest rate and exchange rate); liquidity risk;
- **Non-financial risk:** operational risk; strategy risk; reputation risk.

The main components of risk management are the following:

1ST IDENTIFICATION
- Risks and controls;

2ND ASSESSMENT
- Sensitivity Analysis;
- Control tests;
- Stress Tests;

3RD CONTROL
- Risk Indicators;
- Limits set;

4TH MONITORING AND REPORTING
- Monitoring reports.

06.2

CREDIT AND COUNTERPARTY RISK

Credit risk

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

In the case of corporations, the assignment of the rating is the result of the assessment of (i) the management capacity of the company, (ii) the economic and financial situation, (iii) track-record in banking, (iv) the quality of the guarantees and (v) business sector. Weights were set for each of these parameters. The score is arrived at by multiplying those to the rating assigned. The sum of the scores of the 5 parameters is equal to the company rating (see table below).

In the case of individuals, the scoring model assesses (i) the commercial involvement, (ii) social stability[1] , (iii) the 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 rating, the score is arrived at. The sum of the scores of the 4 parameters is equal to the customer scoring (see table below).

CLASSIFICATION OF LENDING GRANTED

RISK		RISK FACTOR (RATING SCALE)
A	NIL	(6,5 TO 7)
B	VERY LOW	(5,5 TO 6,4)
C	VERY LOW	(4,5 TO 5,4)
D	MODERATED	(3,5 TO 4,4)
E	HIGH	(2,5 TO 3,4)
F	VERY HIGH	(1,5 TO 2,4)
G	LOSS	(0 TO 1,4)

The Executive Committee has designed a credit decision matrix, under which several credit subcommittees are established that meet weekly. The decision matrix is applicable only to customers with A to C risk levels resulting from the implementation of the BAI scoring or rating model. Any transaction with a credit rating higher than C is decided at the 4th decision-making level, except for the renegotiation or restructuring operations, the risk of which stems from the evolution from default. The following table shows the credit decision matrix.

1 - Assessed by factors such as seniority in employment, age and address.

CREDIT DECISION MATRIX

Decision-making level	Decision-making bodies [1]
1°	Commercial Coordinator + Manager
2°	Manager DAC + Manager DRC + Manager GSP + Manager DPME + Regional Managers.
3° (Credit Committee - CCR3)	2 Managers + Manager DAC + Manager DRC + Manager GSP + Regional Managers + Manager DEI + Manager DPME.
4° (Credit Committee – CCR4)	CEO + 4 Managers + Manager Coordinators + Manager DAC + Manager DRC + Manager GSP + Regional Managers + Manager DEI + Manager DPME + Manager DCE.
5°	Board of Directors

Credit risk monitoring and follow-up is undertaken regularly by the Executive Committee and the Board of Directors based on specific reports. The credit policy sets the following relevant limits:

CREDIT RISK LIMITS

Indicators	Limit	Established and followed up by
Upper limit of exposure per customer	25% of ROF	BNA/BD
Limit of exposure to largest debtors risk	300% of ROF	BNA/BD
Upper limit of exposure - Corporations segment (% total of the portfolio)[2]	30%	BD
Upper limit of exposure - Segment of private individuals (% total of the portfolio)	10%	BD
Upper limit of exposure - Government (% total of the portfolio)	60%	BD
Upper limit of exposure depending on ROF (% of 7,69 * ROF)	100%	BD

ROF - Regulatory Own Funds

1 - CAD - Credit Analysis Department; RBD - Retail Banking Department; CID- Company and Institutions Department; CRD - Credit Recovery Department; SCD - Specialized Credit Department; PSO - Premium Services Office; SMED - Small and Medium Enterprises Department.
2 - Including investments in debt instruments.

RISK CONCENTRATION LIMITS FOR EXPOSURES BY ECONOMIC SECTOR (NON-FINANCIAL INSTITUTIONS)

ECONOMIC SECTOR	MAXIMUM % OF 7,69*FPR
CORPORATIONS	30,00%
AGRICULTURE	1,50%
AGRO-INDUSTRY	5,00%
LIVESTOCK FARMING	1,50%
RETAIL	7,00%
CONSTRUCTION	1,80%
HOSPITALITY AND TOURISM	0,50%
EXTRACTIVE INDUSTRY	2,00%
MANUFACTURING	4,00%
FISHING	0,55%
REAL STATE DEVELOPMENT	5,00%
SERVICES	1,15%
OTHERS	0,00%
GOVERNMENT	60,00%
GRAND TOTAL	**90,00%**

Notes on the tables above:
(i) In calculating the limit, weights of 100% are applied to loans in local currency (LC) and 130% to the loans in foreign currency (FC)
(ii) 7.69 is the result of the quotient between 1 and the solvency ratio of the internal limit of 13%.

The model for calculating impairment losses of the loan portfolio is outlined in Note 2.3 of the notes to the financial statements.

Counterparty risk

Counterparty risk is understood as the possibility of default by a particular counterparty in settling the obligations relating to the settlement of transactions in the money, capital and foreign exchange markets.
In the context of counterparty risk management, the BoD has set the exposure limit of 50% of regulatory own funds (RPF), without prejudice to the Executive Committee (EC) setting a more conservative limit. Accordingly, the Bank also uses maximum exposure limits to counterparties related to an overall analysis of their situation by using an internal model with financial and economic variables approved and reviewed by the Assets and Liabilities Committee (ALCO).
It is the DMF's responsibility to monitor the Bank's global risk positions against domestic and foreign counterparties and to monitor compliance with the limits.
It is incumbent upon the Executive Committee to authorize the excesses to the limits of exposure to counterparts, there being a delegation of powers to a certain percentage of excess, according to the following hierarchy levels:

- The DMF Manager up to a maximum of 10% of the limit;
- The DMF Director up to a maximum of 25% of the limit;
- The EC (at least two directors) 25% in excess of the limit, up to a maximum of 50% of RPF.

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

06.3

BALANCE SHEET AND MARKET RISK

The balance sheet risk measures the Bank's ability to meet its liabilities in light of the assets structure on its balance sheet. It is subject to the following types of risks: i) Balance sheet interest rate risk, which results from the sensitivity of assets and liabilities to interest rate changes (ii) Balance sheet exchange rate risk, which results from the sensitivity of assets and liabilities to changes in the exchange rate; and iii) Liquidity risk both in its transactional aspect of the different assets, as well as in the ability to meet its financial obligations.

The various types of risks mentioned are monitored daily by the Financial Markets Department (FMD) through reports, which are also sent to the members of the EC. Furthermore, a report on the management of assets and liabilities is also produced on a monthly basis and serves as the basis for analysis by the Assets and Liabilities Committee (ALCO).

BAI uses the following metrics in assessment these risks:

RISK ASSESSMENT METRICS

Risk	**Metrics and Tools**
Liquidity	• Liquidity Gaps; • Evolution of liquidity ratios; • Concentration of major depositors; • Simulations;
Interest rate	• Interest rate gaps; • Evolution of profitability ratios; • Simulations; • Analysis of monthly interest rates and those in the portfolio; • Earning at Risk; • Exposure per maturity interval or date re-setting – Impact on Equity and Interest Income ;
Exchange rate	• Value at Risk Model; • Simulations; • Scenario analyses; • Assessment of the foreign exchange exposure limits.

The main internal limits to exercise control over the financial risks are as follows:

LIMITS SET

Indicators	Limit
Aggregate Transformation Ratio [1]	50%
Aggregate Transformation Ratio including Bonds and Securities [1]	85%[2]
Liquidity Gap	(i) 0% for maturities of up to 2 weeks (ii) 5% for maturities above 2 weeks and up to 3 months
Regulatory Solvency Ratio (RSR)	13%
Foreign exchange exposure ratio	20% of applicable to long and short exposures

The gap represents the assets and liabilities distributed by maturity periods, thus illustrating the flows of payments and receipts over the transactions time horizon. The Bank calculates both the contractual liquidity gap and the behavioural liquidity gap.

In the contractual liquidity gap, the distribution of the assets and liabilities amounts is done by residual maturity periods, being the deposits covered by the first time band.

In the behavioural gap, on the other hand, credit is distributed according to the financial plan of each transaction and deposits according to the linear regression model that makes the projection of the future behaviour of the deposits based on the historical information, adopting in this way a behavioural measure that does not only consider the outputs of deposits. All overdue loans and provisions are excluded from this gap. In order to manage this risk, the Bank uses the exchange rate value at risk (VaR) model.

- The exchange rate VaR represents the maximum potential loss, with a 99% confidence level, resulting from the unfavorable development of the exchange rate for a month, in the revaluation of the exchange exposure.
- The determination of the value-at-risk resulting from changes in the United States dollar exchange rate (the most representative foreign currency of the balance sheet) in terms of local currency is based on historical and normal or parametric methods.

1 - Aggregate = national currency more foreign currency. To calculate the transformation ratio, the mandatory reserves and the special reserve for purchasing foreign currency are excluded
2 - It may go up to 90% as long as the liability can be used in treasury bills

06.4
OPERATIONAL RISK

IT IS THE RESPONSIBILITY OF THE OPERATIONAL RISK DEPARTMENT OF THE RISK MANAGEMENT DEPARTMENT TO ENSURE THE IDENTIFICATION, EVALUATION AND MONITORING OF THE OPERATIONAL RISK INHERENT TO THE BANK'S BUSINESS

BAI defines the operational risk as the probability of negative impacts occurring on earnings or capital arising from failed analysis, processing or settlement of transactions, from internal and external fraud, the use of resources under the regime of subcontracting, inadequate internal decision-making processes, inadequate or insufficient human resources, or the inoperability of the infrastructures.

BAI manages operational risk based on a business process vision, support and control and this is a cross-cutting vision to the organization's organizational units. This type of management is underpinned by principles, methodologies and control mechanisms such as segregation of duties, lines of responsibility, code of conduct, risk and control self-assessment (RCSA), Key Risk Indicators (KRI), access controls (physical and logical), reconciliation operations, exception reports, contingency plans, contracting of insurance and internal training on processes, products, services and systems.

It is the responsibility of the Operational Risk Department of the Risk Management Department to ensure the identification, evaluation and monitoring of the operational risk inherent to the Bank's business. The area beefed up its team by recruiting new employees and built up their capacity training through training sessions.

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

- **Operational Risk Events Database:** All organizational units are required to report the operational risk events to the Risk Management Department;
- **Key risk indicators (KRIs):** These are metrics constructed to indicate or single out Bank activities with a high potential for operational risk events;
- **Integrated Operational Risk Matrix (MIRO):** It comprises tables associated with the Bank's various processes, in which risks and controls are identified for each phase of the process, as well as those responsible for mitigation.

Database of operational risk events:

The compilation of operational risk events consists of their identification, registration and classification, with the aim of

- enabling the identification and analysis of the root of the events, their causes and preventive action on the origin of the events;
- Enhance the awareness about the scale of importance of the operational risk to the Bank;
- Quantify the number of times a risk could endanger the organization;
- Form operational risk indicators;
- Serve as back-testing for the operational risk mapping outcomes, enabling the assessment/scoring assigned to risk categories in each process.

Detection and reporting is the responsibility of all BAI employees. Registration and scoring in the database is the responsibility of the DGR.

Operational risk events are categorized according to Basel II, pursuant to the table below:

CATEGORIES OF OPERATIONAL RISK EVENTS

RISK CATEGORIES	DESCRIPTION
Internal fraud	Losses arising from acts intended to intentionally commit fraud, misappropriation of assets or circumvent corporate legislation, regulations or policies, with the exception of acts related to differentiation / discrimination involving at least an internal part of the undertaking.
External fraud	Losses arising from acts intentionally intended to commit fraud, misappropriation of assets or circumvention of the law by a third party.
Employment and Workplace Safety Practices	Losses arising from acts in breach with labour, health or safety legislation or agreements, as well as the payment of damages or acts related to differentiation / discrimination.
Clients, Products & Business Practices	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
Damage to Physical Assets	Losses arising from loss or damage to physical assets from natural disaster or other events.
Business disruption and system failures	Losses arising from disruption of business or system failures.
Execution, Delivery & Process Management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

During the fourth quarter of the year, six workshops were held on reporting operational risk events in various provinces in the country for three regional business departments.

Key Risk Indicators (KRIs):

KRIs are process-defined risk monitoring indicators to assist in the rapid detection of potential losses. They function as alarms, warning that something is not going as expected or guide the anticipation of risks that are about to occur. They point to situations in the Bank's activity in general, which, because they have a positive correlation with the exposure to risk, the increase in the indicators corresponds to the increase in operational risk.

Integrated Operational Risk Matrix (MIRO)

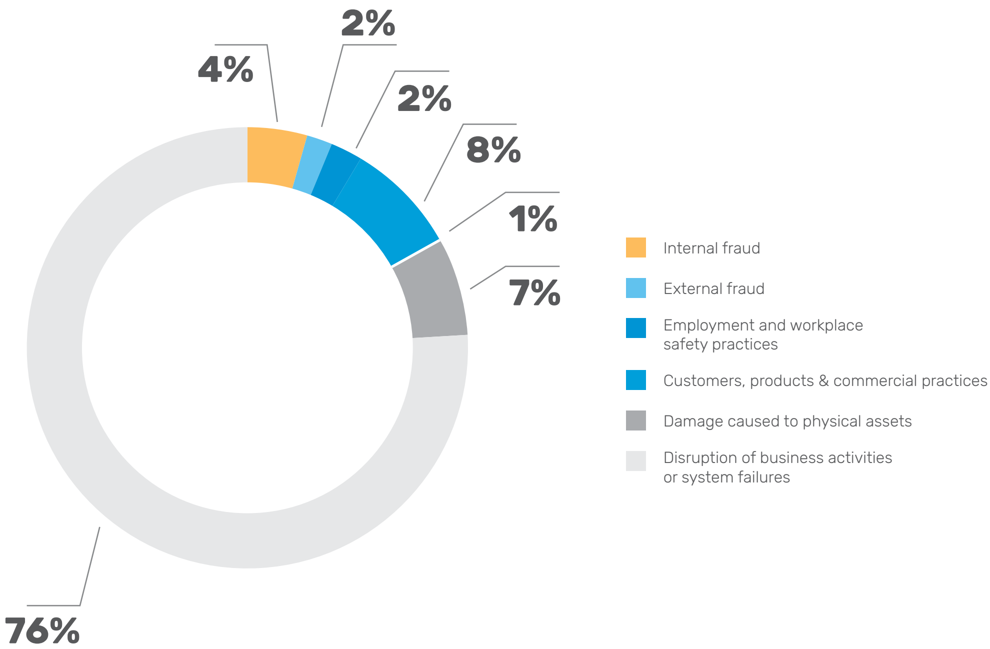
In MIRO, the initial assessment is conducted based on three factors that will result in the Risk Priority Number (NPR), the impact of the event (I), probability of occurrence (O) and the probability of surprise (S) or the degree of ability to detect the risk.

The value of NPR lies between 1 - 8,000 and has a positive relation with the operational risk level, since the higher the NPR, the higher the Bank's operational risk level. Taking into account the value of the NPR, the risk can be classified as low, medium low, medium, medium high and high. It is at this stage when the implied risk is determined.

The final assessment is conducted jointly with the owner of the process, judging the relationship between the probability of occurrence and the consequence of this exposure to risk, should it materialize, and the quality of controls. Controls can be strong, satisfactory, require improvements, deficient and very deficient. The difference between implied risk and the quality of cheques corresponds to the residual risk.

The figure below shows the distribution of mapped risks by categories of operational risk, and the category "execution, delivery and process management" is the most prevalent among the different identified risks.

OPERATIONAL RISK BY CATEGORIES



THE VALUE OF NPR **LIES BETWEEN 1 - 8,000**, AND HAS A POSITIVE RELATION WITH THE OPERATIONAL RISK LEVEL

IN ORDER TO GUARANTEE INFORMATION, ELECTRONIC AND ASSETS SECURITY, THE BANK HAS THE OFFICE OF INTEGRATED SECURITY (GSI).
THE AREA OF PROPERTY SECURITY WAS INCORPORATED IN THE OFFICE IN 2016.

Business Continuity Plan

Pursuant to paragraphs 1 and 2 of Article 15, of BNA Order 2/2013 of 19 April, BAI put in place a program to implement the Business Continuity Plan (BCP), aimed at ensuring the continued business operations as well as mitigating the losses involved, as a result of an adverse event that may undermine the regular conduct of its operations. The NCP covers, inter alia:

- The governance structure;
- Definition of the relevant processes and technological means of support;
- Formalization and promotion of appropriate response procedures.

Electronic, assets and information security

In order to ensure the information, electronic and assets security, the Bank has the Office of Integrated Security (GSI). The area of assets security was incorporated in the office in 2016 with a view to ensuring the relationship with external security companies and supervising their performance, monitoring of access of persons and goods to premises, as well as the protection of the transport and supply of valuables through the different channels; and promote the dissemination of a culture of safety within the Bank.

The management of information security is reviewed by the GSI at least yearly, or whenever there are significant changes in order to assess their suitability and effectiveness. The review may uncover cases of non-compliance and, to address those, a plan of action is prepared and identify opportunities for improvement. In the course of 2016, 108 cheques on the information security and policy processes and procedures were conducted.

06.5
COMPLIANCE RISK

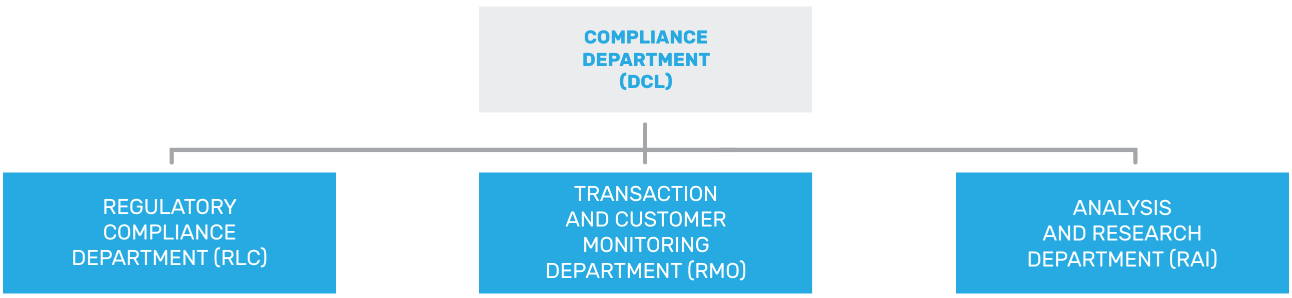
MAJOR DEVELOPMENTS IN 2016:

- Restructuring of the compliance role;
- Preparation of the policy on preventing and detecting money laundering and financing of terrorism and enforcement of sanctions;
- Preparation of Simplified Due Diligence Procedures - Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD);
- Preparation of procedures for reporting suspicious transactions;
- Beginning of the implementation of an account opening workflow to automate the account opening process;
- Incorporation of the risk level of compliance in the accounts;
- Conformity Analysis of Foreign Operations;
- Workshops on compliance issues for Bank customers in the oil and gas and food importers sectors;
- Reply to the AMLCFT self-assessment questionnaire;
- Preparation of the Corporate Governance Report and the Individual and Financial Group's Internal Control System.

The management of compliance risk is conducted by the Compliance Department (DCL), which is hierarchically and functionally answerable to the Board of Directors (BoD), and the DCL has a countrywide coverage according to the specific nature of the duties assigned to it and this coverage can be extended to the financial group in the framework of tasks related to internal control and corporate governance. The DCL reports quarterly to the Internal Control Committee (ICC).

The DCL was recently restructured, with a view to: (i) adapting compliance processes to the outlined in the BAI Strategic Plan (Risk Management and Internal Control), (ii) responding to internal and external requirements to strengthen internal control applicable to AML-CFT with the role the Financial Crime Compliance, and (ii) to ensure efficient handling of information that enables a pro-active tackling of events of various nature in the organizational units and correspondent banks.

ORGANIGRAM OF THE DCL



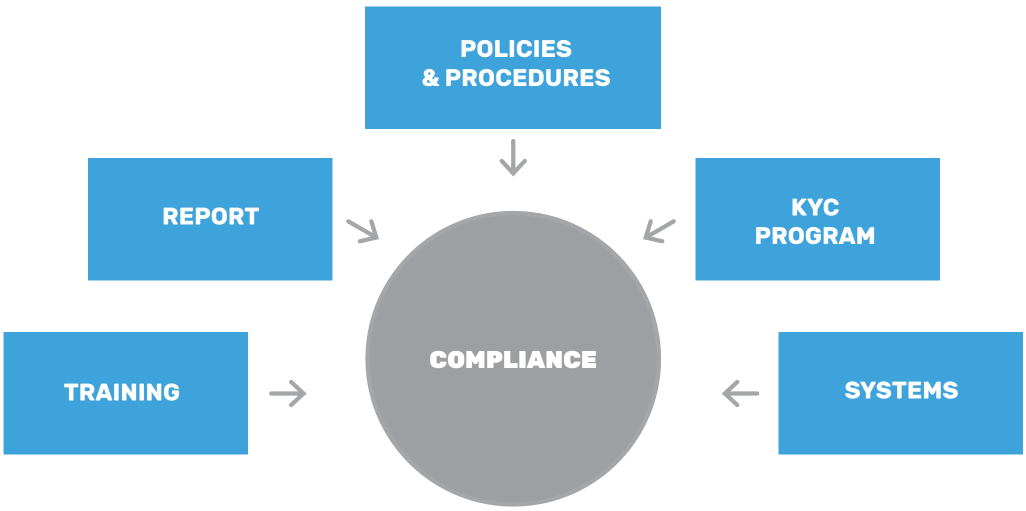
DCL comprises a team of 11 employees. This structure is supplemented by the "Compliance Agent" who acts as an extension of the DCL in the commercial areas (Retail network, Premium Service Centers and Business Service Centers), Operations Department (DOP) and Electronic Banking Department (DBE), to ensure full compliance with internal and external standards in the areas where they are deployed.

The scope and key roles of each of the Departments are essentially the following:

REGULATORY COMPLIANCE DEPARTMENT	Ensure the planning, execution, supervision and reporting of compliance with the regulatory framework not related to the Bank's anti-money laundering and terrorist financing measures.
TRANSACTIONS AND CUSTOMER MONITORING DEPARTMENT	Ensure effective compliance with processes and procedures related to the opening and maintaining of accounts, as well as effective monitoring of all transactions originating and received by the Bank against compliance and reputational risks from the AMLCFT perspective.
ANALYSIS AND INVESTIGATION DEPARTMENT	Conduct analysis and investigation of transactions on a consolidated basis for the purpose of reporting to relevant authorities, be they internal or external, as well as provide support to business areas in the analysis of compliance of transactions.

Compliance risk management model

The model adopted by the bank for compliance risk management is based on five key pillars in order to ensure compliance with legal and regulatory provisions and ensure proper risk mitigation.
The model focuses on the major risk areas for the Bank, namely, the commercial areas, the Operations Department and the Electronic Banking Department.



Compliance risk management is given a special focus in the legislation and regulations regarding the AMLCFT prevention.

In 2016, the AMLCFT Prevention and Detection and Enforcement of Sanctions Policy was reviewed, which sets out the guidelines for the AMLCFT preventive measures, as well as the enforcement of international sanctions.

All BAI employees are bound by this policy. Its branches, subsidiaries and affiliates are required to comply with the laws and regulations applicable in the country in which they operate or this policy, whichever is more demanding.

In addition to the "Know Your Customer" Handbook, the Due Diligence Procedures were also updated, which aim at outlining the procedures applicable to a simplified diligence - Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD).

As part of the monitoring of the compliance with the reporting obligations to the BNA, the FIU and other stakeholders, the Compliance Department prepares the following documents:

- Monthly report on compliance with reports to the BNA and FIU;
- Daily report on compliance with procedures related to transactions in cash accounts;
- Quarterly Report on compliance with procedures related to the opening of accounts;
- Quarterly report on activities carried out;
- Annual Report on the compliance role;
- BNA Self-Assessment Questionnaire;
- Corporate Governance Report and the Individual and Financial Group's Internal Control System.

As regards the opening, maintaining and movement of bank accounts, in addition to the customer acceptance procedures set, an assessment of the qualitative risk profile of customers is also undertaken and established control mechanisms and procedures to mitigate effectively the risks identified.

The customer's AMLCFT risk levels comply with the following guidelines:

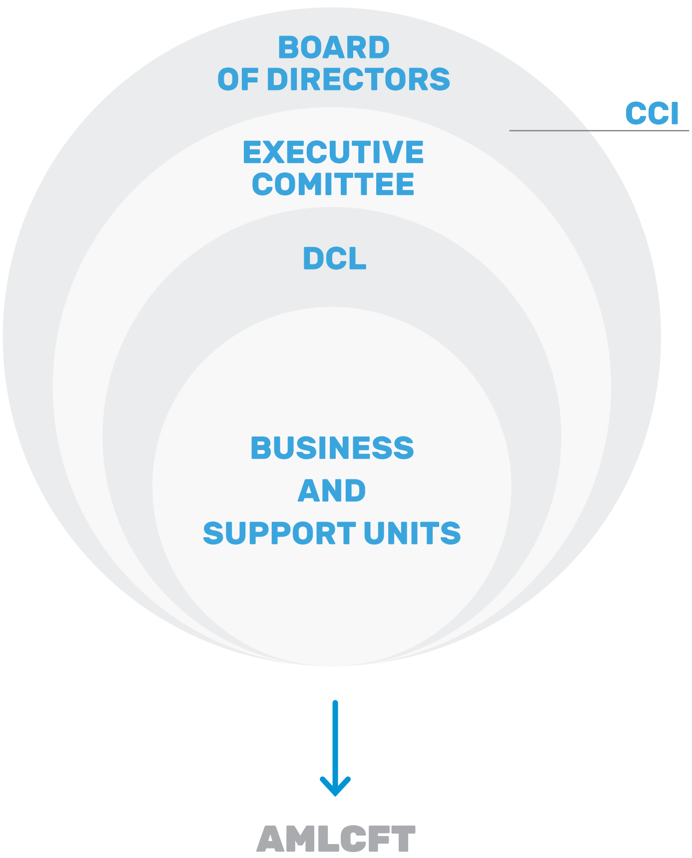
LOW RISK CUSTOMER	Only those customers set forth in the law, including: (i) the government or a legal person governed by public law, of any nature, which is part of the central, provincial or local administration: (ii) a public authority or body, subject to transparent accounting practices and supervision - simplified due diligence procedures apply.
STANDARD RISK CUSTOMER	Standard due diligence procedures will apply to all customers who do not fall into the low or high risk levels.
HIGH RISK CUSTOMERS	Enhanced due diligence procedures will apply to customers singled out by law as, for example, politically exposed persons (PEP), non-profit organizations and other customers identified by the Bank as having a high risk profile.
UNACCEPTABLE RISK CUSTOMERS	Business relationship should not be established or be discontinued with customers singled out by law as being of unacceptable risk, for example, front banks and other customers identified by the Bank as such.

Organic and functional model implemented in the prevention of money laundering and financing of terrorism

The Compliance Department is the key component of the AMLCFT system, but it does not operate outside a prevention system where, from the bottom to the top, the roles and tasks are duly outlined according to the table below:

- The CCI is the supervisory body of the compliance role;
- The EC is the Bank's management body (within the scope of its duties) responsible for authorizing the opening of accounts when the compliance risk is high, as well as for monitoring of commercial activity;
- The DCL implements and monitors the AMLCFT prevention processes as well as the supervision of compliance and the proper and ethical implementation of the recommendations and guidelines issued by the relevant supervisory bodies;
- The business and support areas (DOP and DBE) operate as extensions of the DCL to ensure full compliance with internal and external standards

THE DCL IMPLEMENTS AND MONITORS THE AMLCFT PREVENTION PROCESSES AS WELL AS THE SUPERVISION OF COMPLIANCE AND THE PROPER AND ETHICAL IMPLEMENTATION.



07

HUMAN CAPITAL

PROFESSIONALISM IS TO TREAT EVERY CUSTOMER AS A BUSINESS PARTNER

07.1

BAI aspires to position itself as an unavoidable point of reference in the labor market in Angola, providing the best banking experience to its Customers, pursuant to BAI Vision 2021.

In 2016, a number of changes to the organizational model were initiated with a view to allow a better positioning of the performance of the role and alignment with all other initiatives within the scope of the Bank's Strategic Plan. In this regard, the designation of the then Human Resources Department (HRD) was changed into Human Capital (DCH) and a functional restructuring was conducted, which caused the latter to comprise three departments whose activities are divided i) in the recruitment, training, development and career management (ii) the design of policies, procedures, studies, performance metrics and human capital management reports (middle office) iii) operational management activities, both in the information systems component and in the current management and processing of benefits and the entire administrative component (back-office).

In this process of adaptation, a remarkable milestone was the elimination of the various channels of contact with 'internal customers', leaving DCH with a single channel - the "DCH Customer Service", which enabled greater efficiency in monitoring the received information and the feedback to the various matters brought before the Board. Once this was done, it also made it possible to improve response times, the quality of information provided and, above all, significantly reduce the use of paper.

A survey was carried out on the satisfaction of the services provided by the Department, with the overall index standing at 3.6 on a 0 to 5 scale, raising the need for its improvement by way of a more proactive attitude, which is being consolidated with the introduction of the concept of "partners, close and professional". The creation of this aims to ensure greater proximity of the Board with all Bank employees.

In the period under review, adjustments were made on an ad hoc basis and measures were taken to adjust some additional compensation items, mainly at the level of allowances, adding greater objectivity in their allocation. In the same year, there were two salary adjustments of 10% each, with a view to contributing to the effort to minimize the loss of purchasing power by employees.

It is also worth mentioning the hosting of the 1st Human Resources Forum to discuss issues of common interest at the level of BAI's subsidiaries, share ideas and exchange information on the procedures in force in each of the institutions and brainstorm for an eventual implementation of the integrated management of the human resources role.

An unavoidable landmark in the DCH's action in 2016 was the launching of the Cultural Transformation Program, having the elaboration, dissemination and ownership of the Organizational Culture Handbook as key elements. Thus, actions are envisaged to strengthen the culture of excellence of service, communication, appreciation, efficiency and rigor and leadership - as could only be expected. The handbook will also make inroads into such hot topics as the Bank's history, brand, signature, mission, vision and values.

The aim is to lay the foundations for establishing a new way of being in the organization, giving priority to quality service, high-level service delivery and in perfect harmony with the principles of meritocracy and talent appreciation.

DCH participated in the engagement sessions involving technical staff of different areas of the Bank central services who served as a run up to the assessment of the organizational climate and through which some internal measures were adopted to prevent and redress situations that endangered the good working environment.

In the area of training and training, special attention was paid to the team of professionals who will provide services to the new segment of affluent customers by adopting a specific training program.

On the other hand, a pool of internal trainers was established, which was also subject to training certification. Moreover, the major objective in this area will be to put in place a new paradigm in training, with the adoption of more effective training methods, especially with the massive introduction of e-learning and on-the-job training.

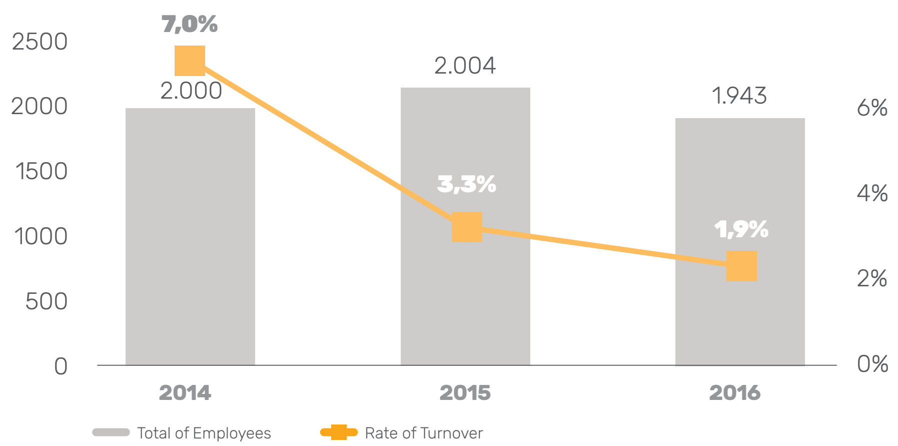
Also in 2016, the opening of the health post in the BAI Tower took place, with the presence of a physician with conditions in place to perform laboratory tests of various pathologies.

Admission versus internal mobility

In 2016, the Bank's strategy in terms of recruitment policy was mainly based on internal mobility to the detriment of the admission of new staff, enhancing thereby the employee's growth opportunities as well as stimulating an attitude for continuous self-development. At the end of 2016, the Bank had a total of 1,943 employees, representing a 3% decrease in net terms compared to the previous year, corresponding to 69 contract terminations, mainly due to own initiative and disciplinary dismissal, and the admission of 8 new employees to meet the identified needs which could not be met by way of internal recruitment (especially in the area of information technologies). The turnover rate decreased by 2.0% in 2016 due to the reduction in new admissions in the year, as the number of terminations was roughly the same.

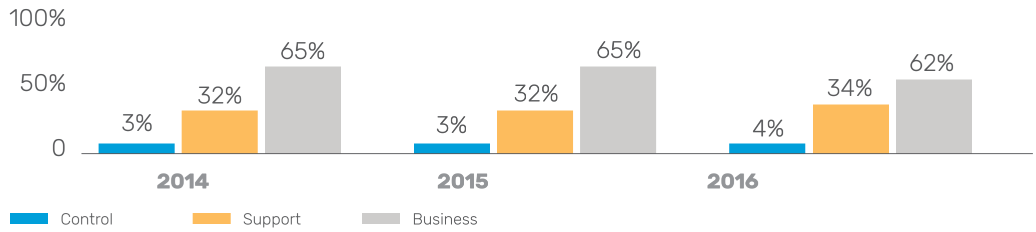
In terms of the distribution of employees by area, 62% are assigned to the business area, and there was a 3 pp reduction compared to 2015, explained by the contract terminations and transfer of employees to the headquarters through internal recruitment. As a result, the percentage of employees assigned to support and control has increased respectively 2pp (to 34%) and 1pp (to 4%).

TOTAL OF EMPLOYEES AND TURNOVER RATE



AT THE END OF 2016, **THE BANK HAD A TOTAL OF 1,943 EMPLOYEES**

DISTRIBUTION BY AREA

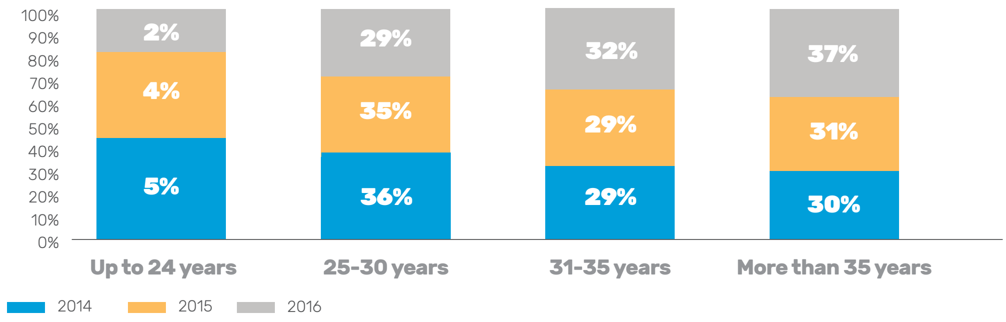


On 31 December 2016, the distribution of employees by organizational structure units is presented as follows:

Structure Unit	Acronym	Responsible	Category	Governing bodies	Control	Support	Business	Total
Board of Directors	CA	José Paiva	Chairman	13				13
Fiscal Board	CF	Júlio Sampaio	Chairman	4				4
Secretariat to the Executive Committee	SCE	Sandra Santos	Head			8		8
Integrated Security Office	GSI	N´vunda Ferreira	Manager		13			13
Office of Premium Services	GSP	Nzola Rangel	Manager			3	16	19
Office for Economic and Financial Studies	GEF	Diogo Silva	Adviser			2		2
Compliance Department	DCL	Ulanga Martins	Manager		11			11
Planning and Control Department	DPC	Francisco Figueira	Manager		9			9
Risk Management Department	DGR	António Buta	Manager		12			12
Internal Audit Department	DAI	Luís Fernandes	Manager		23			23
Digital Payments Business Unit	UPD	Helena Faria	Acting Coordinator				2	2
Banking Agents Business Unit	UCB	Helena Faria	Coordinator				3	3
Retail Banking Department	DBR	Raquel Gourgel	Coordinator Manager			3		3
Northern Regional Department	DRN	Feliciano Tavares	Manager			5	188	193
Luanda-Bengo Regional Department	DRLB	Petra Mangueira	Manager			36	604	640
Center Regional Department	DRC	Carlos Gonçalves	Manager			7	156	163
Southern Regional Department	DRS	José C. Manuel	Manager			4	128	132
Enterprises and Institutions Department	DEI	Jorge Almeida	Coordinator Manager			9		9
Enterprises and Institutions Department	DEI	Paulo Assis	Manager			16	109	125
Electronic Banking Department	DBE	Antónia Cardoso	Manager			57		57
Specialized Credit Department	DCE	João Lourenço	Manager			11		11
Financial Markets Department	DMF	Calisto Ebo	Acting Manager			16		16
Operations Department	DOP	Irisolange Verdades	Manager			67		67
Credit Analysis Department	DAC	Gisela Fonseca	Manager			23		23
Credit Recovery Department	DRC	Paula Lélis	Manager			33		33
Human Capital Department	DCH	Tavares Cristóvão	Manager			29		29
General Services Department	DSG	Lucamba Magalhães	Manager			127		127
Accounts and Finance Department	DCF	Juvelino Domingos	Manager			17		17
Information Systems Department	DSI	Nuno Veiga	Manager			67		67
Marketing and Communications Department	DMC	Fábio Correia	Manager			23		23
Organization and Quality Department	DOQ	Diala Monteiro	Manager			22		22
Legal and Litigation Department	DJC	Alexandre Morgado	Manager			9		9
Treasury and Custody Department	DTC	Eduardo Rodrigues	Manager			39		39
Small and Medium Enterprises Department	DPME	Jorge Silva	Manager			5		5
Other (BAI Affiliates)						14		14
(1) Total December 2016				**17**	**68**	**652**	**1.206**	**1.943**
(2) Total December 2015				**13**	**53**	**644**	**1.294**	**2.004**
(3) Total December 2014				**11**	**53**	**639**	**1.297**	**2.000**
(1)-(2) Change				**4**	**15**	**8**	**-88**	**-61**
				1%	**3%**	**34%**	**62%**	

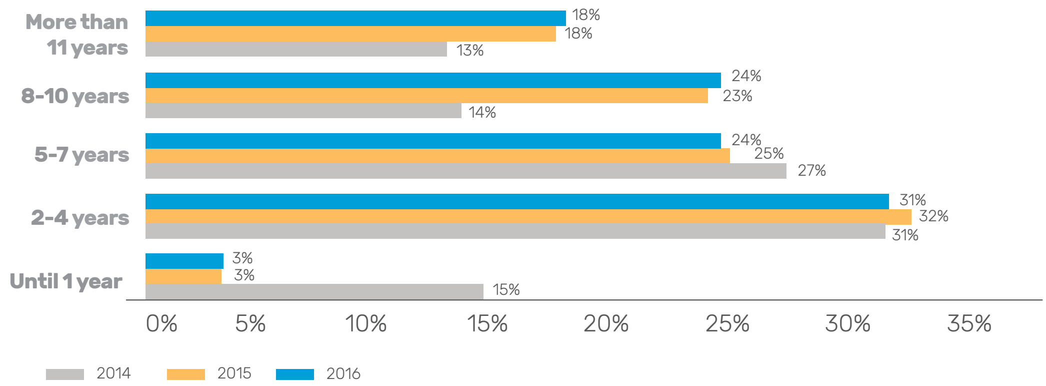
On 31 December 2016, the average age of employees was 35 years. The age structure was mostly represented by employees over 35 years of age, with 37% of the total. This range showed the highest growth in the last 3 years compared to the rest.

AGE STRUCTURE



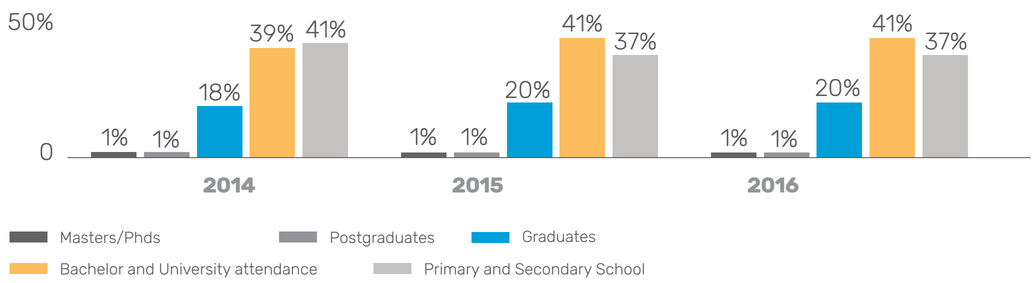
The structure of seniority experienced slight changes compared to December 2015, and employees with seniority ranging from 2 to 4 years remained the most represented, with 31% of the total.

SENIORITY



In 2016, 20% of employees had a degree completed, while 41% of employees had a baccalaureate or had attended university and 32% of employees had completed secondary school or pre-university education, and there were no changes in the structure compared to 2015.

ACADEMIC QUALIFICATIONS



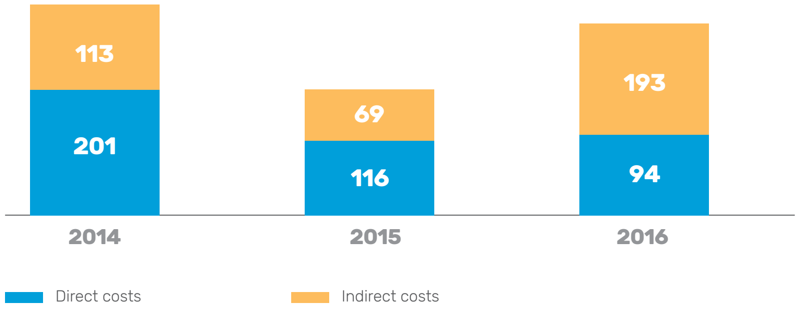
PARTICIPANTS AND NUMBER OF HOURS OF TRAINING BY AREAS

Area of training	2016		2015	
	Number of Hours	Number of Participants	Number of Hours	Number of Participants
Induction of New Employees	-	-	827	71
Audit	90	4	19	4
Money laundering and fraud prevention	795	115	5.119	556
Accounting and Financial Analysis	3.383	494	5.005	345
Banking Ethics and code of conduct	2.389	1.561	379	99
Administration of commercial activity,	4.310	368	-	-
Process Management	2.745	329	-	-
Human resources management	2.655	97	8.849	1.423
Risk Management	810	35	4.540	195
Physical Asset Management	-	-	-	-
Tax and Social Security Legislation	812	155	594	75
Leadership and Team Management	770	71	1.295	37
Languages	4.540	221	6.600	167
Financial Markets	56	11	6.701	248
Banking Operations and Techniques	11.995	982	21.788	664
Critical Thinking: Logical and numerical reasoning	2.464	74	10.760	307
Post-graduation - Bank Management	-	-	365	1
Banking products and services	7.561	845	1.448	276
Customer Quality Service - Customer Service	8.729	2.449	3.430	204
Computer systems	2.172	152	4.850	174
Grand Total, of which (per areas)	**56.274**	**7.963**	**82.568**	**4.846**
Business		**6.399**		**3.529**
Support		**1.228**		**916**
Control		**336**		**401**

In 2016, 266 training actions were conducted, which 97% were conducted in the country and 3% abroad. Training amounting to 56,274 hours (32% less than in 2015) was provided involving 7,963 participants (64% more than in 2015), with each employee benefiting on average from two training sessions in the year.
The training costs, including indirect costs (housing, food and others), amounted to AKZ 287 million in 2016, increasing by 14% over the previous year.

TRAINING COSTS

AKZ MILLION

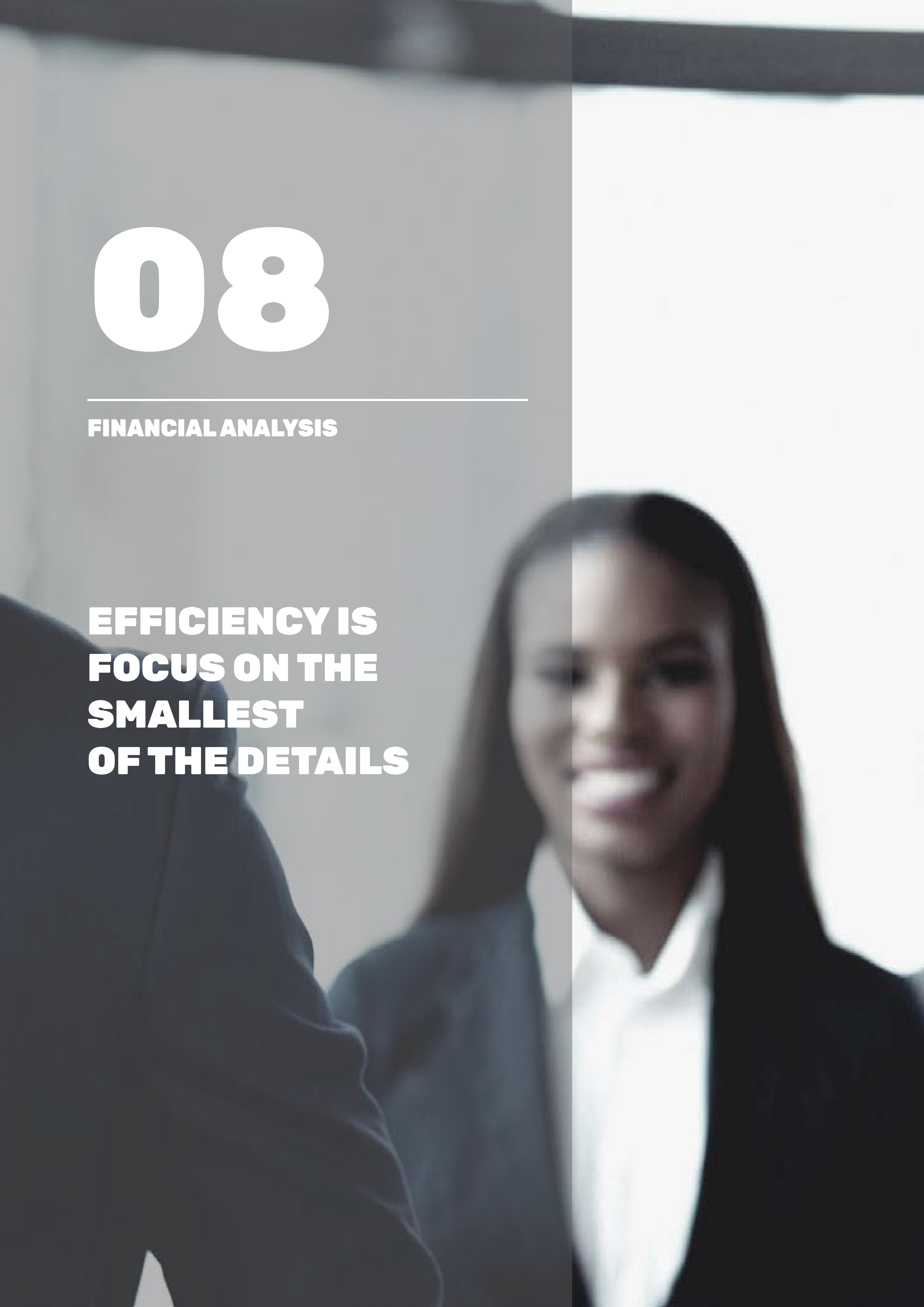


The investment in incentives for self-training amounted to AKZ 1.2 million in 2016, representing a reduction of 58% year-on-year, benefiting five employees.

In order to mitigate the challenges with commuting (distance, schedules and parking) by employees, BAI has been providing a collective transportation service since 2014, currently covering 97 employees residing in the province of Luanda.

As regards health care, employees have health insurance, whose coverage is comprehensive to the household according to certain set criteria. In order to supplement the health insurance, the Bank now owns a health post in the headquarters as stated previously.

Self-training	2014	2015	2016	2015/2014	2016/2015
No. of beneficiaries, of which:	4	13	5	225%	-62%
Branches	4	7	3	75%	-57%
Headquarters	0	6	2	0%	-67%
Investment (AKZ million)	2,0	2,8	1,2	43%	-58%



08

FINANCIAL ANALYSIS

EFFICIENCY IS FOCUS ON THE SMALLEST OF THE DETAILS

08.1

NET INCOME/(LOSS)

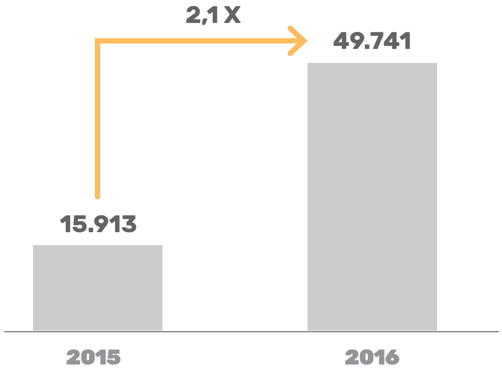
Net profit reached AKZ 49.741 million (+212,6%) when compared to 2015 (AKZ 15.913 million). This increase is essentially due to:

(i) Higher interest owing to increased investments in short term debt instruments and increase in the lending interest rates.
(ii) Recovery of loans previously written-off; and
(iii) Controlled increase in administrative costs.

NET INCOME REACHED **AKZ 49.741 MILLION (+212,6%)** WHEN COMPARED TO 2015

NET INCOME

(AKZ MILLION)



INCOME STATEMENT

AKZ Million	Dec. 2015 Pro forma	Dec. 2016	Δ% 2015/2016
Interest income	**43.778**	**71.073**	**62,3%**
Revenue from Capital Instruments	20	49	148,4%
Income/(loss) from financial assets and liabilities at fair value through profit or loss	232	2.693	1062,8%
Income/(loss) from foreign exchange operations	19.585	17.864	-8,8%
Fees and commissions income (net)	6.927	9.093	31,3%
Other operating income/(loss)	2.277	-5.774	-353,6%
Operating Income from Banking Activity	**72.819**	**95.644**	**31,3%**
Staff costs	-12.648	-14.405	13,9%
Third party supplies and services	-10.862	-12.732	17,2%
Depreciation and amortization	-2.654	-3.431	29,3%
Administrative Expenses	**-26.164**	**-30.568**	**16,8%**
Impairment on loans to customers net of reversals and recoveries	-23.229	-16.231	-30,1%
Provisions net of annulments	-4.346	1.307	-130,1%
Impairment on other financial assets net of reversals and recoveries	-1.353	716	-152,9%
Impairment on other assets net of reversals and recoveries	-1.024	-60	-94,2%
Profit before tax from continuing operations	**16.703**	**50.807**	**204,2%**
Deferred tax assets	-790	-1.066	34,9%
Net income/(loss) for the year	**15.913**	**49.741**	**212,6%**

Operating Income from Banking Activity

The Operating Income from Banking Activity amounted to AKZ 95.644 million, a 31% increase compared to 2015, supported by the evolution of net interest income.

Net interest income amounted to AKZ 71.073 million, up 62% over 2015, mainly as a result of the increase in investment in treasury bills and the increase in interest rates, the increase in interest rates on loans due to the development of the Luibor and the proper management of the liabilities spreads.

Fees and commissions net income stood at AKZ 9.681 million, 40% higher year-on-year, as a result of the increase in the volume of letters of credit, the pricing in general and the volume of tax collections.

The income from the trading of financial instruments increased from AKZ 232 million in 2015 to AKZ 2.693 million in 2016 as a result of the increase in activity in the Government Securities Exchange Market ("Mercado de Bolsa e Títulos do Tesouro (MBTT)".

Currency exchange income stood at AKZ 17.864 million compared with AKZ 19.585 million year-on-year, which reflects the impact of the lower depreciation of the local currency (23% in 2016 against 32% in 2015) on the exchange position and on the assets and liabilities indexed to foreign currency in 2016, the decrease in the total volume of foreign currency sales by 12% in USD terms, and the increase in the average exchange rate spread.

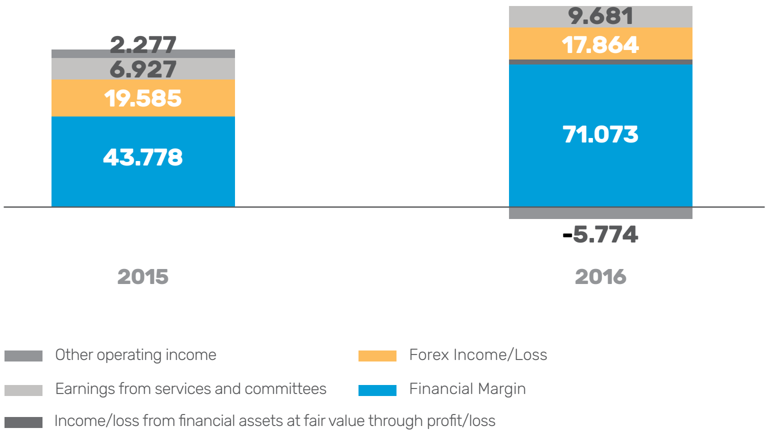
Other operating results were negative, standing at AKZ 5.774 million in the year due to taxes and fees not included on income/(loss) (approximately AKZ 5.268 million), mainly on Capital Gains Tax (CGT) and debt waiving (AKZ 4.700 million).

At the end of 2016, the average investment in financial instruments that generated return to the Bank stood at AKZ 925.189 million, increasing by AKZ 115.741 million (+14%) compared to the average of year 2015. The increase in interest and similar income due to the strategy of investing in assets with greater opportunities for return and the ever-growing increase in financial instruments rates let to an increase of this income in AKZ 36.310 million, standing at AKZ 92.579 million at the end of 2016.

The effort to attract and maintain the deposit portfolio associated with the increase in borrowing interest rates led to an increase in the cost of deposits, with average financial liabilities growing 21.4% to AKZ 439.875 million and the average interest rates of these instruments went from 3.4% in 2015 to 4.7% in 2016.

OPERATING INCOME FROM BANKING ACTIVITY

AKZ MILLION



The unit interest margin - defined as the interest rate margin of the loan portfolio and the cost of deposits - improved by 1.3 pp from 5, 7% in 2015 to 7,0 in 2016.

Amount in AKZ million, except percentages	2015 Pro forma	Fees* Averages	2016	Fees* Averages	∆% 2015/2016
Financial Assets	**809.448**	**7,0%**	**925.189**	**10,0%**	**14,3%**
Investments in Central Banks and other institutions	132.355	1,5%	62.735	4,6%	-52,6%
Investments in bonds and securities	323.689	6,7%	499.035	9,4%	54,2%
Credit	353.404	9,1%	363.419	11,8%	2,8%
Other assets	288.233		305.844		6,1%
Average Net Assets	**1.097.681**		**1.231.033**		**12,1%**
Financial Liabilities	**362.202**	**3,4%**	**439.875**	**4,7%**	**21,4%**
Term deposits	350.293	3,5%	424.813	4,8%	21,3%
Resource funding from Central banks and other credit institutions	11.909	2,9%	15.062	2,0%	26,5%
Other liabilities	617.770		645.706		4,5%
Average Liabilities	**979.973**		**1.085.581**		**10,8%**
Total average own funds	**117.708**		**145.452**		**23,6%**
Total Liabilities and Average Liabilities	**1.097.681**		**1.231.033**		**12,1%**

The average rates of financial assets and liabilities are the ratio between income or costs and the assets and liabilities that give rise to them.

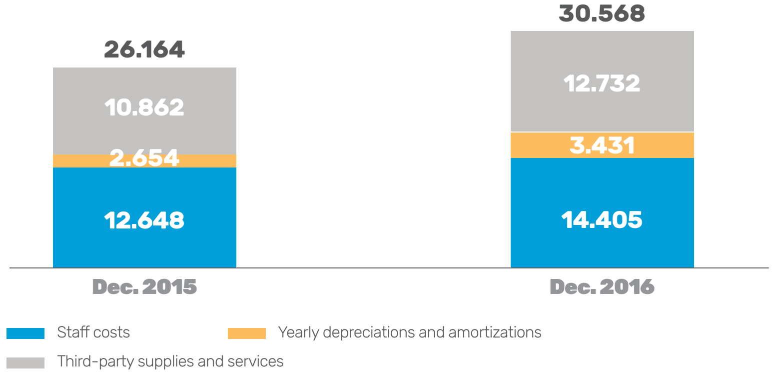
Administrative Expenses

Administrative expenses - staff expenses, third-party supplies and services and depreciation and amortization - reported a year-on-year increase of 16.8% (AKZ 4.404 million).

Third-party supply costs amounted to AKZ 12.732 million, up 17% from the previous year, owing mainly to the increase in costs with specialized computer consulting services and advertising campaigns. Amortization and depreciation costs amounted to AKZ 3.431 million due to the start in the use of the new headquarters building (Torre BAI).

ADMINISTRATIVE EXPENSES

AKZ MILLION



Staff expenses totaled AKZ 14.405 million at the end of 2016, increasing by 14% (AKZ 1.757 million) compared to the 2015 financial year, due to the Bank's salary increases in 2016 to mitigate the employee's loss of purchasing power (10% at the beginning of the second half and 10% at the beginning of the last quarter of the year).

The number of employees stood at 1.943 at the end of the year, reporting a decrease of 61 employees in the year (see analysis in the chapter on human capital).

Efficiency

The increase in both net interest income and the complementary margin, coupled with a moderate increase in administrative costs, led to a 3.9 percentage point increase in the cost to income ratio, from 35.9% in 2015 to 32.0 % In 2016.

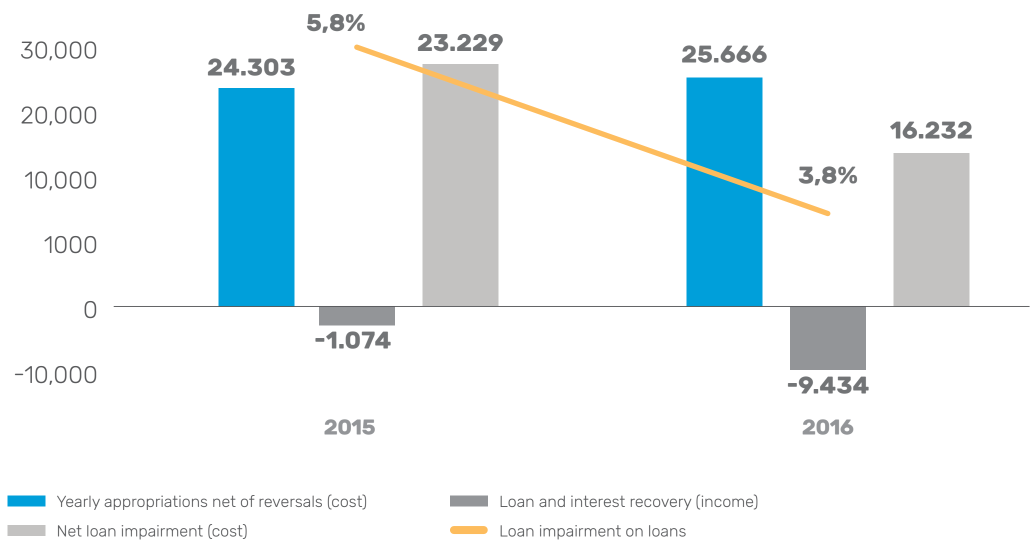
Loan impairment

The Bank recognized impairment charges for loans to customers, net of reversals and recoveries in the tune of AKZ 16.231 million, representing a 30.1% decrease year-on-year. The decrease was due to loan recovery and interest written-off in assets, AKZ 8.360 up compared to 2015, as the impairment appropriation for the year increased by AKZ 1.362 million to AKZ 25.666 million. Net loans impairment in 2016 accounted for 6,1% of the average loan balance, the same percentage reported in the previous year.

THE BANK RECOGNIZED IMPAIRMENT CHARGES FOR LOANS TO CUSTOMERS, NET OF REVERSALS AND RECOVERIES **TO THE VALUE OF AKZ 16.231 MILLION.**

LOAN IMPAIRMENT

AKZ MILLION



08.2
BALANCE SHEET

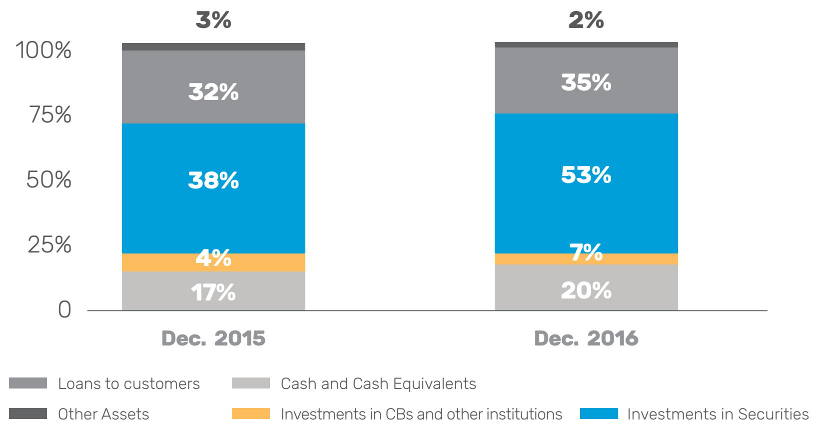
Total assets amounted to AKZ 1.365.685 million at the end of 2016, 24.6% more than in 2015, reflecting the effect of the increase in the portfolio of investments in held-to-maturity assets, the increase in foreign currency availability with the central bank, as well as the increase in investments in credit institutions abroad. Customer funding resources and other loans increased by 21.1% mainly due to the increase in deposits in local currency and to the effect of the Kwanza depreciation by 23% on foreign currency deposits.

BALANCE SHEET

Amounts in AKZ million	Dec. 2015 Pro forma	Dec. 2016	Δ% 2015/2016
Cash and Cash Equivalents	184.289	219.527	19,1%
Investments in Central Banks and other institutions	47.971	77.499	61,6%
Financial assets at fair value through profit or loss	13.232	13.696	3,5%
Financial assets available for sale	67.043	19.057	-71,6%
Held-to-Maturity Investments	334.876	550.167	64,3%
Loans to customers	346.974	379.864	9,5%
Investments in subsidiaries, associates and joint ventures	7.261	7.976	9,8%
Tangible and intangible assets	50.198	50.316	0,2%
Non-current assets held for sale	16.338	15.681	-4,0%
Other assets	28.200	31.902	13,1%
Total Assets	**1.096.382**	**1.365.685**	**24,6%**
Customers' resources and other borrowings	939.007	1.137.304	21,1%
Resource funding from Central banks and other credit institutions	13.532	16.592	22,6%
Other Liabilities	13.684	36.610	167,5%
Provisions	6.745	7.689	14,0%
Total own funds	**123.414**	**167.490**	**35,7%**
Total Liabilities and Total own funds	**1.096.382**	**1.365.685**	**24,6%**

The assets structure was significantly changed by the increase of investments in short-term debt instruments; its weight over total assets increased from 38% in 2015 to 53% in December 2016, which entailed a reduction of 32% in 2015 to 28% in December 2016.

ASSETS STRUCTURE



Loans to customers

Gross loans increased by AKZ 52.121 million (13%) in December 2016, impacted by the depreciation of Kwanza over the loans in foreign currency and the increase in loans local currency by AKZ 16.059 million (7%), granted mainly to the private sector (loans to government increased by AKZ 1.400 million).

Loans in foreign currency fell by 2% in USD terms, partly explained by conversion of loan repayments to AKZ.

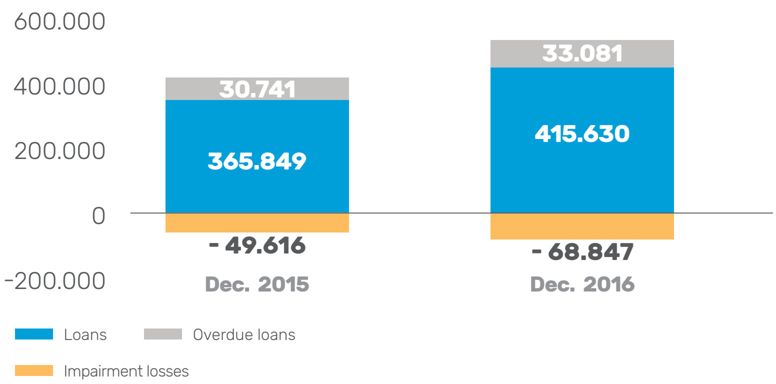
Overdue loans and interest accrued1 amounted to AKZ 33,081 million, an 8% increase compared to December 2015, mainly in loans up to 90 days (34% growth).

The balance of impairment losses on the customer loan portfolio increased by AKZ 19.231 million compared to 2015 to AKZ 68.847 million in December 2016, reflecting the increased risk of the loan portfolio. As a consequence of the increase in impairment losses over loans, the weight of impairment on loans increased from 12.5% in December 2015 to 15.3% in December 2016.

The ratio of loans to deposits was 33.4% at the end of 2016, 2.6 pp less than in 2015, impacted by the deposit increase greater than that of in loans.

LOANS TO CUSTOMERS

(AKZ MILLION)



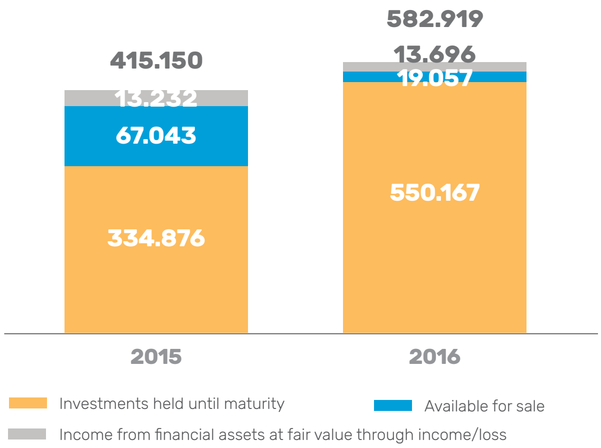
	2015	2016	2015 /2016
Loans in LC – in AKZ	215.534	231.593	7%
Loans in FC – in AKZ	181.057	217.118	20%
	396.590	448.711	13%
Loans in FC - in USD	1.338	1.309	- 2%

1 - The concept of overdue loans includes all loans overdue for more than 30 days and takes into account the whole of the credit, both the overdue and becoming due.

Investments in bonds and securities

The marketable securities portfolio is segmented into the categories of financial assets held for trading, available-for-sale financial assets and held-to-maturity investments. As a whole, these assets amounted to AKZ 582.919 million in 2016, corresponding to a 40% increase compared to 2015. The increase in the portfolio was influenced by (i) the acquisition of TBs classified in held-to-maturity investments, (ii) the maturity of treasury bonds, and (iii) the depreciation of the Kwanza by 23%.

INVESTMENTS AND SECURITIES
(AKZ MILLION)



Cash and cash equivalents and investments in the central bank and other credit institutions

Cash and cash equivalents stood at AKZ 219.268 million, an increase of AKZ 34.984 million (19%) compared to 2015, mainly explained by the increase in the availability of resources with the Central Bank in domestic and foreign currency due to an increase in resources.

Investments in other credit institutions reported an increase by 62% to AKZ 77.499 million (2015: AKZ 47.971 million). The increase was particularly noticeable in investments in foreign credit institutions resulting from the prudent management of the foreign currency and a reflection of the direct sales by the BNA pending execution by customers.

Customers' resources and other borrowings

Customer resources stood at AKZ 1.137.304 million in 2016, a 21.1% increase over that of 2015.
Demand resources stood at AKZ 674.735 million, representing a 22% increase (AKZ 122.787 million) compared to 2015, explained by the increase in resources by the private sector and in the private segment. In turn, time resources experienced a 20% increase (AKZ 75.510 million), standing at AKZ 462.568 million, driven in part by the product "BAI 20 Years", launched in the third quarter of 2016, with a maturity of 90 days and which offered a maturity rate of 15%. Demand resources accounted for 59% of the total, the same proportion as that in 2015.

Resources in local currency[1] experienced a 34% increase compared to 2015, standing at AKZ 690.630 million in 2016. Foreign currency resources, in turn, experienced a 5% increase during the year, reaching AKZ 446.495 million owing to the exchange effect, since these resources had a 14% reduction in USD terms.

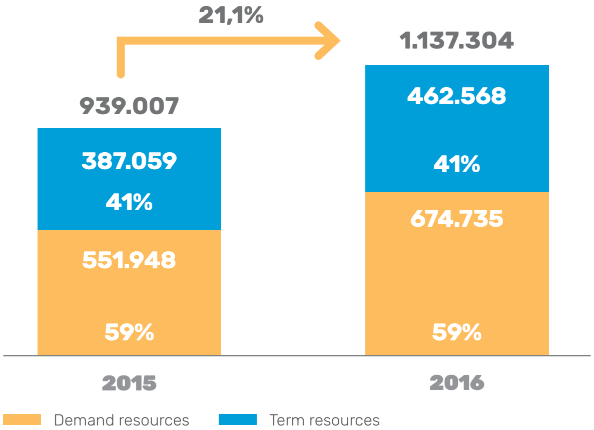
1 - Includes foreign currency indexed resources

Private sector customer resources reported a growth of 36% compared to the previous year as a result of the business strategy of taking resources and the improvements in services provided to customers of this sector.

CUSTOMERS' RESOURCES AND OTHER BORROWINGS

(AKZ MILLION)

CUSTOMERS RESOURCES STOOD AT **AKZ 1.137.304 MILLION IN 2016**



COMPOSITION OF CUSTOMER RESOURCES

AKZ Million	2015 Pro forma	2016	2015/2016 %
Public financial institutions - Central Bank	0	3	100%
OSFP - Insurance Corporations and Pension Funds	3	0	-100%
OSFP - Financial auxiliaries	24	22	-8%
OSFP - Other financial intermediaries	255	240	-6%
Central Government	26.218	45.609	74%
Local Governments (Provinces)	190	83	-56%
Municipal Administrations	0	12	100%
Independent Funds and Public Service	1.438	8.595	498%
Social Security Fund	53.184	61.909	16%
Public Non-Financial Business Sector	52.736	7.224	-86%
Private Non-Financial Business Sector	549.938	750.486	36%
Non-profit Institutions	4.551	3.816	-16%
Individuals	250.468	259.304	4%
Currency:			
Local Currency (LC), of which:	514.760	690.857	34%
Indexed resources	5.352	35.946	571,6%
Foreign Currency (FC)	424.246	446.446	5%
Total	**939.007**	**1.137.303**	**21%**
Ratios			PP
LC	55%	61%	5,9
FC	45%	39%	-5,9

OSFP - Other Private Financial Corporations

08.3
PROFITABILITY

The Return on Average Equity (ROAE) stood at 34.2%, up 20.7 percentage points from 2015, due to an increase in Return on Average Asset (ROAA) of 3 percentage points, which offset the lower degree of leverage.

DECOMPOSITION OF PROFITABILITY

	2015	2016	Var. pp 2015/2016
Interest income	**4,0%**	**5,8%**	**1,84**
Income/(loss) from foreign exchange operations	1,8%	1,5%	-0,33
Commissions and other gains and losses	0,9%	0,5%	-0,37
Operating Income from Banking Activity	**6,6%**	**7,8%**	**1,14**
Administrative Expenses	-2,4%	-2,5%	-0,10
Impairment on other financial assets net of reversals and recoveries	-0,2%	0,0%	0,22
Impairment on loans to customers net of reversals and recoveries	-2,1%	-1,3%	0,80
Provisions net of annulments	-0,4%	0,2%	0,60
Earnings Before Taxes	**1,5%**	**4,1%**	**2,61**
Current and deferred taxes	-0,1%	-0,1%	-0,01
Return on Average Net Assets (ROAA)	**1,4%**	**4,0%**	**2,59**
Leverage	9,3	8,5	-0,86
Return on Average Net Equity (ROAE)	**13,5%**	**34,2%**	**20,70**

09

PROPOSAL FOR THE APPROPRIATION OF PROFIT

BEING A REFERENCE IS BEING LOOKED AT BY THE MARKET AS A ROLE MODEL

09.1

Taking into account the legal and statutory provisions, the Board of Directors proposes, that the net income of AKZ 49.740.872.834.8 (forty-nine billion, seven hundred and forty million, eight hundred and seventy-two thousand, eight hundred and thirty-four Kwanzas and eighty cents), for the year ended 31 December 2016, be appropriated as follows:

	%	AKZ
Free Reserves	70%	34.818.610.984,36
For dividends	30%	14.922.261.850,44

Luanda on this 29th day of March 2017

BOARD OF DIRECTORS

José Carlos de Castro Paiva
Chairman of the Board of Directors

Ana Paula Gray
Deputy Chairman

Francisco de Lemos Maria
Deputy Chairman

Theodore Jameson Giletti
Director

Mário Alberto Barber
Director

Jaime de Carvalho Bastos
Director

José de Lima Massano
Director

Luís Filipe Lélis
Director

Helder Miguel Aguiar
Director

Inokcelina Ben´África dos Santos
Director

Simão Francisco Fonseca
Director

João Cândido Fonseca
Director

Pedro Castro Silva
Director

10

FINANCIAL STATEMENTS

STRATEGY IS TO SET GOALS AND NEVER LOSE SIGHT OF THEM

10.1

BALANCE SHEETS

BAI

FOR THE YEAR ENDED 2016 AND 2015 (PRO FORMA)
(AMOUNTS EXPRESSED IN THOUSAND OF KWANZAS UNLESS EXPRESSLY STATED OTHERWISE)

	Notes	31-12-2016			31-12-2015 (Pro forma)
		Amount before impairments and amortizations	Impairments and Amortizations	Net Amount	Net Amount
ASSETS					
Cash and cash balances with central banks	4	194.593.850	-	194.593.850	176.637.749
Balances with other credit institutions	5	24.934.154	-	24.934.154	7.650.781
Investments in central banks and other credit institutions	6	77.499.381	-	77.499.381	47.971.451
Financial assets at fair value through profit or loss	7	15.862.414	-	15.862.414	13.231.602
Available for sale financial assets	8	17.376.081	486.143	16.889.938	67.043.065
Investments held to maturity	9	550.166.579	-	550.166.579	334.875.749
Loans to customers	10	448.711.397	68.847.353	379.864.044	346.974.273
Non-current assets held for sale	11	16.880.212	1.199.579	15.680.633	16.337.668
Other tangible assets	12	61.305.414	12.045.805	49.259.609	49.740.154
Intangible Assets	12	3.532.383	2.475.656	1.056.727	457.284
Investments in affiliates, associates and joint ventures	13	13.492.044	5.515.995	7.976.049	7.260.645
Current tax assets	14	1.507.122	-	1.507.122	1.507.122
Deferred tax assets	14	2.851.545	-	2.851.545	3.917.454
Other assets	15	28.295.139	752.230	27.542.909	22.775.774
Total Assets		**1.457.007.715**	**91.322.761**	**1.365.684.954**	**1.096.380.771**
LIABILITIES AND EQUITY					
Amounts owed to central banks and other credit institutions	16	19.207.649	-	19.207.649	14.826.548
Customers' resources and other borrowings	17	1.137.303.582	-	1.137.303.582	939.006.549
Provisions	18	7.689.187	-	7.689.187	6.745.397
Other liabilities	19	33.994.150	-	33.994.150	12.388.764
Total liabilities		**1.198.194.568**	**-**	**1.198.194.568**	**972.967.258**
Share capital	20	14.786.705	-	14.786.705	14.786.705
Share capital revaluation reserve		28.669	-	28.669	28.669
Treasury shares			-	-	(47.260)
Other reserves and retained earnings	21	102.934.139	-	102.934.139	92.732.301
Net profit/loss for the year		49.740.873	-	49.740.873	15.913.098
Total Equity		**167.490.386**	**-**	**167.490.386**	**123.413.513**
Total Liabilities and Equity		**1.365.684.954**	**-**	**1.365.684.954**	**1.096.380.771**

The accompanying notes are an integral part of these financial statements

10.2
INCOME STATEMENTS

BAI

FOR THE YEAR ENDED 2016 AND 2015 (PRO FORMA)
(AMOUNTS EXPRESSED IN THOUSAND OF KWANZAS UNLESS EXPRESSLY STATED OTHERWISE)

	Notes	31-12-2016	31-12-2015 (Pro forma)
Interest and similar income	22	91.932.207	56.268.452
Interest and similar expense	22	(20.859.675)	(12.490.579)
Interest margin		**71.072.532**	**43.777.873**
Net income on non-trading financial instruments	23	49.397	19.888
Fees and commissions income	24	11.213.926	8.383.005
Fees and commissions expense	24	(1.532.885)	(1.455.687)
Net income on Financial Assets at Fair Value through Profit or Loss	25	2.692.934	231.586
Net income on foreign exchange operations	26	17.863.595	19.585.153
Net income the sale of assets	27	(66.899)	(385.750)
Other operating income	28	(5.648.940)	2.662.801
Operating income from banking activity		**95.643.660**	**72.818.869**
Staff costs	29	(14.404.799)	(12.663.184)
Third-party supplies and services	31	(12.731.791)	(10.846.662)
Depreciation and amortization	32	(3.431.318)	(2.654.141)
Provisions net of reversals	33	1.306.552	(4.345.662)
Impairment on loans net of reversals and recoveries	34	(16.231.077)	(23.229.063)
Impairments on other financial assets net of reversals and recoveries	35	715.404	(1.353.231)
Impairment on other assets net of reversals and recoveries	36	(59.849)	(1.023.826)
Income/(Loss) before tax		**50.806.782**	**16.703.100**
Income Tax			
Deferred Taxes	14	(1.065.909)	(790.002)
Income/(Loss) after tax		**49.740.873**	**15.913.098**
Net Income/(Loss)		**49.740.873**	**15 913.098**

The accompanying notes are an integral part of these financial statements

10.3

STATEMENTS OF COMPREHENSIVE INCOME

BAI

FOR THE YEAR ENDED 2016 AND 2015 (PRO FORMA)
(AMOUNTS EXPRESSED IN THOUSAND OF KWANZAS UNLESS EXPRESSLY STATED OTHERWISE)

	Notes	31-12-2016	31-12-2015 (Pro forma)
Net income/(loss)		49.740.873	15.913.098
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of available-for-sale financial assets	21	(336.060)	-
Total comprehensive income for the period		**49.404.813**	**15.913.098**

The accompanying notes are an integral part of these financial statements

10.4

STATEMENT OF CHANGES IN EQUITY

BAI

FOR THE YEAR ENDED 2016 AND 2015 (PRO FORMA)
(AMOUNTS EXPRESSED IN THOUSAND OF KWANZAS UNLESS EXPRESSLY STATED OTHERWISE)

	Share capital	Share capital revaluation reserve	Treasury shares	Fair value reserves	Other reserves, retained earnings and other comprehensive income	Total	Net Income /(loss) for the period	Total Equity
Balance at 1 January 2015 (Pro forma)	**14.786.705**	**28.669**	**(47.260)**	**-**	**96.358.377**	**111.126.491**	**-**	**111.126.491**
Other comprehensive income:								
Net Income/(loss)	-	-	-	-	-	-	15.913.098	15.913.098
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**15.913.098**	**15.913.098**
Revaluation Reserves Reversal	-	-	-	-	228.585	228.585	-	228.585
Dividends paid	-	-	-	-	(3.854.661)	(3.854.661)	-	(3.854.661)
Balance at 31 December 2015 (Pro forma)	**14.786.705**	**28.669**	**(47.260)**	**-**	**92.732.301**	**107.500.415**	**15.913.098**	**123.413.513**
Other comprehensive income:								
Changes to fair value	-	-	-	(336.060)	-	(336.060)	-	(336.060)
Balance sheet	-	-	-	-	-	-	49.740.873	49.740.873
Total annual comprehensive income	**-**	**-**	**-**	**(336.060)**	**-**	**(336.060)**	**49.740.873**	**49.404.813**
Allocation to free reserves	-	-	-	-	10.537.898	10.537.898	(10.537.898)	-
Treasury shares	-	-	47.260	-	-	47.260	-	47.260
Dividends paid	-	-	-	-	-	-	(5.375.200)	(5.375.200)
Balance at 31 December 2016	**14.786.705**	**28.669**	**-**	**(336.060)**	**103.270.199**	**117.749.513**	**49.740.873**	**167.490.386**

The accompanying notes are an integral part of these financial statements

10.5

STATEMENTS OF CASH FLOWS

BAI

FOR THE YEAR ENDED 2016 AND 2015 (PRO FORMA)
(AMOUNTS EXPRESSED IN THOUSAND OF KWANZAS UNLESS EXPRESSLY STATED OTHERWISE)

	Notes	31-12-2016	31-12-2015 (Pro forma)
CASH FLOW FROM OPERATING ACTIVITIES			
Interest, commissions and similar earnings received		103.146.133	90.314.205
Balance at 31 December 2016		(22.392.560)	(17.495.336)
Payments to staff and suppliers		(29.623.422)	(23.509.846)
Payments and contributions to pension funds and other benefits		(277.572)	(222.814)
Recoveries of loans previously written off from assets		9.434.466	1.074.302
Other income/(losses)		17.863.595	19.585.153
Cash flow before changes in operating assets and liabilities		**78.150.640**	**69.745.664**
Increases)/(decreases) in operating liabilities			
Investments in central banks and other credit institutions and other credit institutions		(29.527.930)	168.766.291
Financial assets at fair value though income/(loss)		62.122	(9.757.082)
Available-for-sale financial assets		49.817.068	(78.092.147)
Investments held to maturity		(215.290.831)	(103.447.422)
Loans to customers		(60.457.347)	(25.353.948)
Non-current assets held for sale		3.447.280	(6.610.562)
Other assets		(2.458.039)	(2.883.572)
Net flow generated from operating assets		**(254.407.677)**	**(57.378.442)**
Increases)/(decreases) in operating liabilities			
Central banks' and other credit institutions' resources		4.381.101	1.191.811
Customers' resources and other loans		198.297.033	(15.484.463)
Other liabilities		17.556.568	(1.323.326)
Net flow generated from operating liabilities		**220.234.702**	**(15.615.978)**
Net cash from operating activities before income tax		43.977.665	(3.248.756)
Tax on incomes paid			-
Net flow generated from operating liabilities		**43.977.665**	**(3.248.756)**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Dividend received		49.397	19.888
Purchase of tangible assets, net of proceeds		(2.673.178)	(7.031.007)
Purchase of intangible assets, net of proceeds		(943.939)	611.748
Purchase of shares in subsidiaries, associates and joint ventures, net of proceeds		61.728	(415.913)
Net cash generated from investment activities		**(3.505.992)**	**(6.815.284)**
CASH FLOW GENERATED FROM FINANCING ACTIVITIES			
Purchase of own shares, net of proceeds		47.260	-
Dividend distribution		(5.279.459)	(4.699.939)
Net cash generated from financing activities		**(5.232.199)**	**(4.699.939)**
Changes in cash and cash equivalents		**35.239.474**	**(14.763.979)**
Cash and cash equivalents at the beginning of the period		184.288.530	199.052.509
Cash and cash equivalents at the end of period		**219.528.004**	**184.288.530**
Cash and cash equivalents cover:			
Cash		17.477.732	27.829.288
Demand deposits with the National Bank of Angola	4	177.116.118	148.808.461
Cash balances with other credit institutions	5	24.934.154	7.650.781
		219.528.004	**184.288.530**

The accompanying notes are an integral part of these financial statements

10.6

NOTES TO THE FINANCIAL STATEMENTS
(AMOUNTS EXPRESSED IN THOUSAND OF KWANZAS UNLESS EXPRESSLY STATED OTHERWISE)

1 – Introductory note

The Banco Angolano de Investimentos, (hereinafter referred to as "Bank" or "BAI"), with its headquarters in Luanda, is a private equity institution, deemed part of the non-resident financial entities. The Bank was founded on 13 November 1996 and commercial activity kicked off on 4 November 1997. On 4 May 2008, BAI changed the abbreviation of its legal entity name from Limited Liability Company ("S.A.R.L") to Limited Company ("SA"). On 11 January 2011 the Bank changed its corporate name from Banco Africano de Investimentos, S.A. to Banco Angolano de Investimentos, S.A.

Banking is the corporate objective of the institution, according to and within the framework established by the Angolan National Bank, (hereinafter referred to as "BNA") engaging in the acquisition of third party resources as deposits, certificates of deposit and cash bonds, which, combined with its resources, are applied to , bank loans, deposits at the BNA, applications in financial institutions, acquisition of bills and other assets duly authorized. The Bank renders other financial services and carries out further operations related to foreign currency, relying for this purpose, on a nationwide chain of 143 points of sale.

2 – Accounting policies

2.1 Basis of presentation

According to Regulation no. 6/2016 of 22 June, of BNA, the financial statements of BAI are prepared according to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). These Financial Statements reflect the reality of the individual activity of the Bank up to 31 December 2016, drafted in compliance with the requirements to declare individual statements as defined by the BNA.

The IAS/IFRS cover the accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), as well as those set by previous organs.

The following financial statements are based upon the year ended 31 December 2016. Considering that by 31 December 2015 the Bank had prepared its financial statements in accordance with the CONTIF (new chart of accounts for financial institutions), the financial statements for the year then ended analysed in this report had been prepared in line with the IAS/IFRS for a mere comparative purpose in compliance with the IFRS 1 (See note 41).

The financial statements are expressed in thousands of Kwanzas, rounded to the nearest thousand and were prepared in agreement with the historic cost principle, with the exception of assets accounted at fair value, namely financial assets held for trading at fair value through profits or loss and financial assets available for sale.

The preparation of financial statements in line with IAS/IFRS requires that the Bank proceeds to accounting judgments and estimates and that it uses suppositions that affect the application of accounting policies and the amount of profits, loss, assets and liabilities. Alterations in suppositions or any adaptation of the latter given the reality could have an impact on current estimates and judgments. The areas that are deemed more complex and demand a higher level of judgment, or that require significant estimates and suppositions for the preparation of financial statements can be found and analysed in note 3.

The financial statements of the year ending 31 December 2016 have been approved in the Board of Directors meeting on 29 March 2017.

2.2 Transactions in foreign currency

The assets and liabilities denominated in foreign currency are accounted on the basis of the multi-currency system, in other words, in their respective denomination currency.

The transactions in foreign currency are converted in to Kwanzas (Angolan national currency) at the exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are converted into Kwanzas at the exchange rate on the date of the balance sheet.
Exchange rate differences resulting from conversion are recognized in profit.

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

- Recorded at historical cost– at the foreign Exchange rate on the date of the transaction.
- Accounted at fair value – at the exchange rate on the date the fair value is defined and previously recognised in profits and loss, except for financial assets available for sale, for which the difference is recognized against the income statement.

The Kwanza (AKZ) reference exchange rate for American dollars (USD) and Euros (EUR) on December 31 2016 and 2015 were the following:

Reported period	USD	EUR
31-12-2016	165,903	185,379
31-12-2015	135,315	147,832

2.3 Loans to Customers

Loans to customers include advances originated by the Bank, not intended to be sold in the short term, which are recorded on the date the amount is disbursed to the client.

The loans to customers is initially recognised at its fair value, to which is added transaction costs, and is subsequently measured at amortised cost, based on the effective interest rate, presented on balance sheets deducted from impairment losses.

Loans to customers are not recognised in the balance sheet when(i) the contractual rights of the Bank related to the respective cash flow have expired, (ii) The Bank subsequently transferred all the risks and benefits associated with holding them, or (iii) notwithstanding the fact that the Bank may have part, but not substantially all, the risks and benefits associated with the holding, control over the assets was transferred.

Impairment

The Bank Policy consists in the regular assessment of the existence of objective evidence of the estimate impairment based on the recoverable amount of the loan portfolio. Identified impairment losses are charged against results, and subsequently charges are reversed in case of a reduction of the estimated impairment loss in a subsequent period

Following initial recognition, a loan or a credit portfolio to clients, defined as a group of loans with similar risk characteristics, may be classified as impaired when there is objective evidence of impairment as a result of one or more events and when the loss event after initial recognition of the asset has an impact on the estimated recoverable amount of the future cash flows of the asset for approval of loan portfolio impairment. The Bank segmented its portfolio in the following manner:

- Public Sector;
- Loans to Large Corporations;
- Loans to Small Companies;
- Consumer Credit;
- Credit Cards;
- Housing Credit;
- Bank Overdrafts.

According to IAS 39, there are two methods to measure impairment losses: (i) individual analysis and (ii) collective analysis.

(i) Individual Analysis

The assessment of impairment losses on an individual level is determined on the basis of an analysis of the total exposure of the loan on a case by case pattern. For each significant individual loan envisaged, the Bank assesses the objective existence of impairment on each balance sheet date.

The Bank regards individually significant exposure as follows:

1. Value of the global exposure of the client/economic group of 0,5% or more of the institution´s total own funds;
2. Twenty major private customers.

For the rest of the segments of the credit portfolio, the Bank proceeds to a collective analysis for approval of impairment losses.

For an up-to-date and adequate detection and appreciation of the impairment loss amount, the Bank considers a significant and comprehensive range of evidence.

The objective evidence of the loss refers to events that may be ongoing observable data or information collected by the institution upon previous impairment loss events, namely:

- Evident financial difficulty of the borrower;
- Existence of credit operations involved in litigation in the last five years;
- Existence of returned cheques in the financial system according to available information found in the Information and Loan Risk database (CIRC);
- Existence of non-authorized overdrafts and authorized overdrafts used above the formally contracted limit;
- Existence of renewable credit operations permanently used in at least 95% of the initially contracted limit in the last twelve months;
- Existence of credits of building projects with material decrease of the value of the real guarantee (over 20%) as a result of financing-guarantee ratio superior to 80%;
- Knowledge of the existence of tax debts and/or social security debts;
- Existence of cases of unemployment or long-term illness in the case of private clients;
- Existence of pledges of bank accounts by the tax authorities;
- Client in risk of bankruptcy or subject to a process of financial and/or operational recovery/reorganization;
- Disappearance or a significant relevant market breakdown for the borrower;
- Arrears on the payment of capital interest:
  - Existence of failure of payment of credit operations to the Bank for a period greater than 30 days;
  - Existence of over 90 day delayed credit operations in the financial system, capital and rebated/annulled interests involved in litigation , that represent 2% of client responsibilities within the financial system according to the available information found in the credit bureau database (CIRC);
- Existence of at least one credit operation restricted over financial difficulties in the last twelve months or intention/file for credit restructuring;

- Existence of frauds committed by customers based on the information held by the Bank;
- Existence of dispute between the Bank and the client;
- Existence of protested/non collected items.

Impairment losses are calculated based on the comparison between the current value of the expected and deducted future cash flows to the original effective interest rate of each contract and the book value of each loan considering losses are recorded against income statement. The book value of the impairment loans is presented in the impairment losses net balance. As for loans with a variable interest rate, the used deduction rate corresponds to the effective interest rate applicable to the period impairment was calculated.
The calculation of the current value of the expected future cash flows of a guaranteed loan reflect the cash flows that may result from recovery and selling of the collateral, considering the deduction from inherent costs from recovery and sales.

(ii) Collective Analysis
Within the scope of the collective impairment analysis, loans are grouped based on the fact they present similar risk characteristics relying on the segmentation of the portfolio defined by the Bank.

Impairment losses based on collective analysis are calculated in two possible perspectives:

- For homogenous credit groups not considered individually significant; or
- For Incurred but not reported losses (IBNR) on loans with lack of objective evidence of impairment.

The future cash flows for loan portfolio for which impairment is assessed collectively are estimated on the basis of contracted cash flows, and on the historical experience of loss. The methodology and suppositions used to estimate future cash flows are regularly reviewed by the Bank in order to monitor the differences between estimated losses and real losses.

Impairment losses for customers with non-payment records corresponds to the product between non--payment probability "PD" and the amount corresponds to the difference between the value of the balance sheet of respective loans and the up-dated value of the estimated future cash flows of these operations.. The non-payment element corresponds to the probability of an operation or a client finding themselves in a situation of non-payment for a given period of emergency. This period amounts to the time spent between the occurrence of an originating event of losses and the moment the existence of the event is detected by the Bank (IBNR).

For this purpose, the Bank determines the respective parameters or risk, non-payment probability (PD) and Loss Given Default (LGD), on the basis of the guidelines set by the IAS 39 and the best practices of the market.

Collateral assessment process

The assessment of guarantees is regularly secured to enable the Bank to have updated information on the value of these instruments and, consequently, of its capacity of mitigation of the credit operation risk.

Loan granting phase
Within the scope of the conditions of approval of credit operations, whenever the necessity to obtain a guarantee from the client is defined, in case the typology of the guarantee or detected collateral requires a request for assessment for definition and validation of its value, a request for assessment of the guarantee will be addressed to the Loan Analysis Division in case of property, as a way to contact and trigger the process by expert assessors in case of properties registered at the Capital Market Commission (CMC). For the remaining collateral an evaluation request is also submitted to the Credit Analysis Division.

Loan Monitoring phase
In regard with the process of periodic review of collaterals, based on regulatory requirements in force, namely in terms of defined criteria for the realization of a new assessment of mortgage collaterals, the Risk Management Division has the responsibility to identify guarantees subject to revaluation (based

on the warnings of the risk management system of collaterals) with a notice to the Credit Analysis Division, which triggers the respective process by external assessors.

Credit recovery phase

Whenever relevant in the credit recovery process, and in order to determine the recoverable amount of the credit through the execution of the existing guarantees or to support a credit restructuring operation, the Credit Recovery Department may request the reassessment of the guarantees Associated with the operations under its management.

The valuation value of each type of guarantee is determined based on the specificities of each of these instruments, considering the following criteria:

(i) Buildings

The valuation value is determined on the basis of prudential criteria and taking into account the long-term sustainable aspects of the property, local market conditions, current use and adequate alternative uses of the property.

According to BNA Regulation No. 10/2014, issued in December 2014, on guarantees accepted for prudential purposes, property rights should be reassessed at least every 2 years, whenever The exposure represents:

- An amount of 1% or more of the total loans portfolio of the institution or an amount of AKZ 100.000.000 or more; or
- Situations of overdue loans for more than 90 days and / or other material evidence of impairment provided that the last assessment date is superior to 6 months; or
- Situations in which changes of a different nature are identified under market conditions with a potential significant impact on the value of real estate assets and / or in a group or more of real estate assets with similar characteristics.

The values and evaluation dates of the guarantees are recorded in the collateral management system, which issues warnings for the revaluation dates.

(ii) Pledge of term deposits

The value of the guarantee will be the nominal value of the deposit, as well as the respective interest (if they are also involved).

(iii) Other guarantees received

For other guarantees received, namely equipment pledges, the market value determined on the basis of an up-to-date evaluation, of a seniority of less than one year, shall be considered to be carried out by an appropriate entity with specific competence taking into account the particular nature of every warranty received. It is a necessary condition for the evaluation of this type of guarantees, the validation of the property, safeguard and conditions of operation of the underlying assets.
Exceptions to this rule are subject to professional judgment and discounts are applied in accordance with the specific nature of the assets.

In the event that there is no evaluation of the guarantee, or if it cannot guarantee the ownership and safeguard of the assets, the value of the collateral received is not considered for the purpose of calculating impairment losses.

Taking into account the difficulties underlying a correct and careful evaluation of this type of guarantees received, the Bank has chosen to follow a conservative approach and not to consider them as credit risk mitigators.

(iv) Other financial assets invested

In the case of quoted securities and stakes, the value to be considered will be the market value at the reference date of the report. For unlisted securities and holdings, they are considered to be valuations using the discounted cash flow method or another alternative method if it is considered more applicable, the Bank uses (i) the multiples method or alternatively (ii) the adjusted book value method, and the choice of the respective valuation method is Depending on the available information and the specific characteristics of each instrument, at the time of the evaluation, and at each moment the Bank decides which method is most appropriate to be used.

In order to adopt a conservative approach to incorporating the value of guarantees into the loan portfolio, the Bank defined a set of haircuts that reflect the risk in the use of collateral and can be translated into two dimensions, namely : I) legal and procedural obstacles to its implementation; Ii) the volatility of its market value.

Impairment reversal

If, in a subsequent period, the amount of the impairment loss decreases and the impairment loss can be objectively related to an event occurring after recognition of the impairment, the impairment loss previously recognized is reversed. The amount of the reversal is recognized in profit or loss.

Loans write-offs

Write-off of credits is made when there is no realistic prospect of recovering the credits from an economic perspective and for collateralized loans when the funds from the realization of the collateral have already been received due to the use of impairment losses when they correspond to 100% of the value of the credits considered as non-recoverable.

2.4 Financial instruments

(i) Classification, initial recognition and subsequent measurement

The Bank recognizes accounts receivable and payable and deposits as of the date of origin. All other financial instruments are recognized at the date of the transaction, which is the moment at which the Bank becomes an integral part of the contract and are classified according to the intention underlying them according to the categories described below:

- Financial assets at fair value through profit or loss, and within this category as:
  - held for trading;
  - Assigned at fair value through profit or loss.
- Held-to-maturity investments;
- Available-for-sale financial assets;
- Bills to receive;
- Financial liabilities.

A financial asset or liability is initially measured at fair value plus transaction costs directly attributable to the acquisition or issue, unless they are items recorded at fair value through profit or loss in which transaction costs are immediately recognized as expenses for the year.

1) Financial assets and liabilities at fair value through profit or loss

1a) Financial assets held for trading

Financial assets held for trading are those acquired primarily for the purpose of trading in the short term or held as part of a portfolio of assets, usually securities or derivatives, for which there is evidence of recent Realization of short-term gains.

1b) Designated at fair value through profit or loss

The designation of financial assets or liabilities at fair value through profit or loss (Fair Value Option) may be carried out provided that at least one of the following requirements is met:

- the financial assets or liabilities are managed, evaluated and reported internally at their fair value;
- the designation eliminates or significantly reduces the accounting mismatch of transactions; or
- financial assets or liabilities contain embedded derivatives that significantly change the cash flows of the host contracts.

Financial assets and liabilities at fair value through profit or loss are recognized initially at their fair value, with the costs or income associated with the transactions recognized in profit or loss at the initial moment, with subsequent changes in fair value recognized in profit or loss. The accrual of interest and the premium / discount (when applicable) is recognized in the financial margin based on the effective interest rate of each transaction, as well as the accrual of interest on derivatives associated with financial instruments classified in this category.

2) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are recognized in this category for which the Bank has the intention and ability to hold to maturity and which have not been assigned to any other category of financial assets.

These financial assets are recognized at amortized cost at the initial recognition date and are subsequently measured at amortized cost using the effective interest rate method. Interest is calculated using the effective interest rate method and recognized in net interest income. Impairment losses are recognized in results when identified.

Any reclassification or sale of financial assets recognized in this category that is not carried out near maturity will require the Bank to fully reclassify this portfolio to available-for-sale financial assets and will be unable for two years to classify any financial asset in this category.

3) Available-for-sale financial assets

Non-derivative financial assets are those that (i) the Bank intends to maintain for an indefinite period, (ii) which are designated as available for sale at the time of their initial recognition or (iii) that do not fall within the categories previously mentioned. This category may include debt or equity securities.

Available-for-sale financial assets are initially recognized at fair value, including costs or income associated with the transactions and subsequently measured at fair value. Changes in fair value are recorded against fair value reserves until they are sold or until recognition of impairment losses, in which case they are recognized in the income statement. Equity instruments that are not quoted and whose fair value cannot be estimated reliably are recorded at cost.

In the disposal of available-for-sale financial assets, accumulated gains or losses recognized in fair value reserves are recognized in the statement of income as "Available-for-sale financial assets".

The foreign exchange fluctuation of foreign currency debt securities is recorded in the income statement. For equity instruments, since these are non-monetary assets, exchange rate fluctuations are recognized in the fair value Reserve (Equity), as an integral component of their fair value.

Interest on debt instruments is recognized based on the effective interest rate in the financial margin, including a premium or discount, when applicable. Dividends are recognized in income when the right to receive is granted.

4) Accounts receivable

Non-derivative financial assets with fixed or determinable payments that are not quoted on the market and which the Bank does not intend to sell immediately or in the near future may be classified in this category.

The Bank has credit in this category. If applicable, it would also classify unlisted bonds and commercial paper.

The financial assets recognized herein are initially recorded at their fair value and subsequently at amortized cost net of impairment. The associated transaction costs are part of the effective interest rate of these financial instruments. Interest recognized by the effective interest rate method is recognized in the financial margin.

Impairment losses are recognized in results when identified.

5) Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation for a liquidation to be effected by delivering cash or another financial asset, regardless of its legal form.

Non-derivative financial liabilities include claims from credit and customer institutions, loans, liabilities represented by securities, other subordinated liabilities and short selling.

Financial liabilities are initially recognized at fair value and subsequently at amortized cost. The associated transaction costs are part of the effective interest rate. Interest recognized by the effective interest rate method is recognized in net interest income.

The gains and losses recorded at the time of repurchase of other financial liabilities are recognized in the Results of assets and liabilities measured at fair value through profit or loss at the time they occur.

The Bank classifies its financial liabilities as non-guarantees and commitments, measured at amortized cost, based on the effective rate method.

(ii) Amortized Cost

The amortized cost of a financial asset or financial liability is the amount by which a financial asset or liability is initially recognized, less capital receipts, plus or minus accumulated depreciation using the effective interest rate method, arising from the difference between the Initially recognized and the amount at maturity, less the reductions resulting from impairment losses.

(iii) Identification and measurement of impairment

In addition to the impairment analysis on loans and advances to customers, at each balance sheet date an assessment is made of the existence of objective evidence of impairment for all other financial assets that are not recorded at fair value through profit or loss. A financial asset or group of financial assets is impaired where there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition that have an impact on the future cash flows of the asset that can be estimated with Reliability.

The Bank regularly assesses whether there is objective evidence that a financial asset, or group of financial assets, shows signs of impairment.

A financial asset or group of financial assets is impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as:

(i) for equities and other equity instruments, a continuing or significant devaluation at its market value below cost of acquisition, and (ii) for debt securities, when such event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, which can reasonably be estimated.

For held-to-maturity investments, impairment losses correspond to the difference between the book value of the asset and the present value of estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the asset Recorded in the income statement. These assets are presented in the net balance sheet of impairment. If we are dealing with an asset with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the current effective interest rate determined on the basis of the rules of each contract. In the case of investments held to maturity, if in a subsequent period the amount of the impairment loss decreases and this decrease can be objectively related to an event that occurred after the recognition of the impairment, it is reversed against the results of the year.

When there is evidence of impairment in available-for-sale financial assets, the accumulated potential loss corresponding to the difference between the acquisition cost and the current fair value, less any impairment loss on assets previously recognized in profit or loss, is transferred to profit or loss. If, in a subsequent period, the amount for impairment losses decreases, the previously recognized impairment loss is reversed against the results of the period up to the replacement of the acquisition cost if the increase is objectively related to an event occurring after recognition of the impairment loss , Except for shares or other equity instruments, where subsequent capital gains are recognized in reserves.

(iv) Transfers between categories

The Bank only transfers financial assets based on fixed or determinable payments and defined maturities, the category of financial assets available for the sale of a category of financial assets to maturity, provided that it has an intention and ability to maintain These assets to maturity.

These transfers are made based on the fair value of the assets transferred, determined on the date of the transfer. The difference between this fair value and its nominal value is recognized in the income statement until maturity of the asset, based on the effective rate method. The fair value reserve existing at the date of the transfer is also recognized in the income statement based on the effective rate method.

(v) De-recognition

The Bank de-recognises its financial assets when all rights to future cash flows expire. In a transfer of assets, de-recognition can only exist when substantially all the risks and benefits of the funds are transferred to the bank or the Bank nor does it transfer or retain substantially all the risks and benefits and does not retain control of the financial assets.

The Bank de-recognises financial liabilities when they are cancelled, terminated or expired.

(vi) Compensation of financial instruments

The Bank proceeds to offset financial assets and liabilities, presenting a net amount without balance when, at the right moment, the Bank has the irrevocable right of compensation on a net basis and intends to settle on a net basis or to receive a value of the asset and settle the liability simultaneously.

Gains and losses are only offset when the same is applicable to IFRS or for gains and losses arising from a group of transactions of a similar nature.

(vii) Measurement at fair value

Fair value is the price that would be received when selling an asset or paid to transfer a liability in a current transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Bank has access to carry out the transaction on that specific date The fair value of a liability reflects the Bank's own credit risk.

When available, the fair value of an investment is measured using its market quotation in an active market for that instrument. A market is considered active if there is sufficient frequency and volume of transactions for a constant price quotation to exist.

If there is no quotation in an active market, the Bank uses valuation techniques that maximize the use of observable market data and minimize the use of unobservable market data. The valuation technique chosen incorporates all the factors that a market participant would take into account when calculating a price for the transaction.

2.5 Equity Instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation for its liquidation 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 issuance of equity instruments are recorded against equity as a deduction from the issuance value. The amounts paid and received for the purchase and sale 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.

2.6 Other tangible assets

(i) Recognition and measurement

Other tangible assets are recorded at 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.

Depreciation

The land is not depreciated. Depreciation is calculated using the straight-line method, according to the following expected useful life:

	Number of years
Loan service	50
Works on leased real estate	10
Equipment	
Furniture and equipment	10
Machinery and tools	6 a 10
Computer equipment	3 a 10
Land Transport vehicles	4
Other tangible fixed assets	10

When 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 value of an asset exceeds its recoverable value. Impairment losses are recognized in the income statement.

The recoverable amount is determined as 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.

2.7 Intangible assets

Software

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

Charges for research and development projects

Costs directly related to the development of computer applications, on which it is expected that they will generate future economic benefits in addition to a financial year, are recognized and recorded as intangible assets.

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

2.8 Transactions with repurchase agreement

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

Securities purchased with reverse repos for a fixed price or at 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 Credit institutions or customers, 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.

2.9 Investments in subsidiaries and associate companies

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

Subsidiaries are entities (including investment funds and securitization vehicles) under the Bank's control. The Bank shall monitor an institution 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 its relevant activities (de facto control).

Associate companies are entities over 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 owns the power to exercise more than 20% of the associate company's voting rights. If the Bank owns, directly or indirectly, less than 20% of the voting rights, it is presumed that the Bank has no significant influence, unless such influence can be clearly demonstrated.

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

- 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;
- Interchange of managerial personnel;
- Provision of essential technical information.

Impairment

The recoverable amount of investments in subsidiaries and associates is measured whenever there is evidence of impairment.

Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries and associated companies and their book value.

The identified impairment losses are posted in the income statement and are subsequently reversed by profit or loss should there be a reduction in the amount of estimated loss in a subsequent period. The recoverable amount is determined based on the higher between the value in use of assets and the fair value less costs of sale, and are calculated using valuation methodologies, supported by discounted cash flow techniques, considering the market conditions, the time value and the business risks.

2.10 Non-current assets held for sale and discontinued operations

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

Non-current assets or groups of assets purchased only for subsequent sale, which are available for immediate sale and are most likely to be sold are also classified as non-current assets held for sale by the Bank.

Immediately before being classified as non-current assets held for sale, all non-current assets and all assets and liabilities included in a group of assets for sale is made are measured in accordance with applicable IFRS. After their reclassification, these assets or groups of assets are measured at the lower of cost and fair value less costs of sale.

Discontinued operations and subsidiaries acquired exclusively for sale purposes in the short term are consolidated until their sale.

The Bank also classifies as non-current assets held for sale the investments arising from recovered loans that are measured initially by the lower of its fair value net of sale expenses and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalized.

The fair value is determined based on the expected selling price estimated through periodic valuations performed 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 selling costs, and are not subject to amortization. Should there be any unrealized losses, these should be recognized as impairment losses against results.

2.11 Income tax

Income taxes in the income statement include current and deferred taxes. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Deferred taxes arising from the revaluation of available for sale financial assets and cash flow hedge derivatives recognized in equity are recognized in the income statement in the period the income and losses that originated the deferred taxes are recognized.

i. Current tax

Current tax is the tax expected to be paid on the taxable income for the period, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

With the enactment of Law no. 19/14 of 22 October, which entered into force on 1 January 2015, corporate tax is tentatively paid in a single instalment in August, calculated by levying a 2% rate on the income from financial intermediation operations calculated in the first six months of the previous financial year, excluding income subject to capital investment taxes irrespective of whether there is any taxable income or otherwise in the financial year.

ii. Deferred tax

Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities and their tax base, using the tax rates enacted or substantively enacted at the balance sheet and that is expected to be applied when the temporary difference is reversed.
Deferred tax liabilities are recognized for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including tax losses carried forward)

The Bank compensates, as established in IAS 12 - Income tax, paragraph 74, the deferred tax assets and liabilities if, and only if: (i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

iii. Capital Gains Tax

The Presidential Legislative Decree no. 2/14, 20 October, in force since 19 November, reviewed and introduced several legislative changes to the Capital Gains Tax (CGT), following the tax reform project.

The IAC is generally levied on 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, equities or other equivalent securities issued by any company which are admitted to trading on a regulated market and its issue has a maturity not less than three years) and 15%.

It should be noted that, pursuant to the provisions of Article 18 of the Corporate Tax Code, the IAC is not accepted as a deductible expense for purposes of calculating the taxable income, as well as, on the other hand, the income subject to IAC shall be deducted from the taxable profit, pursuant to the provisions of Article 47 of the Corporate Tax Code.

iv. Real Estate Property Tax (IPU)

Pursuant to the amendments introduced by Law 18/11, of 21 April, the property tax is levied on income from leased real estate property at a rate of 15%.

In addition, pursuant to Article 18 of the corporate tax code, the IPU is not accepted as a deductible expense for purposes of calculating the taxable income neither are costs of maintenance and repairs of leased buildings, considered as an expense in the calculation of the IPU.

2.12 Other taxation

i. Property Tax

Real Estate Property Tax (IPU)
In view of the wording introduced by Law 18/11, of April

21, the exemption previously provided for in the IPU Regulation was repealed, shifting the IPU to being levied at a rate of 0.5% on the book value of own properties which are intended for the normal business of the Bank (more than AKZ 5.000.000).

Real Estate Transfer Tax (Sisa)
Pursuant to Legislative Decree 230 of 18 May 1931, as well as the amendments introduced by Law 15/92 of 3 July and Law 16/11 of 21 April, the real estate transfer tax is levied on all acts that imply perpetual or temporary transfer of property of any value, kind or nature, regardless of the denomination or form of the title (e.g. acts that imply transfer of improvements in rural or urban buildings, the transfer of immovable property through donations with pensions or transfer of real estate through donations) at the rate of 2%.

ii. Other taxes

The Bank is also subject to indirect taxation including customs duties, stamp tax, excise tax and other fees.

iii. Tax substitution

In connection with its activity, the Bank takes the role of a tax substitute, withholding taxes in respect of third parties, which it then hands over to the State.

Capital Gains Tax
Pursuant to the Presidential Legislative Decree 2/14, 20 October, the Bank withholds the capital gains tax at a rate of 10%, levied on interest paid to customers for term deposits.

Stamp tax
According to Presidential Legislative Decree 3/14 of 21 October, the Bank is responsible for the settlement and hand over of stamp duty due by its customers in all banking operations (e.g. financing, interest collection, financial services commissions), and the Bank is expected to settle the tax at the rates set forth in the Stamp Tax Table.

Industrial Tax
Pursuant to the provisions of Article 67, paragraph 1, of Law 19/14, of 22 October, the provision of services of any nature is subject to tax withholding at the rate of 6.5 %.

Real Estate Property Tax (IPU)
Pursuant to the provisions of Law 18/11, of 21 April, the Bank withholds the tax on IPU owed at a rate of 15%, levied on the payment or delivery of the leased real estate property.

2.13 Employee benefits

i. Defined Contribution Plans

For defined contribution plans, the liabilities arising from 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 benefits of employees

The Bank's net liability for long-term employee benefits is the amount of future benefit that employees are expected to receive in exchange for their service in the current and in past periods. This benefit is discounted to establish its present value. Re-measurements are recognized in the income or loss for the year.

iii. Benefits associated with termination of service

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

iv. Short-term benefits of employees

Short-term employee benefits are recorded as a cost as soon as the 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 a service rendered in the past by the employee and that liability can be estimated reliably.

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

v. Social Fund

According to the Social Fund regulation, the purpose of the Social Fund is to provide social support to BAI employees and their families.

Such social support may include, in particular, the following arrangements:

(i) Availability or sale of housing units under a system of subsidized prices;

(ii) Other social support is to be decided upon by the Fund Management Committee, such as the provision of public transport and daycare centres.

The General Meeting of BAI, on a proposal from the Board of Directors, will decide the annual allocation of each year, which will become the financial allocation of the Social Fund and it will be recorded in the Income statement

The appropriations not used annually shall be transferred to the budget of the Social Fund for the following year.

Only those employees who meet the following conditions at the date of granting of such social support may be eligible for Social Fund support:

(i) be employed for at least 3 years;
(ii) absence of disciplinary proceedings in the last 3 years;
(iii) Achievement of above-average performance rating.

2.14 Provisions

Provisions are recognized when (i) the Bank has a current obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is likely 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 set forth in IAS 37 as regards the best estimate of the expected cost, the most likely outcome of the actions in progress and taking into account the inherent risks and uncertainties in the case.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, reversed against income or loss in the proportion of the payments that are not likely to materialize.

Provisions ceased from being recognized when they are used for the liabilities for which they were initially set up or in cases where they are no longer observed.

2.15 Interest accounting

The income pertaining to interest on financial instruments and liabilities measured at amortized cost are recognized under the headings Interest and Similar Earnings or Interest and Similar Expenses (interest income), using the effective interest rate method. Interest at the effective rate of available-for-sale financial assets is also recognized in net interest income, as well as financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate discounting future receipts or payments estimated over the expected life of the financial instrument (or, where appropriate, for a shorter period) to the net present value of the balance sheet of the financial asset or liability.

In order to determine the effective interest rate, the Bank estimates the future cash flows considering all contractual terms of the financial instrument (for example, prepayment options), excluding any likely impairment losses.

The calculation includes commissions paid or received which are considered part and parcel of the effective interest rate, the 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 groups of similar financial assets for which impairment losses have been recognized, interest recognized in profit or loss is determined on the basis of the interest rate used to discount future cash flows in the measurement of impairment losses.

Specifically with regard to the accounting policy for interest on overdue loans, the following aspects are considered:

- Interest on overdue loans with collaterals up to the prudently assessed coverage limit is recorded against income/(loss) in accordance with IAS 18 - Revenue on the assumption that there is a reasonable probability of its recovery;

- Interest already recognized and unpaid in respect of overdue loans for more than 90 days that are not covered by collateral is cancelled and are only recognized when received in view of the fact that, under IAS 18 – Revenue, its recovery is remote.

2.16 Recognition of dividends

Dividends (income from equity instruments) are recognized in the income statement when the right to receive them arises. Dividends are presented in the income from financial operations, net income of other financial instruments at fair value through profit or loss or other income, depending on the classification of the underlying instrument.

2.17 Recognition of income from services and commissions

Earnings from services and commissions are recognized according to the following criteria:

- When they are earned as services are rendered, their recognition in profit or loss is made in the period to which they relate;

- When they result from provision of services, their recognition is made when that service is completed;

- When they are part and parcel of the effective interest rate of a financial instrument, earnings from services and commissions is recognized in net interest income.

2.18 Fiduciary activities

Assets held under fiduciary activities are not recognized in the Bank's financial statements. Earnings obtained with services and commissions from these activities are recognized in the income statement in the period in which they occur.

2.19 Gains / (losses) on financial operations

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

These income also include gains on the sale of available-for-sale financial assets and held-to-maturity financial assets.

2.20 Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months from the balance sheet date, which include cash, cash and cash equivalents at central banks and available in other credit institutions.

2.21 Financial guarantees and commitments

Financial guarantees are contracts that bind 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 made 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 highest amount between the amortized amount and the current amount of any payment expected to be settled.

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

The IAS/IFRS establish a series of accounting treatments and require the Board of Directors to make judgments and make the necessary estimates to decide the most appropriate accounting treatment. The main accounting estimates and judgments used in the application of the accounting principles by the Bank are presented in this Note, with a view to improving the understanding on how its application affects the reported the Bank's income or loss and its dissemination. A broad description of the main accounting policies used by the Bank is provided in Note 2 to the financial statements.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board, the results reported by the Bank could be different should a different treatment be chosen. It is the view of the Board of Directors 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 materially relevant aspects.

3.1 Impairment of Available-for-Sale Financial Assets

The Bank will determine that there is impairment in its available-for-sale financial assets when there is a continuing or significant impairment at fair value or when it foresees an impact on future cash flows of assets.

This determination requires judgment, whereby the Bank will collect and assess all relevant information to formulate the decision, in particular the normal volatility of the prices of the financial instruments. For this purpose and as a consequence of the strong volatility of markets, the following parameters were considered as indicators of the existence of impairment:

i) Equity securities: continued or significant devaluation in their market value against the cost of acquisition;
ii) Debt securities: whenever there is objective evidence of events that have an impact on the recoverable value of the future cash flows of these assets.

In addition, valuations are obtained through market prices (mark to market) or mark to model models, which require the use of certain assumptions or judgment in establishing fair value estimates.

The use of alternative methodologies and different assumptions and estimates may result in a different level of impairment losses recognized, with a consequent impact on the Bank's income/(loss).

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

Fair value is based on market quotations when available, and in the absence of a quotation, it is determined based on the use of prices of similar recent transactions and made under market conditions, or based on valuation methodologies based on discounted future cash flow techniques, taking into consideration market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in estimating the fair value.

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

3.3 Impairment losses on loans to customers

The Bank undertakes a periodic review of its loan portfolio in order to establish the existence of impairment losses, pursuant to the accounting policy described in Note 2.3.

The process of assessing the loan portfolio to determine whether an impairment loss should be recognized, is subject to various estimates and judgments. This process includes factors such as likelihood of default, credit ratings, collateral value associated to 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 a consequent impact on the Bank's results.

3.4 Investments held-to-maturity

The Bank classifies its non-derivative financial assets with fixed or determinable payments and maturities defined as held-to-maturity investments, pursuant to the IAS 39 requirements. This classification requires a level of meaningful judgment.

In its judgment, the Bank evaluates its intention and ability to hold these investments to maturity. If the Bank does not hold these investments to maturity, except in specific circumstances - for example, to dispose of a non-significant portion - reclassification of the entire portfolio to available-for-sale financial assets is required, with its consequent measurement at fair value rather than at amortized cost.

Held-to-maturity assets are tested for impairment, which is followed by an analysis and decision by the Bank.

3.5 Tax on profits

In order to determine the total amount of taxes on profits it was necessary to make certain interpretations and estimates. There are several transactions and calculations for which the determination of taxes payable is uncertain during the normal business cycle.
Other interpretations and estimates could result in a different level of current and deferred income tax recognized in the year.

The Tax Authority has the possibility to review the calculation of the tax base carried out by the Bank during a period of five years. In this way, it is possible that there are corrections to the tax base, mainly resulting from differences in the interpretation of the tax legislation, that by its probability the Board of Directors considers that they will not have materially relevant effect in the financial statements.

4 – Cash and cash balances in central banks

The amount under this heading comprises:

The demand deposits with the National Bank of Angola, which includes mandatory deposits which aim at meeting the legal requirements as regards the constitution of minimum requirements.

	31-12-2016	31-12-2015 (Pro forma)
Cash		
In local currency	14.395.828	21.339.215
In foreign currency	3.081.904	6.490.073
Demand deposits with the Central Bank of Angola		
In local currency	136.783.183	117.454.624
In foreign currency	40.332.935	31.353.837
	194.593.850	**176.637.749**

According to Instruction 02/2016 of the BNA, dated 11 April, mandatory reserves on demand deposits in the BNA are summarised according to the table below:

Compliance with the mandatory reserves for a given weekly observation period (other sectors) is conducted taking into account the average value of the balances of deposits with the Bank during the said period.

		National Currency	Foreign Currency
Rates on Reserve Base			
Central Government, Local Governments and Municipal Administrations	Assessed daily	75% / 50%	100%
Other sectors	Assessed weekly	30%	15%

Compliance with the mandatory reserves for a given weekly observation period (other sectors) is conducted taking into account the average value of the balances of deposits with the Bank during the said period.

On 10 December 2015, BNA converted a portion of the mandatory reserves in foreign currency into USD denominated securities, with a nominal value of USD 491.140 thousand and a maturity of 7 years. These debt securities were recognized and valued pursuant to the accounting policy referred to in Note 2.4. As mentioned in Note 9, these securities were originally classified as available-for-sale financial assets and, in 2016, the amount of USD 386.140 thousand was transferred to the held-to-maturity investments category.

As per Instruction 19/2015, which entered into force on 4 January, 2016, the foreign currency reserve requirements may be fulfilled by 20% of the amounts deposited with BNA and 80% by foreign currency treasury bonds, and the bonds identified in the previous paragraph are eligible for compliance.

On 31 December, 2016, the total amount of liabilities (Central Government, Local Governments, Local Administrations and Other Sectors) amounted to AKZ 245.444.892 thousand (2015 197.658.784 thousand).

In 2015, a service delivery protocol was signed with the BNA in connection with the realization of the responsibilities of the Central Bank under the Monetary Conversion Agreement entered into with the Bank of Namibia in accordance with Order 12/2015, of 21 December of the BNA and as detailed in Note 19.

5 - Cash and cash balances with other credit institutions

As to its nature, the balance of the Cash and Cash Equivalents in other Credit Institutions item is composed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Cash balances in credit institutions in Angola		
Uncollected cheques	501.786	525.926
Other cash balances	254.898	4.664
Cash balances in other credit institutions		
Demand deposits	24.180.002	7.126.310
Uncollected cheques	(7.568)	(6.119)
Other cash balances	5.036	-
	24.934.154	**7.650.781**

The item Balance Deposits in Credit Institutions in the Country - Other Cash and Cash Equivalents includes the amount of mAKZ 250.000 related to remittances in transit between the central treasury and the Bank branches.

6 – Investments in central banks and other credit institutions

This item at 31 December, 2016 and 2015 is analysed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Investments in central banks and other credit institutions in the country		
Deposits		
Central Bank of Angola	6.000.000	9.000.000
Receivable interest	8.384	1.470
Third Party Securities Purchase Operations Reseller Agreement	-	4.003.159
	6.008.384	**13.004.629**
Investments in credit institutions abroad		
Interbank money market	71.256.060	32.777.349
Interest receivable	84.934	104.225
Collateral deposits	150.003	2.085.248
	71.490.997	**34.966.822**
	77.499.381	**47.971.451**

The schedule of investments in central banks and other credit institutions by maturity on 31 December 2016 and 2015 is as follows:

	31-12-2016	31-12-2015 (Pro forma)
Until 3 months	61.616.455	36.490.262
From 3 to 6 months	12.726.349	3.717.794
6 Months to One Year	3.156.577	7.763.395
	77.499.381	**47.971.451**

The investments in central banks and other CIs in the country at 31 December 2016, bore interest at the average rate of 25.50% in local currency and 1.10% in foreign currency (31 December 2015: 2.89% in local currency and 5.66% in foreign currency).

Deposits with credit institutions abroad bear interest at the international market rates where the Bank operates.

At 31 December, 2016, the balance comprising the Collateral Deposits item refers to the corresponding provisioning for daily settlements of VISA card uses for subsequent settlement with the customer.

At 31 December, 2016, the item Foreign Liquidity Investments – Interbank Money Market includes the amounts of mAKZ 518.446, which are collateralizing loans granted by BAI Europa.

7 – Financial assets held for trading

This item at 31 December, 2016 and 2015 is analysed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Financial assets held for trading		
Securities		
Bonds and other fixed-income securities		
From public issuers		
US Dollar Exchange Rate Indexed Bonds	13.658.766	13.231.602
Bonds in foreign currency	2.203.648	-
	15.862.414	**13.231.602**

According to the accounting policy set forth in Note 2.4 1a), held for trading securities are those acquired for the purpose of trading in the short term regardless of their maturity.

The analysis of available-for-sale financial assets, net of impairment, by valuation levels, with reference to 31 December 2016 and 2015, is presented as follows:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Bonds and other fixed-income securities				
From public issuers	-	15.862.414	-	15.862.414
Balance as at 31 December 2016	**-**	**15.862.414**	**-**	**15.862.414**
Financial assets held for trading				
Securities				
Bonds and other fixed-income securities				
From public issuers	-	13.231.602	-	13.231.602
Balance as at 31 December 2015	**-**	**13.231.602**	**-**	**13.231.602**

Pursuant to IFRS 13, financial instruments are measured at the valuation levels set forth in Note 39.

At 31 December, 2016 and 2015, the maturity of securities held for trading is as follows:

	Less than 3 months	Between 3 months and 1 year	From 1 to 5 years	More than 5 years	Total
Bonds and other fixed-income securities					
From public issuers	7.439	2.026.341	13.217.580	611.054	15.862.414
Balance at 31 December 2016	**7.439**	**2.026.341**	**13.217.580**	**611.054**	**15.862.414**
Bonds and other fixed-income securities					
From public issuers	-	11.637	13.140.724	79.241	13.231.602
Balance at 31 December 2015	**-**	**11.637**	**13.140.724**	**79.241**	**13.231.602**

The balance sheet value of securities held for trading on 31 December 2016 and 2015 can be analysed as follows:

31-12-2016	Issuer	Domicile	Sector	Currency	Indexer	Average rate	Nominal value	Purchase cost	Accrued interest	Adjustment to fair value	Balance sheet amount
Financial assets held for trading											
Securities											
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	4,20%	2.166.688	2.166.688	36.960	-	2.203.648
US Dollar Exchange Rate Indexed Treasury Bonds	State	Angola	Government	AKZ	USD	5,95%	13.069.580	13.052.626	246.062	360.078	13.658.766
							15.236.268	**15.219.314**	**283.022**	**360.078**	**15.862.414**

31-12-2015 (Pro forma)	Issuer	Domicile	Sector	Currency	Indexer	Average rate	Nominal value	Purchase cost	Accrued interest	Adjustment to fair value	Balance sheet amount
Financial assets held for trading											
Securities											
US Dollar Exchange Rate Indexed Treasury Bonds	State	Angola	Government	AKZ	USD	5,35%	13.183.333	13.073.797	157.805	-	13.231.602
							13.183.333	**13.073.797**	**157.805**	**-**	**13.231.602**

8 – Available for sale financial assets

This item at December 31, 2016 and 2015 is analysed as follows:

	Cost	Fair Value Reserve		Impairment losses	Balance Sheet Amount
		Positive	Negative		
Bonds and other fixed-income securities					
From public issuers	16.638.118	-	-	-	16.638.118
Other issuers	512.847	-	(336.060)	-	176.787
Shares	561.176	-	-	(486.143)	75.033
Balance at 31 December 2016	**17.712.141**	**-**	**(336.060)**	**(486.143)**	**16.889.938**
Bonds and other fixed-income securities					
From public issuers	66.649.269	-	-	-	66.649.269
Other issuers	318.763	-	-	-	318.763
Shares	561.176	-	-	(486.143)	75.033
Balance at 31 December 2015	**67.529.208**	**-**	**-**	**(486.143)**	**67.043.065**

Pursuant to the accounting policy outlined in Note 2.4, the shall Bank regularly assess whether there is objective evidence of impairment in its available-for-sale assets portfolio by following the judgment criteria outlined in Note 40.

	31-12-2016	31-12-2015 (Pro forma)
Opening balance	**486.143**	**486.143**
Turnover	-	-
Replenishments	-	-
Closing balance	**486.143**	**486.143**

The Bank conducted impairment tests on the shares held for BPN Brazil in the amount of mAKZ 486.143, as this entity has been reporting negative results regularly. In previous years, and pursuant to the provisions in Note 2.4, based on these tests, the Bank recognized a 100% impairment on the value of the stake.

In September 2013, BAI entered into a sale agreement involving the entirety of its shareholding in BPN, a limited liability company whose corporate purpose is limited to participation in Banco BPN Brasil and this agreement was terminated in 2016 and, consequently, the return of the amount which was received on the date of its signature.

The item Bonds and Fixed Income Securities refers to securities and their interest receivable which resulted from the conversion of the mandatory reserves into USD, under the requirements set by BNA, as outlined in Note 4. On 21 October, 2016, the amount of USD 386.140 thousand was reclassified to the item 'Held-to-maturity Investments', as shown in the chart below:

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

	Fixed rate		31-12-2016	
	Balance Sheet Amount	Fair Value	Balance Sheet Amount	Fair Value
Available for sale financial assets:				
Financial Assets held to maturity	63.762.180	63.762.180	64.246.427	64.246.427
Total	**63.762.180**	**63.762.180**	**64.246.427**	**64.246.427**

The analysis of available-for-sale financial assets, net of impairment, by valuation levels, with reference to 31 December 2016 and 2015, is presented as follows:

	Level 1	Level 2	Level 3	At cost	Total
Bonds and other fixed-income securities					
From public issuers	-	16.638.118	-	-	16.638.118
From other issuers	-	176.787	-	-	176.787
Shares	-	-	-	75.033	75.033
Balance at 31 December 2016	**-**	**16.814.905**	**-**	**75.033**	**16.889.938**
Bonds and other fixed-income securities					
From public issuers		66.649.269	-	-	66.649.269
From other issuers	-	318.763	-	-	318.763
Shares	-	-	-	75.033	75.033
Balance at 31 December 2015	**-**	**66.968.032**	**-**	**75.033**	**67.043.065**

Pursuant to IFRS 13, financial instruments are measured at the valuation levels set forth in Note 39.

As at 31 December, 2016 and 2015, the spread of available-for-sale financial assets by maturity is as follows:

	Less than 3 months	Between 3 months and 1 year	From 1 to 5 years	More than 5 years	Indefinite duration	Total
Bonds and other fixed-income securities						
From public issuers	-	-	-	16.638.118	-	16.638.118
From other issuers	-	-	-	-	176.787	176.787
Shares	-	-	-	-	75.033	75.033
Balance at 31 December 2016	**-**	**-**	**-**	**16.638.118**	**251.820**	**16.889.938**
Bonds and other fixed-income securities						
From public issuers	-	-	-	66.649.269	-	66.649.269
From other issuers	-	-	-	-	318.763	318.763
Shares	-	-	-	-	75.033	75.033
Balance at 31 December 2015	**-**	**-**	**-**	**66.649.269**	**393.796**	**67.043.065**

The balance sheet value of the available-for-sale financial assets at 31 December, 2016 and 2015 can be analysed as follows:

9 – Investments held to maturity

31-12-2016	Issuer	Domicile	Sector	Currency	Indexer	Average rate	Nominal value	Purchase value	Accrued interest	Premium/ Discount	Adjust. To Fair Value	Balance Sheet value
Financial assets held for sale												
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	5,00%	16.590.261	16.590.261	47.857	-	-	16.638.118
Other securities	Carlyle	EUA	Investment Funds	USD	n.a.	n.a.	n.a.	512.847	n.a.	n.a.	(336.060)	176.787
							16.590.261	**17.103.108**	**47.857**	**-**	**(336.060)**	**16.814.905**

31-12-2015 (Pro forma)	Issuer	Domicile	Sector	Currency	Indexer	Average rate	Nominal value	Purchase value	Accrued interest	Premium/ Discount	Adjust. To Fair Value	Balance Sheet value
Financial assets held for sale												
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	5,00%	66.458.609	66.458.609	190.660	-	-	66.649.269
Other securities	Carlyle	EUA	Investment Funds	USD	n.a.	n.a.	n.a.	318.763	n.a.	n.a.	-	318.763
							66.458.609	**66.777.372**	**190.660**	**-**	**-**	**66.968.032**

This item at 31 December, 2016 and 2015 is analysed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Bonds and other fixed-income securities		
From public issuers		
Treasury bills	248.057.293	98.897.503
Treasury bonds in local currency		
US Dollar Exchange Rate Indexed Treasury Bonds	53.629.920	52.052.392
Non-readjustable TBs	68.550.995	87.897.501
Treasury bonds in foreign currency	178.201.622	94.958.925
Other bonds in foreign currency	1.726.749	1.069.428
	550.166.579	**334.875.749**

The item Treasury Bonds in Foreign Currency includes the securities which resulted from the conversion of the mandatory reserves into foreign currency, reclassified from the item Available-for-sale Financial Assets, as described in Note 8.

The item Non-readjustable Treasury Bonds includes treasury bonds amounting to AKZ 52.600.000 thousand resulting from a direct loan to the government, in the form of "Bridge Finance", under a banking syndicate, whose settlement was made in treasury bonds, pursuant to the conditions set forth by the Presidential Decree 136/14 of 16 July.

As part of the process of financial restructuring of the Banco BAI Micro Finance, SA ("BMF"), agreed with BNA at the end of 2016, BAI purchased from BMF a loan portfolio totalling AKZ 4.297.256 thousand. This business was formalized through the transfer of a portfolio of securities issued by the Angolan Government for an equal amount, and, as such, the transaction did not generate any value in the BAI Income Statement. The securities assigned by BAI were classified in the item 'Held-to-maturity investments', and the transaction was classified within the scope of IAS 39, which states that in exceptional circumstances an insignificant percentage of the portfolio may be sold, provided that it is not a recurring procedure. Assigned assets represent 0.78% of the total portfolio. In Note 42 the scope of this operation is explained in greater detail.

The fair value of the held-to-maturity investments portfolio is presented in Note 39, within the scope of the disclosure requirements outlined in IAS 39.

The Bank evaluated with reference to 31 December, 2016 and 2015, the existence of objective evidence of impairment in its held-to-maturity investments portfolio and has not identified events with an impact on the recoverable amount of the future cash flows of these investments.

The schedule of the investments held to maturity by maturity is as follows:

	Less than 3 months	Between 3 months and 1 year	From 1 to 5 years	More than 5 years	Total
Bonds from domestic public issuers					
Treasury bills	99.567.379	148.489.914	-	-	248.057.293
Treasury bonds in local currency					
US Dollar Exchange Rate Indexed Treasury Bonds	16.954.911	12.995.040	22.442.535	1.237.434	53.629.920
Non-readjustable TBs	3.972.892	19.174.456	37.196.198	8.207.449	68.550.995
Treasury bonds in foreign currency	40.456	2.701.789	112.506.597	64.679.529	179.928.371
Balance at 31 December 2016	**120.535.638**	**183.361.199**	**172.145.330**	**74.124.412**	**550.166.579**
Bonds from domestic public issuers					
Treasury bills	62.728.411	36.169.092	-	-	98.897.503
Treasury bonds in local currency					
US Dollar Exchange Rate Indexed Treasury Bonds	-	9.831.134	42.221.258	-	52.052.392
Non-readjustable TBs	7.663.362	4.997.909	58.877.256	16.358.974	87.897.501
Treasury bonds in foreign currency	-	2.491.430	79.996.974	13.539.949	96.028.353
Balance at 31 December 2016	**70.391.773**	**53.489.565**	**181.095.488**	**29.898.923**	**334.875.749**

The carrying value of investments held to maturity at 31 December, 2016 and 2015 may be analysed as follows:

31-12-2016	Issuer	Domicile	Sector	Currency	Indexer	Average rate	Nominal value	Purchase cost	Accrued interest	Premium/ Discount	Balance Sheet Value
Financial assets held to maturity											
Treasury Bills	State	Angola	Government	AKZ	n.a.	18,44%	264.249.375	234.735.679	13.321.614	-	248.057.293
Treasury bonds in local currency											
US Dollar Exchange Rate Indexed Treasury Bonds	State	Angola	Government	AKZ	USD	6,03%	53.036.661	52.857.403	661.277	111.240	53.629.920
Non-readjustable TBs	State	Angola	Government	AKZ	n.a.	7,53%	67.147.041	67.147.041	624.970	778.984	68.550.995
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	7,62%	176.798.277	175.986.267	1 713.573	501.782	178.201.622
Other bonds in foreign currency - EUR	Others	Cape Verde	Financial institutions; Construction; Transports	EUR	n.a.	6,82%	849.863	849.863	23.041	-	872.904
Other bonds in foreign currency - USD	Others	Angola	Financial institutions	USD	n.a.	11,00%	829.513	829.513	24.332	-	853.845
							562.910.730	**532.405.766**	**16.368.807**	**1.392.006**	**550.166.579**

31-12-2015 (Pro forma)	Issuer	Domicile	Sector	Currency	Indexer	Average rate	Nominal value	Purchase cost	Accrued interest	Premium/ Discount	Balance Sheet Value
Financial assets held to maturity											
Treasury Bills	State	Angola	Government	AKZ	n.a.	8,28%	100.956.107	95.101.393	3.796.110	-	98.897.503
Treasury bonds in local currency											
US Dollar Exchange Rate Indexed Treasury Bonds	State	Angola	Government	AKZ	USD	6,23%	52.136.452	51.718.879	128.327	205.186	52.052.392
Non-readjustable TBs	State	Angola	Government	AKZ	n.a.	7,25%	89.041.700	86.601.550	977.704	318.247	87.897.501
Treasury bonds in foreign currency	State	Angola	Government	USD	n.a.	3,41%	94.293.407	93.632.646	1.070.669	255.610	94.958.925
Other bonds in foreign currency - EUR	Others	Cape Verde	Financial institutions; Construction; Transports	EUR	n.a.	7,73%	472.288	351.591	18.154	3.262	373.007
Other bonds in foreign currency - USD	Others	Angola	Financial institutions;	USD	n.a.	11,00%	676.575	676.575	19.846	-	696.421
							337.576.529	**328.082.634**	**6.010.810**	**782.305**	**334.875.749**

10 – Loans to customers

This item at 31 December, 2016 and 2015 is analysed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Domestic lending		
To corporations	**359.098.678**	**293.500.874**
Current account loans	35.471.336	27.317.208
Loans	314.784.055	261.700.469
Overdrafts	8.766.469	4.295.387
Credit cards	76.818	187.811
To individuals	**45.498.262**	**62.061.147**
Housing	27.129.216	25.583.603
Consumption and others	18.369.046	36.477.544
	404.596.940	**355.562.021**

	31-12-2016	31-12-2015 (Pro forma)
Loans to customers abroad		
To corporations	11.032.815	10.285.715
To individuals	875	1.294
	11.033.690	**10.287.009**
Overdue loans - 30 to 90 days	13.636.864	10.158.947
Overdue loans - more than 90 days	19.443.903	20.582.227
	33.080.767	**30.741.174**
	448.711.397	**396.590.203**
Impairment losses	(68.847.353)	(49.615.930)
	379.864.044	**346.974.273)**

The Bank classifies as overdue loans whose principal or interest is due for more than 30 days.

According to Order 9/2016, of 22 June, the large exposure prudential limit is not applicable to the exposure in the Republic of Angola (State), a single position higher than 25% of regulatory own funds. In addition, the Bank's twenty largest customers account for approximately 196% of FPR and 66% of the total loan portfolio.

At 31 December, 2016 and 2015, customer loans and currency impairment are presented as follows:

Currency	31-12-2016		31-12-2015 (Pro forma)	
	Loans to customers	Impairment	Loans to customers	Impairment
AKZ	231.593.402	47.779.491	215.533.643	34.288.732
USD	217.114.340	21.067.312	181.051.023	15.324.213
EUR	3.655	550	5.537	2.985
Total	**448.711.397**	**68.847.353**	**396.590.203**	**49.615.930**

At 31 December, 2016 and 2015, the composition of the credit portfolio by residual maturity terms is as follows:

	31-12-2016	31-12-2015 (Pro forma)
Up to 3 months	28.569.339	10.026.032
From 3 months to 1 year	35.211.246	75.676.827
From 1 to 5 years	181.239.884	37.828.459
More than 5 years	161.351.539	234.130.939
Indefinite duration	42.339.389	38.927.946
	448.711.397	**396.590.203**

Loans and interest are undetermined due to the condition they present. At 31 December, 2016, approximately 55% of the loan had maturities of up to 5 years.

At 31 December, 2016 and 2015, the composition of credit and impairment by segment and by situation is as follows:

Segment	Exposure - 31-12-2016			Impairment - 31-12-2016		
	Total Exposure	Performing loans	Loans in default (more than 1 day)	Total impairment	Performing loans	Loans in default (more than 1 day)
Cards	493.742	468.666	25.076	1.975	29	1.946
General consumer finance	22.569.706	18.932.928	3.636.778	3.862.854	1.010.846	2.852.008
Overdraft	50.676	-	50.676	19.678	-	19.678
Major corporations	235.998.794	202.584.091	33.414.703	51.153.959	31.681.751	19.472.208
Housing	42.759.042	40.286.585	2.472.457	2.100.207	683.111	1.417.096
Small corporations	28.107.068	20.262.682	7.844.386	11.700.684	6.554.859	5.145.825
Public sector	118.732.369	118.732.281	88	7.996	7.978	18
	448.711.397	**401.267.233**	**47.444.164**	**68.847.353**	**39.938.574**	**28.908.779**

Segment	Exposure - 31-12-2015 (Pro forma)			Impairment - 31-12-2015 (Pro forma)		
	Total Exposure	Performing loans	Loans in default (more than 1 day)	Total impairment	Performing loans	Loans in default (more than 1 day)
Cards	1.402.931	500.022	902.909	674.858	7.911	666.947
General consumer finance	24.875.578	23.554.512	1.321.066	3.440.696	2.535.926	904.770
Overdraft	125.426	-	125.426	44.971	-	44.971
Major corporations	198.045.489	157.703.969	40.341.520	37.818.846	22.059.714	15.759.132
Housing	38.602.422	36.827.681	1.774.741	755.474	243.120	512.354
Small corporations	33.117.177	14.086.219	19.030.958	6.880.397	1.003.882	5.876.515
Public sector	100.421.180	100.421.146	34	688	686	2
	396.590.203	**333.093.549**	**63.496.654**	**49.615.930**	**25.851.239**	**23.764.691**

Due to its nature, the Bank classifies overdrafts as overdue loans. At 31 December , 2016, the composition of the loan and impairment per concession year is as follows:

Segment	2013 and prior			2014			2015			2016			TOTAL		
	N°	Amount	Impairment	N°	Amount	Impairment	N°	Amount	Impairment	N°	Amount	Impairment	N°	Amount	Impairment
Cards	6.582	382.267	1.954	624	60.233	-	352	38.033	5	278	13.209	16	7.836	493.742	1.975
General consumer finance	2.352	1.824.194	818.413	3.525	6.105.861	2.116.316	4.094	7.997.253	340.410	942	6.642.398	587.715	10.913	22.569.706	3.862.854
Overdraft	-	-	-	-	-	-	377	11.395	5.945	1.567	39.281	13.733	1.944	50.676	19.678
Major corporations	463	59.137.405	17.678.042	73	27.000.673	3.274.391	82	30.986.794	8.118.714	548	118.873.922	22.082.812	1.166	235.998.794	51.153.959
Housing	1.342	32.738.334	1.904.989	206	4.995.139	139.940	155	3.778.206	49.113	33	1.247.363	6.165	1.736	42.759.042	2.100.207
Small corporations	431	3.316.845	2.231.083	85	4.100.968	2.252.675	65	4.402.972	1.062.298	261	16.286.283	6.154.628	842	28.107.068	11.700.684
Central banks' and other credit institutions resources	52	4.500	-	11	116.388.632	-	5	938.634	-	56	1.400.603	7.996	124	118.732.369	7.996
	11.222	**97.403.545**	**22.634.481**	**4.524**	**158.651.506**	**7.783.322**	**5.130**	**48.153.287**	**9.576.485**	**3.685**	**144.503.059**	**28.853.065**	**24.561**	**448.711.397**	**68.847.353**

At 31 December, 2016, the composition of credit and impairment by segment is as follows:

Segment	Individual impairment		Collective impairment		Impairment IBNR		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Cards	-	-	490.841	1.946	2.901	29	493.742	1.975
General consumer finance	3.295.602	2.628.655	16.147.160	1.138.174	3.126.944	96.025	22.569.706	3.862.854
Overdraft	-	-	50.676	19.678	-	-	50.676	19.678
Major corporations	138.375.742	36.995.358	21.683.860	1.085.114	75.939.192	13.073.487	235.998.794	51.153.959
Housing	-	-	41.015.863	2.072.287	1.743.179	27.920	42.759.042	2.100.207
Small corporations	16.930.138	9.818.080	8.240.090	1.692.404	2.936.840	190.200	28.107.068	11.700.684
Public sector	118.726.996	7.977	5.373	19	-	-	118.732.369	7.996
	277.328.478	**49.450.070**	**87.633.863**	**6.009.622**	**83.749.056**	**13.387.661**	**448.711.397**	**68.847.353**

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. The Bank considers individually significant exposures to be equal to or greater than 0.5% of the institution's own regulatory capital as well as the twenty largest private customers. Loans that were subject to individual analysis accounted for 62% of the loan portfolio and 72% of total impairment at the end of 2016.

The restructured loan position at 31 December 2016 can be broken down as follows:

	31-12-2016
Balance of the restructured loan portfolio (gross of impairment)	68.379.477
Restructured loans in the period	79.852.038
Interest accrued of the restructured loans portfolio	1.392.842
Settlement of credits restructured (partial or total)	(6.092.463)
Credits reclassified from "restructured" to "normal"	-
Others - Write-offs	(5.522.075)
Balance of the restructured loan portfolio (gross of impairment)	**138.009.819**

In 2016, the Bank implemented Order 12/2014 of 10 December of the BNA concerning to the constitution of provisions, which defines as restructured credit the extensions, renewals, refinancing, renegotiation of credits or any procedure that partially or wholly changes any terms of the contract originally agreed. As the rescheduling credit marking started only this year, it is not possible to present the comparison with the previous year.

At 31 December, 2016 and 2015, the geographical concentration of credit risk is as follows:

31-12-2016	Geographical area		
	Angola	Other African Countries	Total
Individuals	65.873.233	-	65.873.233
Corporations	255.125.778	-	255.125.778
Public Sector	8.902.506	-	8.902.506
State	107.777.356	11.032.524	118.809.880
	437.678.873	**11.032.524**	**448.711.397**

31-12-2015 (Pro forma)	Geographical area		
	Angola	Other African Countries	Total
Individuals	65.006.356	-	65.006.356
Corporations	231.162.667	-	231.162.667
Public Sector	6.981	-	6.981
State	90.130.259	10.283.940	100.414.199
	386.306.263	**10.283.940**	**396.590.203**

At 31 December, 2016, the breakdown of the loan portfolio by business sector, including loans and interest overdue and income receivable, is as follows:

31-12-2016						
Sector	**Loans to customers**			**Impairment**		
	Performing	**Overdue**	**Total exposure**	**Relative weight**	**Amount**	**%**
Corporations	**359.711.952**	**23.126.279**	**382.838.231**		**62.862.640**	
State	118.716.924	38	118.716.962	26,5%	8	0,0%
Real estate development	85.798.050	12.339.058	98.137.108	21,9%	28.650.098	29,2%
Manufacturing Industry	43.995.054	868.677	44.863.731	10,0%	5.383.794	12,0%
Extractive industry	30.879.942	21	30.879.963	6,9%	5.335.326	17,3%
Trade	22.470.906	2.406.704	24.877.610	5,5%	10.357.057	41,6%
Construction	24.047.343	127.037	24.174.380	5,4%	2.394.365	9,9%
Agro-industry	19.806.182	9.541	19.815.723	4,4%	3.699.884	18,7%
Others	7.084.895	431.404	7.516.299	1,7%	2.449.521	32,6%
Services	5.964.315	1.006.352	6.970.667	1,6%	1.084.871	15,6%
Fisheries	334.825	2.784.065	3.118.890	0,7%	1.124.350	36,0%
Hotels and Tourism	321.141	2.785.480	3.106.621	0,7%	2.129.605	68,6%
Agriculture	291.190	291.541	582.731	0,1%	226.606	38,9%
Agro-livestock	1.185	76.361	77.546	0,0%	27.155	35,0%
Individuals	**55.918.676**	**9.954.490**	**65.873.166**	**-**	**5.984.713**	**9,09%**
General consumer finance	17.898.650	5.215.474	23.114.124	5,2%	3.884.506	16,8%
Housing	38.020.026	4.739.016	42.759.042	9,5%	2.100.207	4,9%
	415.630.628	**33.080.769**	**448.711.397**		**68.847.353**	**15,3%**

31-12-2015 (Pro forma)						
Sector	**Loans to customers**			**Impairment**		
	Performing	**Overdue**	**Total exposure**	**Relative weight**	**Amount**	**%**
Corporations	**304.061.573**	**27.526.577**	**331.588.150**		**44.703.263**	
Real estate development	105.193.198	3.314.375	108.507.573	24,2%	16.027.876	14,8%
State	100.414.199	-	100.414.199	22,4%	684	0,0%
Manufacturing Industry	29.391.805	3.732.652	33.124.457	7,4%	10.850.345	32,8%
Trade	22.713.172	4.662.787	27.375.959	6,1%	7.429.698	27,1%
Agro-industry	14.593.236	3.500.431	18.093.667	4,0%	502.566	2,8%
Construction	16.594.396	563.941	17.158.337	3,8%	553.130	3,2%
Extractive industry	7.941.540	2.855.642	10.797.182	2,4%	4.694.373	43,5%
Services	4.959.215	1.777.052	6.736.267	1,5%	1.559.551	23,2%
Hotels and Tourism	580.136	3.496.751	4.076.887	0,9%	832.810	20,4%
Fisheries	292.857	2.936.537	3.229.394	0,7%	1.813.092	56,1%
Agriculture	383.334	432.315	815.649	0,2%	89.487	11,0%
Agro-livestock	57.716	38.627	96.343	0,0%	24.699	25,6%
Others	946.769	215.467	1.162.236	0,3%	324.952	28,0%
Individuals	**61.787.456**	**3.214.597**	**65.002.053**		**4.912.667**	**7,56%**
General consumer finance	24.957.315	1.442.316	26.399.631	5,9%	4.157.193	15,7%
Housing	36.830.141	1.772.281	38.602.422	8,6%	755.474	2,0%
	365.849.029	**30.741.174**	**396.590.203**		**49.615.930**	**12,51%**

At 31 December, 2016 and 2015, impairment losses have the following movements:

	31-12-2016	31-12-2015 (Pro forma)
Opening balance	**49.615.930**	**42.001.268**
Increase	146.139.722	80.923.253
Replenishments	(120.474.179)	(56.620.158)
(Note 34)	25.665.543	24.303.095
Use	(6.986.679)	(22.159.214)
Transfers (Note 18)	(2.996.292)	-
Adjustments	3.548.851	5.470.781
Closing balance	**68.847.353**	**49.615.930**

At 31 December, 2016 the composition of the risk factors associated with impairment is as follows:

Segment	Impairment - 31-12-2016				Impairment - 31-12-2015 (Pro forma)			
	Probability of Default (%)			Not subject to interest rate risk	Probability of Default (%)			Loss from default (%)
	< 30 days without signs	Fixed rate	Variable rate		< 30 days without signs	< 30 days with signs	Between 30 and 90 days	
Cards	0,00%	0,00%	0,00%	8,19%	2,81%	7,18%	40,24%	75,85%
General consumer finance	4,09%	24,59%	61,32%	68,24%	12,66%	22,69%	90,06%	57,73%
Overdraft	1,06%	12,46%	56,72%	51,80%	0,00%	6,40%	62,54%	123,24%
Major corporations	16,19%	35,28%	76,86%	42,14%	5,68%	52,23%	72,13%	51,62%
Housing	2,34%	6,98%	50,70%	68,25%	1,94%	19,06%	52,52%	52,65%
Small corporations	18,80%	34,42%	99,10%	44,31%	48,26%	57,54%	77,29%	54,81%
Public sector	0,20%	28,02%	41,43%	36,54%	0,01%	8,73%	15,45%	7,68%
	7,93%	**34,24%**	**77,81%**	**44,50%**	**6,53%**	**50,44%**	**73,76%**	**42,66%**

11 – Non-current assets held for sale

At 31 December 2016 and 2015, this item is analyzed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Property received as settlement for defaulting loans	14.068.165	14.147.890
Other property	2.812.047	3.390.257
Impairment	(1.199.579)	(1.200.479)
	15.680.633	**16.337.668**

The Bank expects to sell the property within two years, unless market conditions do not allow it.

At 31 December 2016, receipts arising from the sale of real estate in the amount of AKZ 2.790.245 are recorded under Other Receivables - Securities received (Note 19).

At December 31, 2016, the item Other Properties features investment in buildings purchase by the Bank in 2008 still as project, with a view to their sale to the Bank's employees at prices similar to the acquisition prices, and they fall under the scheme provided for by the Bank's Social Fund (Note 2.13 v.). At 31 December, 2016, this item is composed of two buildings. As part of this process, a loss was estimated for the Bank, for which an impairment was recognized corresponding to the estimate of the loss. Part of the units of the aforementioned buildings were already contractually signed on behalf of the employees, and the Bank recognized the respective impairment loss.

The movement of Non-current Assets held for Sale during the 2016 and 2015 financial years, as well as those related to the associated impairment losses were as follows:

Segment	Balances at 31-12-2015 (Pro forma)		Increases	Disposals	Transfers and others	Impairment		Balances at 31-12-2016		
	Gross amount	Accumulated impairment				Appropria-tions	Uses	Gross Amount	Accumulated impairment	Net amount
Property received as settlement for defaulting loans	14.147.890	(331.445)	-	(79.683)	(42)	-	-	14.068.165	(331.445)	13.736.720
Other property	3.390.257	(869.034)	-	(578.210)	-	-	900	2.812.047	(868.134)	1.943.913
	17.538.147	**(1.200.479)**	**-**	**(657.893)**	**(42)**	**-**	**900**	**16.880.212**	**(1.199.579)**	**15.680.633**

Segment	Balances at 31-12-2015 (Pro forma)		Increases	Disposals	Transfers and others	Impairment		Balances at 31-12-2015 (Pro forma)		
	Gross amount	Accumulated impairment				Appropria-tions	Uses	Gross Amount	Accumulated impairment	Net amount
Property received as settlement	6.911.492	-	7.341.236	(56.828)	(48.009)	(331.445)	-	14.147.890	(331.445)	13.816.445
Other property	3.847.860	(1.032.245)	411.254	(652.938)	(215.919)	-	163.211	3.390.257	(869.034)	2.521.223
	10.759.352	**(1.032.245)**	**7.752.490**	**(709.766)**	**(263.928)**	**(331.445)**	**163.211**	**17.538.147**	**(1.200.479)**	**16.337.668**

12 – Other tangible and intangible assets

This item at 31 December 2016 and 2015, as well as the transactions during those periods, is presented as follows:

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

	Gross Amount					Amortizations				Net Amount	
	Balance at 31-12-2015 (Pro forma)	Acquisitions	Disposals and write-offs/ downs:	Transfers	Balance at 31-12-16	Balance at 31-12-2015 (Pro forma)	Amortizations	Disposals, write-offs and other transfers	Balance at 31-12-16	Balance at 31-12-16	Balance at 31-12-2015 (Pro forma)
Other tangible assets											
Property											
for own use	12.182.877	621.189	(127.891)	20.210.307	32.886.482	(2.113.568)	(554.238)	61.351	(2.606.455)	30.280.027	10.069.309
Improvements in leasehold premises	5.159.052	17.317	144.109	269.488	5.589.966	(1.534.100)	(556.716)	9.970	(2.080.846)	3.509.120	3.624.952
Other tangible assets in progress											
for own use	30.580.023	1.959.891	(1.261.969)	(23.829.759)	7.448.186	-	-	-	-	7.448.186	30.580.023
	47.921.952	**2.598.397**	**(1.245.751)**	**(3.349.964)**	**45.924.634**	**(3.647.668)**	**(1.110.954)**	**71.321**	**(4.687.301)**	**41.237.333**	**44.274.284**
Equipment											
Furniture and fixtures	1.324.000	325.056	220	1.503.684	3.152.960	(479.185)	(330.766)	1.712	(808.239)	2.344.721	844.815
Machinery and tools	3.515.728	809.770	(44.247)	11.008	4.292.259	(1.737.815)	(571.697)	-	(2.309.512)	1.982.747	1.777.913
Computer equipment	1.177.967	2.755	-	1.421.649	2.602.371	(767.191)	(483.694)	-	(1.250.885)	1.351.486	410.776
Indoor facilities	696.770	11.442	-	5.740	713.952	(377.032)	(60.022)	-	(437.054)	276.898	319.738
Transport Equipment	2.433.707	-	(355.832)	7.147	2.085.022	(1.653.179)	(329.878)	345.042	(1.638.015)	447.007	780.528
Security Equipment	395.661	77.510	-	167.789	640.960	(183.898)	(72.771)	-	(256.669)	384.291	211.763
Others	820.312	18.003	-	237.225	1.075.540	(384.943)	(103.760)	-	(488.703)	586.837	435.369
Other tangible assets in progress											
Equipment	379.826	-	-	-	379.826	-	-	-	-	379.826	379.826
	10.743.971	**1.244.536**	**(399.859)**	**3.354.242**	**14.942.890**	**(5.583.243)**	**(1.952.588)**	**346.754**	**(7.189.077)**	**7.753.813**	**5.160.728**
Other tangible assets	402.905	-	-	-	402.905	(132.748)	(36.680)	-	(169.427)	233.478	270.157
Other tangible assets in progress											
Others	34.985	-	-	-	34.985	-	-	-	-	34.985	34.985
	437.890	**-**	**-**	**-**	**437.890**	**(132.748)**	**(36.680)**	**-**	**(169.427)**	**268.463**	**305.142**
	59.103.813	**3.842.933**	**(1.645.610)**	**4.278**	**61.305.414**	**(9.363.659)**	**(3.100.222)**	**418.075**	**(12.045.805)**	**49.259.609**	**49.740.154**
Intangible assets											
Organization and expansion expenses	754.214	-	-	-	754.214	(633.555)	(100.517)	-	(734.072)	20.142	120.659
Automatic data processing systems	1.840.828	63.384	-	8.037	1.912.249	(1.511.005)	(230.579)	-	(1.741.584)	170.665	329.823
	2.595.042	**63.384**	**-**	**8.037**	**2.666.463**	**(2.144.560)**	**(331.096)**	**-**	**(2.475.656)**	**190.807**	**450.482**
Intangible assets in progress											
Automatic data processing systems	6.802	871.433	-	(12.315)	865.920	-	-	-	-	865.920	6.802
	6.802	**871.433**	**-**	**(12.315)**	**865.920**	**-**	**-**	**-**	**-**	**865.920**	**6.802**
	2.601.844	**934.817**	**-**	**(4.278)**	**3.532.383**	**(2.144.560)**	**(331.096)**	**-**	**(2.475.656)**	**1.056.727**	**457.284**
	61.705.657	**4.777.750**	**(1.645.610)**	**-**	**64.837.797**	**(11.508.219)**	**(3.431.318)**	**418.075**	**(14.521.461)**	**50.316.336**	**50.197.438**

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

	Gross Amount					Amortizations				Net Amount	
	Balance at 01-01-2015 (Pro forma)	Acquisitions	Disposals and write-offs/ downs:	Transfers	Balance at 31-12-15 (Pro forma)	Balance at 01-01-2015 (Pro forma)	Amortizations	Disposals, write-offs and other transfers	Balance at 31-12-15 (Pro forma)	Balance at 31-12-15 (Pro forma)	Balance at 01-01-2015 (Pro forma)
Other tangible assets											
Property											
for own use	11.419.502	426.093	-	337.282	12.182.877	(2.039.368)	(323.744)	249.544	(2.113.568)	10.069.309	9.380.134
Improvements in leasehold premises	4.912.858	131.219	(328.334)	443.309	5.159.052	(1.022.858)	(459.457)	(51.785)	(1.534.100)	3.624.952	3.890.000
Other tangible assets in progress											
for own use	26.550.404	4.960.290	-	(930.671)	30.580.023	-	-	-	-	30.580.023	26.550.404
	42.882.764	**5.517.602**	**(328.334)**	**(150.080)**	**47.921.952**	**(3.062.226)**	**(783.201)**	**197.759**	**(3.647.668)**	**44.274.284**	**39.820.538**
Equipment											
Furniture and fixtures	1.403.794	150.306	(238.911)	8.811	1.324.000	(512.870)	(143.598)	177.283	(479.185)	844.815	890.924
Machinery and tools	3.067.548	388.927	-	59.253	3.515.728	(1.250.514)	(487.291)	(10)	(1.737.815)	1.777.913	1.817.034
Computer equipment	1.107.470	75.847	(27)	(5.323)	1.177.967	(629.112)	(146.109)	8.030	(767.191)	410.776	478.358
Indoor facilities	644.606	49.394	-	2.770	696.770	(314.570)	(59.428)	(3.034)	(377.032)	319.738	330.036
Transport Equipment	2.633.104	125.271	(787.603)	462.935	2.433.707	(2.082.870)	(341.975)	771.666	(1.653.179)	780.528	550.234
Security Equipment	300.737	39.249	-	55.675	395.661	(128.034)	(55.863)	(1)	(183.898)	211.763	172.703
Others	693.462	130.377	(15.024)	11.497	820.312	(314.949)	(72.688)	2.694	(384.943)	435.369	378.513
Other tangible assets in progress											
Equipment	766.523	-	-	(386.697)	379.826	-	-	-	-	379.826	766.523
	10.617.244	**959.371**	**(1.041.565)**	**208.921**	**10.743.971**	**(5.232.919)**	**(1.306.952)**	**956.628**	**(5.583.243)**	**5.160.728**	**5.384.325**
Other tangible assets	402.905	-	-	-	402.905	(95.500)	(37.248)	-	(132.748)	270.157	307.405
Other tangible assets in progress											
Others	122.793	-	-	(87.808)	34.985	-	-	-	-	34.985	122.793
	525.698	**-**	**-**	**(87.808)**	**437.890**	**(95.500)**	**(37.248)**	**-**	**(132.748)**	**305.142**	**430.198**
	54.025.706	**6.476.973**	**(1.369.899)**	**(28.967)**	**59.103.813**	**(8.390.645)**	**(2.127.401)**	**1.154.387**	**(9.363.659)**	**49.740.154**	**45.635.061**
Intangible assets											
Organization and expansion expenses	767.290	-	(13.076)	-	754.214	(416.936)	(223.070)	6.451	(633.555)	120.659	350.354
Automatic data processing systems	1.660.846	157.817	-	22.165	1.840.828	(1.214.019)	(303.670)	6.684	(1.511.005)	329.823	446.827
	2.428.136	**157.817**	**(13.076)**	**22.165**	**2.595.042**	**(1.630.955)**	**(526.740)**	**13.135**	**(2.144.560)**	**450.482**	**797.181**
Intangible assets in progress											
Automatic data processing systems	-	-	-	6.802	6.802	-	-	-	-	6.802	-
	-	**-**	**-**	**6.802**	**6.802**	**-**	**(526.740)**	**13.135**	**(2.144.560)**	**450.482**	**797.181**
	2.428.136	**157.817**	**(13.076)**	**28.967**	**2.601.844**	**(1.630.955)**	**(526.740)**	**13.135**	**(2.144.560)**	**457.284**	**797.181**
	56.453.842	**6.634.790**	**(1.382.975)**	**-**	**61.705.657**	**(10.021.600)**	**(2.654.141)**	**1.167.522**	**(11.508.219)**	**50.197.438**	**46.432.242**

The decrease in the balance of the item Real Estate in Progress - Self - on 31 December, 2016 amounting to AKZ 20.650.037 thousand, is explained by the transfer of the Tower BAI Building to real estate in use.

13 – Investments in Subsidiaries, Associates and Joint Ventures

Financial data on subsidiaries, associate companies and joint ventures are presented in the table below:

Associate Company	HQ	Business	Currency	Share capital	Shares	Purchase cost in currency	31-12-2016	31-12-2015 (Pro forma)
Shares in associate and equivalent companies in the country								
BAI Micro Finanças, S.A.	Luanda	Banking services	AKZ	5.334.907	96,79%	5.163.656	4.940.884	4.940.884
BAI Micro Finanças, S.A. - Imparidade							(4.455.605)	(5.171.009)
NOSSA - Nova Sociedade Seguros Angola, S.A.	Luanda	Insurance	AKZ	933.807	72,24%	717.926	1.074.661	1.074.661
BAIGEST, S.A.	Luanda	Investment fund management	AKZ	60.000	100,00%	60.000	60.000	60.000
							1.619.940	**904.536**
Shares in associate and equivalent companies abroad								
BAI Europa, S.A.	Lisbon	Banking services	EUR	40.000	99,99%	39.996	4.322.614	4.322.614
BAI Cabo Verde, S.A.	Praia	Banking services	CVE	2.330.795	80,43%	1.874.658	2.193.319	2.193.319
BAI Cabo Verde, S.A. - Imparidade							(1.060.390)	(1.060.390)
Banco Internacional de São Tomé e Príncipe	S. Tomé	Banking services	STD	150.000.000	25,00%	37.500.000	65.136	65.136
BAI Center, S.A.	Praia	Real Estate Services	CVE	2.500	100,00%	2.500	2.950	2.950
							5.523.629	**5.523.629**
							7.143.569	**6.428.165**
Stakes in other companies in the country								
Fundação BAI	Luanda	Public Utility Foundation	AKZ	10.000	100,00%	10.000	10.000	10.000
SAESP	Luanda	Training	AKZ	2.000	80,00%	2.394	2.394	2.394
							12.394	**12.394**
Stakes in other companies abroad								
FIPA - Fundo Privado de Investimento de Angola	Luxembourg	Investment Fund	USD	8.344.346	25,64%	5.892	820.086	820.086
							820.086	**820.086**
							832.480	**832.480**
							7.976.049	**7.260.645**

The Board of Directors is completing the process of corporate reorganization of the entire range of activities of the BAI Group, which involved, inter alia, the establishment of a holding company and two sub-holding companies, which concentrate respectively the banking / insurance and other non-financial business. As a result of this process, no materially relevant impacts on the BAI financial statements of BAI are estimated.

Next we present the changes in impairment for the years ended 31 December, 2016 and 2015

	31-12-2016	31-12-2015 (Pro forma)
Opening balances	6.231.399	4.878.168
Uses	-	1.502.995
Replenishments	(715.404)	(149.764)
Closing Balance	**5.515.995**	**6.231.399**

In previous years and as described in Note 2.9, the Bank performed impairment tests to the BMF subsidiary, which presented regularly negative results, having recognized an impairment loss of 100% for the value of the shareholding, plus a provision for probable liabilities resulting from the fact that the equity of this entity are negative. At 31 December, 2016, and as a result of the impairment test on this invested entity, the Bank reversed against income the provision amounting to AKZ 2.202.359 thousand, as well as impairment in the amount of AKZ 715.404 thousand. This situation resulted from the financial reorganization process put in place for the BMF, with the agreement of the BNA, as described in Note 42.

The balances with lending, borrowing and off-balance sheet operations with the Bank's subsidiaries are detailed in Note 37.

At 31 December 2016, the audited financial information of the investee is as follows (values in thousands of AKZ converted at the year-end exchange rate):

	Currency	Reference date	Net Assets	Equity	Net Income / (loss)	Equity Share	31-12-2016 Balance Sheet Amount
BAI Europa, S.A.*	AKZ	31.12.2016	151.716.053	13.400.457	678.357	13.399.117	4.322.614
BAI Micro Finanças, S.A.*	AKZ	31.12.2016	8.543.363	837.707	2.186.269	810.816	4.940.884
BAI Cabo Verde, S.A.*	AKZ	31.12.2016	28.289.062	1.844.808	107.218	1.483.779	2.193.319
NOSSA - Nova Sociedade Seguros Angola, S.A.	AKZ	31.12.2016	12.268.585	3.104.702	826.937	2.242.837	1.074.661
FIPA - Fundo Privado de Investimento de Angola*	AKZ	31.12.2016	12.020.093	11.510.327	76.864	2.951.248	820.086
Banco Internacional de São Tomé e Príncipe*	AKZ	31.12.2016	18.856.363	2.449.839	253.254	612.460	65.136
Fundação BAI*	AKZ	31.12.2016	355.399	146.388	205.675	146.388	10.000
BAI Center, S.A.	AKZ	31.12.2016	4.388.503	3.345.251	(81.325)	3.345.251	2.950
BAIGEST, S.A.	AKZ	31.12.2016	n.d.	n.d.	n.d.	n.d.	60.000
SAESP*	AKZ	31.12.2016	7.077.924	6.872.168	(55.206)	5.497.734	2.394
							13.492.044

* - unaudited
n.d. - unavailable

14 – Income Tax

The Bank is subject to corporate taxation and is considered a Group A taxpayer.

Income tax (current or deferred) are reflected in the profit or loss of the year, except in those cases where the transactions that originated them have been reflected in other equity items. In these situations, the corresponding tax is also posted against equity, without affecting the profit or loss for the year.

The calculation of the current tax estimate for the years ended 31 December 2016 and 2015 was calculated pursuant to paragraphs 1 and 2 of Article 64, of Law 19/14, 22 October, and the applicable tax rate of 30%.

Tax returns are subject to review and correction by the tax authorities for a period of five years and may result, due to different interpretations of tax legislation, in any corrections to taxable income for the years 2012 to 2016.

However, it is not foreseeable that any correction relating to these years will occur and, if it does, no significant impacts on the financial statements are expected.

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

The Current Taxes item includes taxes recoverable through tax credit settled in the previous years, amounting to AKZ 1.507.122 thousand (AKZ 1.507.122 thousand in 2015). This amount can be broken down as follows at 31 December 2016 and 2015:

	31-12-2016	31-12-2015 (Pro forma)
Recoverable taxes	616.611	616.611
On-account payments	880.803	880.803
IAC repos /Tax Law 7/97	9.708	9.708
	1.507.122	**1.507.122**
Provisions for tax contingencies (Note 18)	(616.611)	-
Recoverable tax at end of period	**890.511**	**1.507.122**

The Bank established a provision amounting to AKZ 616.611 related to the recoverable tax recorded under this item due to the risk of the inability to use these balances in future periods. This provision is recorded under Provisions, as described in Note 18.

Deferred taxes are calculated based on the tax rates anticipated to be in effect at the date of reversal of the temporary differences, which correspond to the rates approved or substantially approved on the balance sheet date. Thus, for the 2016 and 2015 financial years, the deferred tax was generally calculated based on a rate of 30%.

Deferred tax assets recognized in the balance sheet at 31 December, 2016 and 2015 can be analyzed as follows:

	Asset		Net	
	31-12-2016	31-12-2015 (Pro forma)	31-12-2016	31-12-2015 (Pro forma)
Loans to customers	420.921	593.676	420.921	593.676
Non-current assets held for sale	359.874	360.144	359.874	360.144
Investments in subsidiaries, associates and joint ventures	1.962.921	2.159.587	1.962.921	2.159.587
Customers' resources	-	153.755	-	153.755
Provisions	107.829	650.292	107.829	650.292
Deferred tax asset	**2.851.545**	**3.917.454**	**2.851.545**	**3.917.454**

The Bank assessed the recoverability of its deferred tax assets in the balance sheet based on the expectation of future taxable profits.

The transactions occurred in deferred income tax items were performed against the following:

	31-12-2016	31-12-2015 (Pro forma)
Opening balance	3.917.454	4.707.456
Recognised in income statement	(1.065.909)	(790.002)
Closing balance (Asset)	**2.851.545**	**3.917.454**

The tax recognized in income for the years ended 31 December 2016 and 2015 had the following origins:

	31-12-2016	31-12-2015 (Pro forma)
Deferred Taxes		
Loans to customers	172.755	357.913
Non-current assets held for sale	270	(50.470)
Investments in subsidiaries, associates and joint ventures	196.666	(613.684)
Customer resources	153.755	(21.925)
Provisions	542.463	856.364
Retirement compensation	-	66.858
Tax losses carried forward	-	194.946
	1.065.909	**790.002**
Current Taxes	**-**	**-**
Total recognised tax	**1.065.909**	**790.002**

Transition adjustments to IAS / IFRS generated impacts on deferred taxes for the year 2016 and 2015 of the Bank in the amount of AKZ 326.510 (2015: AKZ 335.998 thousand).

The reconciliation of the tax rate, in the part with respect to the amount recognized in the income statement, can be analyzed as follows:

	31-12-2016		31-12-2015 (Pro forma)	
	%	Amount	%	Amount
Income before tax		**50.806.782**		**16.703.100**
Tax rate	30,0%		30,0%	
Tax calculated based on the statutory tax rate		15.242.035		5.010.930
Positive variations in net equity (article 13)	0,2%	78.576	0,4%	64.398
Unforeseen provisions (Article 36)	-1,0%	(526.959)	3,6%	602.517
Capital Gains Tax and Real-Estate Property Tax (Article 18)	2,5%	1.281.381	2,1%	348.106
Fines and charges concerning infractions (Article 18)	0,1%	25.897	0,0%	4.393
Non deductible donations (Article 18)	0,3%	150.985	0,4%	72.157
Corrections related to previous financial years (Article 18)	0,4%	213.373	0,0%	-
Unspecified expenses	0,0%	964	10,4%	1.736.482
Income subject to Capital Gains Tax (Article 47)	-28,7%	(14.577.974)	-50,5%	(8.432.273)
Income from credit operations	-3,7%	(1.869.480)	-12,2%	(2.035.312)
Other adjustments	2,1%	1.047.111	20,5%	3.418.604
Tax for the Year	**2,1%**	**1.065.909**	**4,7%**	**790.002**

Income from government debt bonds, resulting from treasury bonds and treasury bills issued by the Angolan State, whose issue is regulated by Presidential Decree 259/10 of 18 November and Presidential Decree 31/12 of 30 January, Presidential Decree 31/12, of 30 January, are exempted from all taxes.

In addition, Presidential Legislative Decree 5/11, of 30 December (revised and republished through Presidential Legislative Decree 2/14, of 20 October) introduced a subjugation norm to Capital Gains Tax (IAC) on the income of securities of public debt resulting from treasury bonds and treasury bills issued by the Angolan State.

Nevertheless, in accordance with the provisions of Article 47 of the Corporate Tax Code (Law 19/14, dated 22 October), in force since 1 January, 2015, in determining the taxable amount, the income subject to IAC will be deducted.

Therefore, in determining taxable income for the years ended 31 December, 2016 and 2015, such income was deducted from taxable income.

Likewise, the expense calculated with the settlement of the IAC is not fiscally accepted for the calculation of the taxable amount, as provided as provided for in Article 18 (1) (a) of the corporate tax code.

Notwithstanding the foregoing, as regards the income from public debt securities, according to the latest opinion of the tax authority addressed to ABANC (letter with reference number 196 / DGC / AGT / 2016, dated 17 May, 2016), only the income originating from securities issued on or after 1 January 2012 are subject to this tax.

It should also be noted that according to the opinion of the tax authority, foreign exchange revaluations of public debt securities issued in local currency, but indexed to foreign currency issued from 1 January, 2012, shall be subject to corporate tax until such time when the National Bank of Angola is in a position to perform the relevant tax withholding base on the Capital Gains Tax.

15 – Other assets

The item Other Assets at 31 December, 2016 and 2015 is analyzed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Debtors and other investments		
Shareholder loans and supplementary capital in subsidiaries and associates		
SAESP	7.614.153	7.614.153
SAESP - Impairment	(752.230)	(692.381)
EMIS	108.738	108.738
BAI Micro Finanças, S.A.	230.125	230.125
BAI Center, S.A.	4.449.084	3.547.958
Central Government - Ministry of Finance	5.874.215	3.019.031
Debtors - Loans	1.191.787	1.326.332
Debtors - Pension Fund	-	176.354
Debtors - Novinvest	3.655	1.444
Debtors BAI INVEST	906.392	1.957
Debtors - Nossa Seguros	60.299	15.646
E-Kwanza Network Manager	101.000	101.000
Regulator - BNA	23.537	140.325
Others	182.568	418.621
	19.993.323	**16.009.303**
Incomes receivable		
From commitments with third-parties	18.233	1.184
	18.233	**1.184**
Expenses with deferred cost		
Stationary	92.454	176.289
Rentals	78.158	232.028
Insurance	55.838	15.402
Advertisement	60.669	128.130
Others	35.707	169.931
	322.826	**721.780**
Other assets		
Operational risk incidents	1.423.006	1.133.332
Lending operations pending settlement	488.753	69.780
Cash shortages	57.852	76.748
Others	5.238.916	4.763.647
	7.208.527	**6.043.507**
	27 542 909	**22.775.774**

At 31 December, 2016, the item Supplies in Subsidiaries and Associated Companies - BAI Center includes a balance of AKZ 4.449.084 thousand (2015: AKZ 3.547.958 thousand) related to supplies made to the entity BAI Center SA, which are compensated on a half-yearly basis at a 1.5% rate.

At 31 December 2016, the item "Supplies in Subsidiary and Associated Companies – SAESP" includes the amount of AKZ 7.614.153 thousand (2015: AKZ 7.614.153 thousand) corresponding to ancillary capital payments made to the entity SAESP, which do not bear interest nor have repayment terms set. The Bank also conducted impairment tests on these supplies granted to SAESP, and recognized impairment in the total amount of AKZ 752.230 thousand (2015 AKZ 692.381 thousand).

Below we present the impairment transfer into other assets for the years ended 31 December, 2016 and 2015.

	31-12-2016	31-12-2015 (Pro forma)
Opening balance	**692.381**	**-**
Uses	59.849	692.381
Replenishments	-	-
Closing balance	**752.230**	**692.381**

At 31 December, 2016, the item Central Government - Ministry of Finance corresponds to amounts receivable from the Ministry of Finance, relating to commissions for the collection of yearly taxes, under the contract signed between both parties.
Fees related to tax collection are recognized as income for the year in the item Income from Services and Commissions (Note 24).

At 31 December, 2016 and 2015, the item Debtors - Loans in the amount of AKZ 1.191.787 thousand and AKZ 1.326.362 thousand, respectively, correspond essentially to the capital repayment related to loans granted to BAI Cabo Verde SA and other corporations related to this Bank.

At 31 December, 2016 and 2015, the item Operational Risk Incidents correspond to outstanding operations related to operational risk, mainly due to the fact that they are under internal investigation or whose legal proceedings are in progress, and the Bank has recorded the required provisions to guard against the associated risks, through the item Provisions (Note 18).

At 31 December, 2016 and 2015, the item 'Other Assets – Others' includes the adjustment to lending to employees in the amount of AKZ 5.199.934 thousand and AKZ 4.732.561 thousand, respectively, within the scope of application of IAS 19 Employee benefits.

In fact, BAI, like most Angolan financial institutions, grants loans to its employees at lower interest rates than those for customers, which is a supplement to their base salary. This benefit allows employees to have a much lower effort rate than he would have if his loan had a market rate, which is why the opportunity cost for the Bank should be accounted for in line with the provisions in IAS 19.

16 – Resources of Central Banks and Other credit institutions

The item 'Resources of Other Credit Institutions' is presented as follows:

	31-12-2016	31-12-2015 (Pro forma)
Resources of domestic credit institutions		
Other resources	2.615.545	1.295.048
	2.615.545	**1.295.048**
Resources of foreign credit institutions		
Very short term resources	16.590.261	13.531.500
Interest payable	1.843	-
	16.592.104	**13.531.500**
	19.207.649	**14.826.548**

At 31 December, 2016 and 2015, the balance of the item 'Very Short-term Resources' corresponds to an intake of USD 100.000 thousand (2016: AKZ 16.590.261 thousand) and USD 100.000 thousand (2015: AKZ 13.531.500 thousand), remunerated at a rate of interest of 1% and 0.3%, respectively.

The breakdown of the item 'Resources of Other Credit Institutions by Maturity' at 31 December 2016 and 2015 is as follows:

	31-12-2016	31-12-2015 (Pro forma)
Up to 3 months	19.207.649	14.826.548
	19.207.649	**14.826.548**

17 – Customer Resources and Other Loans

Considering the nature, the balance of the item 'Customer Resources and Other Loans' is broken down as follows:

	31-12-2016	31-12-2015 (Pro forma)
Demand deposits of residents		
Local currency		
Corporations	320.845.887	211.745.182
Individuals	82.462.925	80.691.502
Public Corporate Sector	11.461.169	50.641.147
Public Government Sector	28.240.635	12.544.522
	443.010.616	**355.622.353**
Foreign currency		
Corporations	180.403.500	117.397.572
Individuals	26.506.334	51.999.626
Public Corporate Sector	808.054	2.558.836
Public Government Sector	17.447.291	16.681.810
	225.165.179	**188.637.844**
	668.175.795	**544.260.197**
Demand deposits of non-residents		
Local currency	3.463.048	6.000.488
Foreign currency	3.096.404	1.687.355
	6.559.452	**7.687.843**
Total demand deposits	**674.735.247**	**551.948.040**
Term deposits in local currency		
Corporations	122.926.897	52.502.207
Individuals	43.198.800	39.589.189
Public Corporate Sector	64.519.828	574.829
Public Government Sector	15.982	49.573.158
Non-residents	464.286	90.849
	231.125.793	**142.330.232**
Term deposits in foreign currency		
Corporations	117.454.576	159.101.861
Individuals	96.439.321	71.091.133
Public Corporate Sector	124.826	73.299
Public Government Sector	986	-
Non-residents	142.094	94.746
	214.161.803	**230.361.039**
Total Term Deposits	**445.287.596**	**372.691.271**
Total Interest Payable on Term Deposits	17.280.739	14.367.238
Total deposits and interest payable on term deposits	**462.568.335**	**387.058.509**
Total customers' deposits	**1.137.303.582**	**939.006.549**

The breakdown of 'Customer's Resources and Other Loans' by maturity at 31 December, 2016 and 2015 is as follows:

	31-12-2016	31-12-2015 (Pro forma)
Local currency		
Up to three months	132.057.665	48.579.143
From three to six months	48.654.543	57.864.861
From six months to one year	48.068.068	20.677.255
More than one year	2.345.517	15.208.973
	231.125.793	**142.330.232**
Foreign currency		
Up to three months	62.915.874	113.779.184
From three to six months	59.599.102	37.682.199
From six months to one year	83.096.340	22.447.243
More than one year	8.550.487	56.452.413
	214.161.803	**230.361.039**
	445.287.596	**372.691.271**

At 31 December, 2016 and 2015, the customer deposits, excluding interest payable, had the following structure in terms of currency and average interest rate:

	31-12-2015 (Pro forma)		31-12-2015 (Pro forma)	
	Average Interest Rate	Amount	Average Interest Rate	Amount
In Kwanzas	5,50%	231.642.726	6,06%	142.330.231
In US Dollars	2,13%	211.563.763	2,56%	222.813.265
In Euros	1,37%	2.081.107	1,77%	7.547.775
		445.287.596		**372.691.271**

18 – Provisions

At 31 December, 2016 and 2015, provisions have the following transactions:

	31-12-2016	31-12-2015 (Pro forma)
Opening balance	**6.745.397**	**9.153.967**
Increases (Note33)	2.057.242	4.442.200
Reversals (Note 33)	(3.363.794)	(96.538)
Uses	(771.863)	(6.766.268)
Transfers (Note 18)	2.996.292	-
Adjustments	25.913	12.036
Closing balance	**7.689.187**	**6.745.397**

The balance of the item 'Provisions' is intended to cover certain duly identified contingencies arising from the Bank's business and are reviewed at each reporting date in order to reflect the best estimate of the amount and probability of payment.

The main provisions set up can be detailed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Provisions for contingent liabilities		
Operational risk incidents (Note 15)	1.659.917	1.319.275
Bonds in foreign currency (Note 9)	862.614	836.701
Tax contingencies (Note 14)	616.611	613.254
Rents payable	488.758	581.999
Credit Transfer System (STC)	418.447	418.447
Associate companies	266.469	266.469
Asset operations pending settlement	175.389	175.389
National Institute of Social Security	50.394	77.000
Tangible assets in progress	39.199	39.199
Cash shortages	1.485	1.485
BAI Micro Finanças (Note 13)	-	1.653.279
Others	113.612	762.900
	4.692.895	**6.745.397**
Provision for credit per signature (Note 10)	2.996.292	-
	7.689.187	**6.745.397**

The item 'Provision for Credit for Payables' refers to the provision established in the course of the implementation of the credit impairment model used by the Bank on off-balance sheet liabilities related to credit assumed with customers, pursuant to Note 2.3.

19 – Other liabilities

This item is analysed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Dividends payable	363.122	267.382
Tax charges payable - retained by third parties	2.169.107	252.992
Funds from realized guarantees - transfers in lieu of payments	33.477	33.477
Tax charges payable - Own	89.326	84.335
Income tax on employment income	119.067	81.795
Creditors for purchase of goods and rights	1.288.462	291.814
Creditors for the provision of services	44.502	168.675
Miscellaneous creditors:		
Transactions pending settlement	3.895.455	2.952.587
Monetary Agreement BNA - Bank of Namibia	102.152	1.056.568
VISA clearance	-	1.471.023
Funds for cash faults	261.254	168.343
Cash surpluses	92.861	66.078
E-Kwanza Network Manager	101.621	101.748
Down payments received	2.790.245	-
Others	941.297	480.707
Salaries and other remuneration		
Productivity Bonus	720.000	839.416
Holiday allowance	716.000	470.883
Social Fund	1.700.342	1.700.342
Social security contributions		
Employer's contribution	48.263	40.781
Employees' contribution	18.654	16.035
Other administrative costs	1.193.786	96.667
Resources allocated to currency exchange operations	14.566.151	244.673
Customers' advances - pre-paid BAI Kamba cards	2.739.006	1.502.443
	33.994.150	**12.388.764**

At 31 December, 2016, the item 'Dividends Payable' corresponds to the dividends to be distributed.

The item 'Taxes Payable - Retained from Third Parties' includes the amount of AKZ 1.455.625 thousand relating to capital gain tax payable to the Angolan Government. This item also includes the amount of AKZ 578.988 thousand related to the special levy on bank transactions payable under the special legislation issued by the Tax Authority in 2016.

At 31 December, 2016, the item 'Sale of Real Estate Received' in the value of AKZ 2.790.245 thousand, corresponds to down-payments received from the purchase and sale agreements entered into with several investors-purchasers of the assets received in lieu. These amounts are regularized after the substantial transfer to the investor-purchasers of all risks and rewards associated with the ownership of the properties (Note 11).

At 31 December, 2016, the item 'Salaries and other Remuneration' includes the amount of AKZ 716.000 thousand (2015: AKZ 470.883 thousand) relating to the holiday allowance payable, pursuant to the accounting policy (Note 2.13). This item also includes the amount of AKZ 720.000 thousand (2015: AKZ 839.416) related to the estimate of the performance bonus to be distributed to employees (Note 29).

The item 'Social Fund', amounting to AKZ 1.700.342 thousand, corresponds to the value of the Social Fund at 31 December 2016 and 2015, the allocation of which has not yet been made under its regulation.

The item 'Resources allocated to Foreign Exchange Operations' relates to the amount of customer's deposits in foreign currency associated with documentary import credits and foreign exchange transactions in the context of the direct sales by BNA pending execution (issuance of foreign payment orders).

20 – Capital, Issuance Bonus and Own Shares

Ordinary shares

At 31 December, 2016, the Bank's share capital amounting to AKZ 14.786.705 thousand, which was represented by 19.450.000 ordinary shares, fully subscribed and paid by different shareholders, chief among them:

	31-12-2016			31-12-2015 (Pro forma)		
	Number of shares	% of shares	Amount	Number of shares	% of shares	Amount
Sonangol Holding Limitada - SGPS	1.653.250	8,50%	16.533	1.653.250	8,50%	16.533
Oberman Finance Corp	972.500	5,00%	9.725	972.500	5,00%	9.725
Dabas Management Limited	972.500	5,00%	9.725	972.500	5,00%	9.725
Mário Abílio R. M. Palhares	972.500	5,00%	9.725	972.500	5,00%	9.725
Theodore Jameson Giletti	972.500	5,00%	9.725	972.500	5,00%	9.725
Lobina Anstalt	972.500	5,00%	9.725	972.500	5,00%	9.725
Coromasi Participações Lda.	923.875	4,75%	9.239	923.875	4,75%	9.239
Mário Alberto dos Santos Barber	752.715	3,87%	7.527	752.715	3,87%	7.527
Others	11.257.660	57,88%	112.576	11.257.660	57,88%	112.576
	19.450.000	**100%**	**194.500**	**19.450.000**	**100%**	**194.500**

The capital shares held by members of the governing bodies (Article 446 (3) Law 1/04, of 13 February - Business Companies Law) are broken down as follows:

Shareholders	Position	Purchase	No. of Shares	% of shares
Theodore Giletti	Director	nominal	972.500	5,00%
Mário Alberto dos Santos Barber	Director	nominal	752.715	3,87%
Luis Lélis	Director	nominal	583.500	3,00%
Paula Gray	Director	nominal	486.250	2,50%
Francisco de Lemos	Deputy Chairman of the Board	nominal	194.500	1,00%
Helder Aguiar	Director	nominal	97.250	0,50%
Inokcelina dos Santos	Director	nominal	97.250	0,50%

Own shares

The Bank may, under the terms and conditions permitted by law, acquire its own shares and carry out all legally authorized transactions on them.

During 2016, an amount of treasury shares registered in Shareholders' equity was settled considering the settlement thereof.

21 – Reserves, Retained Earnings and Other Comprehensive Income

Legal Reserve

This item consists entirely of the legal reserve, which can only be used to cover accumulated losses or to increase capital. The applicable legislation requires that the legal reserve be credited annually with at least 10% of the annual net profit, until the capital stock competition.
To this date, the Bank has established the legal reserve until the capital stock competition.

Revaluation reserves, other reserves and retained earnings

At 31 December, 2016, movements in revaluation reserves, other reserves and retained earnings are presented as follows:

	Reevaluation reserve (Available for sale financial assets)	Other Reserves and Retained Earnings			Total
		Legal Reserve	Other Reserves and Retained Earnings	Total Other Reserves and Retained Earnings	
Balance at 1 January 2015 (Pro forma)	**-**	**14.786.705**	**81.571.672**	**96.358.377**	**96.358.377**
Changes to fair value	-	-	-	-	-
Dividends payment	-	-	(3.854.661)	(3.854.661)	(3.854.661)
Annulment of revaluation reserve	-	-	228.585	228.585	228.585
Balance at 31 December 2015 (Pro forma)	**-**	**14.786.705**	**77.945.596**	**92.732.301**	**92.732.301**
Changes to fair value	(336.060)	-	-	-	(336 060)
Establishment of reserves	-	-	10.537.898	10.537.898	10.537.898
Other transactions	-	-	-	-	-
Balance at 31 December 2016	**(336.060)**	**14.786.705**	**88.483.494**	**103.270.199**	**102.934.139**

Fair value reserves

Fair value reserves represent the potential capital gains or losses on the available-for-sale financial assets portfolio, net impairment recognised in profit and loss of the year or previous financial years.

The changes to the fair value reserve, net of deferred taxes, can be analyzed as follows:

	31-12-2016	31-12-2015 (Pro forma)
Opening balance	**-**	**-**
Changes to fair value	(336.060)	-
Closing balance	**(336.060)**	**-**

22 – Interest income

The amount under this item comprises:

	31-12-2016			31-12-2015 (Pro forma)		
	From assets/liabilities at amortised cost and available for sale assets	From assets/ liabilities at fair value through profit and loss	Total	From assets/liabilities at amortised cost and available for sale assets	From assets/ liabilities at fair value through profit and loss	Total
Interest and similar earnings						
Interest on Loans to Customer	42.257.425	-	42.257.425	32.651.382	-	32.651.382
Interest on held-to-maturity investments	43.162.484	-	43.162.484	21.022.917	-	21.022.917
Financial assets at fair value through profit or loss	-	2.848.450	2.848.450	-	619.744	619.744
Interest on cash balances held at credit institutions	2.877.488	-	2.877.488	1.974.409	-	1.974.409
Interest on available for sale financial assets	786.360	-	786.360	-	-	-
	89.083.757	**2.848.450**	**91.932.207**	**55.648.708**	**619.744**	**56.268.452**
Interest and similar charges						
Interest on customers' resources	(20.557.350)	-	(20.557.350)	(12.144.837)	-	(12.144.837)
Interest on central banks and other credit institutions resources	(302.325)	-	(302.325)	(345.742)	-	(345.742)
	(20.859.675)	**-**	**(20.859.675)**	**(12.490.579)**	**-**	**(12.490.579)**
Interest	**68.224.082**	**2.848.450**	**71.072.532**	**43.158.129**	**619.744**	**43.777.873**

In the years ended on 31 December, 2016 and 2015, the item Interest on Loans to Customers includes the amounts of AKZ 6.198.619 thousand and AKZ 6.359.124 thousand respectively, related to income from credit operations with the Ministry of Finance.

The item 'Customer Loans Interest' includes the negative effect of AKZ 646.442 thousand (2015: negative effect of AKZ 43.359) on commissions and other income accounted for using the effective interest rate method, pursuant to IAS 39 and Note 2.3.

The item 'Interest on Loans' also includes the amount of AKZ 322.101 thousand (2015: AKZ 245.608 thousand) related to the effect of the loans granted to employees, in accordance with IAS 19.

For the periods ended 31 December 2016 and 2015, the item 'Interest on Cash and Cash Equivalents' and 'Investments in Credit Institutions' includes the amounts of AKZ 1.441.667 thousand and AKZ 566.418 thousand, respectively, related to interest on the purchase of third party securities with agreement Contracted with the BNA, which are exempt from taxation.

23 – Revenue from Capital Instruments

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Dividend income from investments in subsidiaries, associates and joint ventures		
Banco Internacional de São Tomé e Príncipe	49.397	19.888
	49.397	**19.888**

24 – Fees and commissions income and expenses

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Fees and commissions income	**11.213.926**	**8.383.005**
For provision of bank services	8.713.779	5.895.689
For currency exchange operations	1.572.528	1.899.881
For guarantees provided	459.584	136.791
For commitments assumed with third parties	309.693	121.782
For operations performed on behalf of third parties	129.152	278.714
Other income from commissions	29.190	50.148
Fees and commissions expenses	**(1.532.885)**	**(1.455.687)**
For provision of bank services	(1.248.740)	(1.235.477)
For currency exchange operations	(248.243)	(192.430)
For other services provided	(3.247)	(9.523)
Other commissions paid	(32.655)	(18.257)
	9.681.041	**6.927.318**

At 31 December, 2016 and 2015, the item 'Fees and Commissions Income' - for provision of bank services essentially corresponds to commissions related to the opening of credits and associated with various banking services rendered to customers.

At 31 December, 2016 and 2015, the item 'Fees and Commissions Income' - from foreign exchange operations correspond to commissions charged by the Bank on foreign currency sales transactions.

At 31 December, 2016 and 2015, the item 'Fees and Commissions Expenses' - for banking services provided includes the amounts of AKZ 924.817 thousand and AKZ 502.790 thousand respectively, related to electronic settlement costs.

25 – Earnings from Financial Assets and Liabilities at fair value through profit or loss

The amount under this item comprises:

	31-12-2016			31-12-2015 (Pro forma)		
	Income	Costs	Total	Income	Costs	Total
Securities held for trading						
Securities						
Bonds and other fixed-income securities						
From public issuers	2.754.535	(61.601)	2.692.934	231.586	-	231.586
	2.754.535	**(61.601)**	**2.692.934**	**231.586**	**-**	**231.586**

This item records the income from the sale of securities recorded in the portfolio of financial assets held for trading, as defined in Note 2.4.

26 – Income/(loss) from foreign exchange operations

The amount under this item comprises:

	31-12-2016			31-12-2015 (Pro forma)		
	Income	Costs	Total	Income	Costs	Total
Revaluation of spot foreign exchange position	1.131.502.438	(1.133.800.478)	(2.298.040)	995.980.523	(996.852.707)	(872.184)
Revaluation of assets and liabilities	184.211.171	(188.167.046)	(3.955.875)	210.454.145	(217.650.469)	(7.196.324)
Purchase and sale of foreign currency	13.954.046	(4.423.894)	9.530.152	9.225.116	(87.043)	9.138.073
Revaluation of USD Indexed Treasury Bonds	14.964.355	(376.997)	14.587.358	19.059.498	(543.910)	18.515.588
	1.344.632.010	**(1.326.768.415)**	**17.863.595**	**1.234.719.282**	**(1.215.134.129)**	**19.585.153**

This item includes the income arising from the foreign exchange revaluation of monetary assets and liabilities denominated in foreign currency, pursuant to the accounting policy outlined in Note 2.2.

27 – Income from Sale of other Assets

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Gains in other tangible assets	23.829	12.294
	23.829	**12.294**
Losses in other tangible assets	(77.329)	(232.028)
Losses in other intangible assets	(13.399)	(166.016)
	(90.728)	**(398.044)**
	(66.899)	**(385.750)**

28 – Other operating income

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Other operating income		
Income from provision of miscellaneous services	2.131.015	1.868.905
Recovery of interest and expenses on overdue loans	1.562.127	3.084.544
Other income on investments in shareholdings	100.932	-
Other operating revenues	636.880	872.673
	4.430.954	**5.826.122**
Other operating fees		
Taxes and fees not included on income/(loss)	(5.268.755)	(1.397.884)
Debt reliefs	(4.700.720)	(1.715.474)
Penalties imposed by regulators	(43.161)	(7.322)
Other losses on investments in shareholdings	(39.204)	-
Other operating fees and expenses	(28.054)	(42.641)
	(10.079.894)	**(3.163.321)**
	(5.648.940)	**2.662.801**

In the years ended 31 December, 2016 and 2015, the balance of item 'Other Operating Income - Income from the Provision of Miscellaneous Services' reflects the income obtained during the year with commissions of charges collected by the various services provided by the Bank and with commissions charged by the Bank for issuing cheques.

The item 'Other Operating Expenses - Taxes and Charges not included in Profit or Loss' include the amount of AKZ 3.870.594 thousand (2015: AKZ 993.181 thousand) relating to capital gain tax the Bank was subject to during the year.

The item 'Other Operating Expenses - Debt Pardons' refers to the losses incurred by the Bank in the context of the restructuring of loans, which were already fully provisioned.

29 – Staff Costs

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Wages and salaries	7.400.272	6.425.694
Other remuneration	4.261.691	4.838.371
Mandatory social charges	1.646.871	718.288
Costs with post-retirement benefits	800.461	675.222
Other costs	295.504	5.609
	14.404.799	**12.663.184**

The item 'Other Remuneration' includes the amount of AKZ 322.101 thousand (2015 AKZ 245.608 thousand) referring to the effect of loans granted to employees, pursuant to IAS 19.

The item 'Expenses with Post-employment Benefits' includes AKZ 522.888 thousand (2015: AKZ 452.407 thousand) for contributions to the social security fund. This item also includes the amount of AKZ 277.572 thousand (2015: AKZ 222.814 thousand) related to contributions to the defined contribution fund funded by BAI ('BAI Pension Fund'), as set out in Note 30.

The expenses with remuneration and other benefits granted to the Board of Directors and the Fiscal Board during 2016 and 2015 are presented as follows:

	31-12-2016			31-12-2015		
	Board of Directors	Fiscal Board	Total	Board of Directors	Fiscal Board	Total
Salaries and other short term benefits	448.593	22.297	470.890	399.702	18.655	418.357
Variable compensations	288.612	-	288.612	222.009	-	222.009
Long-term benefits and other social charges	39.063	1.778	40.841	36.468	1.662	38.130
	776.268	**24.075**	**800.343**	**658.179**	**20.317**	**678.496**

The number of employees of the Bank, considering the number of regular and fixed-term employees presents the following breakdown by professional category:

	31-12-2016		31-12-2015	
	Average of the FY	End of the FY	Average of the FY	End of the FY
Directors	13	12	12	13
Management and Coordination	52	48	57	55
Top management	309	303	307	314
Technical staff	614	660	563	567
Administration	850	779	931	921
Other employees	138	141	132	134
	1.974	**1.943**	**2.002**	**2.004**

30 – Employee benefits

Law No. 07/04 of 15 October, which regulates the Angolan Social Security system, provides for the award of retirement pensions to all Angolan workers registered with social security. The value of these pensions shall be 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 periods immediately preceding the date on which the worker ceases to work.

According to Decree No. 7/99, of 28 May, the contribution rates for this system are 8% for the employer and 3% for the workers. In 2004, the Bank took the voluntary commitment, by setting up 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 contract of constitution of the "BAI Pension Fund".

At 31 December, 2009, the Bank had voluntarily granted, under the defined benefit scheme, a pension supplement for old-age, disability, early retirement and survival pensions to its employees.

On 21 November, 2012, Order no. 2529/12 approved by the Ministry of Finance was published in official gazette, whose single item was the approval of the amendments to the pension plan and the incorporation agreement the Bank Workers Pension Fund, which shifted from a defined benefit pension plan into a defined contribution plan.

Following this amendment to the Fund, the defined benefit pension plan was maintained for existing pensioners and for participants who terminated their employment with the Bank and with rights acquired up to 31 December 2009.

Also in line with this amendment, which was approved in 2012 to the Fund's constitution, BAI should contribute 6% of the salary of its employees on a monthly basis, and a further contribution of 3% is envisaged by the participants in the new defined contribution plan.

Until 31 December, 2012, the Bank was exceptionally provisioning a 3% salary contribution corresponding to the potential liability of participants (employees). In the 2013 financial year, in view of the foregoing, this provision was annulled and this procedure was supported by a legal opinion and by a favorable decision by ARSEG (Angolan Agency for Insurance Regulation and Supervision).

It should also be noted that between 2010 and December 2013, the Bank set up provisions related to its potential contribution of 6% on the employees' salaries and decided that it will take this period into consideration, even if there are no contributions by employees, as pensionable time of service for those participants who joined the Fund.

The management of the 'BAI Pension Fund' was transferred from AAA Pensões, SA to NOSSA S.A. - Nova Sociedade Angolana de Seguros de Angola, dated 31 October, 2013, in accordance with the Order dated 28 October, 2013, by of the Ministry of Finance.

BAI started deducting on a monthly basis an amount equivalent to 3% from salaries of employees who joined the Fund, maintaining its contribution of 6% on the salaries of the said employees.

With regard to the amount to be reimbursed to those employees previously covered by the Defined Benefit Plan and who transferred to the Defined Contribution Pension Plan, the Fund has at this date the appropriation available to cover this liability.

Regarding the Defined Benefit Plan, which was still in force, it was decided to settle all liabilities towards all participants to this fund (former employees and pensioners), in the sense that this fund is fully paid as of 31 December, 2015.

The whole process was monitored and authorized by ARSEG.

31 – Third Party Supplies and Services

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Audits, consultancy and other specialized technical services	3.847.523	3.129.874
Communications	1.869.082	1.725.207
Rentals	1.730.039	2.078.019
Miscellaneous materials	1.626.865	1.445.043
Security, conservation and repairs	1.447.112	920.964
Publications and advertisement	1.047.463	754.691
Insurance	393.178	303.622
Transport, travel and accommodation	138.519	121.356
Water and electricity	116.683	60.807
Other supplies and services	515.327	307.079
	12.731.791	**10.846.662**

32 – Depreciation and amortisation for the year

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Intangible Assets		
Organization and Expansion Expenses	100.517	223.070
Automatic data processing systems	230.579	303.670
	331.096	**526.740**
Other intangible assets		
Property in use		
Property for own use	554.238	323.744
Improvements in leasehold premises	556.716	459.457
Furniture, tools, facilities and equipment		
Furniture and Fixtures	330.766	143.598
Machinery and tools	571.697	487.291
Computer equipment	483.694	146.109
Indoor facilities	60.022	59.428
Transport Equipment	329.878	341.975
Security Equipment	72.771	55.863
Other equipment	103.760	72.688
Other tangible assets	36.680	37.248
	3.100.222	**2.127.401**
	3.431.318	**2.654.141**

33 – Provisions net of reversals

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Yearly appropriations (Note 18)	2.057.242	4.442.200
Yearly reversal (Note 18)	(3.363.794)	(96.538)
	(1.306.552)	**4.345.662**

34 – Impairment on loans to customers net of reversals and recoveries

The amount under this item comprises:

	31-12-2016	31-12-2015 (Pro forma)
Yearly appropriations, net of reversals (Note 10)	25.665.543	24.303.095
Recovery of receivables and interest	(9.434.466)	(1.074.032)
	16.231.077	**23.229.063**

35 – Impairment on other financial assets net of reversals and recoveries

	31-12-2016	31-12-2015 (Pro forma)
Yearly appropriations	-	1.502.995
Yearly reversal	(715.404)	(149.764)
	(715.404)	**1.353.231**

36 – Impairment on other assets net of reversals and recoveries

	31-12-2016	31-12-2015 (Pro forma)
Yearly appropriations	59.849	1.023.826
Yearly reversal	-	-
	59.849	**1.023.826**

37 -Off-Balance-Sheet Accounts

This item is presented as follows:

	31-12-2016	31-12-2015 (Pro forma)
Guarantees and sureties provided	61.850.125	24.196.195
Guarantees and sureties received	(270.229.062)	(263.235.229)
Commitments assumed with third parties	3.898.198	32.875
Deposits and custody	(369.143.054)	(296.938.558)
Responsibilities for service delivery:		
Custody of securities	132.056.372	58.776.986
Treasury Bills	8.701.244	5.090.917
Custody of BNA Funds (Soyo)	5.412.862	1.715.955
Other responsibilities for service delivery:	4.827.268	4.997.354
Consigned funds	528.287	457.835
Loans written-off		
Lending	85.531.778	79.599.049
Secured current accounts	20.085.561	16.500.796
Advances to depositors	10.352.806	9.482.209
Other off-balance sheet items	(4.646)	149.938
Loans provided by third parties:		
Collateralised investments in BAI Europa	518.446	870.759
Collateralised investments in BAI Cabo Verde	-	710.404

Guarantees and sureties provided are bank operations which do not involve the 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 a given amount to the supplier of a given commodity or service, within a stipulated period, against the presentation of documents attesting the shipment of the goods or provision of services. The condition of irrevocability means that it cannot be amended or cancelled without the express agreement of all parties involved.

Commitments entered into with third parties have contractual agreements for the granting of credit to the Bank's customers (for example, unused lines of credit), which are usually contracted under fixed terms or with other expiration requirements and, normally, require the payment of a commission. Substantially, all existing credit granting commitments require customers to maintain certain requirements when contracting when contracting them. They may be revocable and irrevocable.

Notwithstanding the specificities of these commitments, the assessment of these transactions is based on the same basic principles of any other commercial transaction, namely that solvency of both the customer and the underlying business, and the Bank requires that these operations be duly collateralized, when necessary. Since most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

All financial instruments referred to above are subject to the same approval and control procedures extended to the customer loan portfolio, namely in relation to the assessment of the suitability of provisions, constituted as described in the accounting policy referred to in Note 2.3. The aforementioned provision is recorded in the item 'Provisions', as outlined in Note 18.

38– Related Party Transactions

In accordance with IAS 24, the following entities are considered related to BAI:

- Holders of qualifying shareholdings - Shareholders, assuming that this is the case when equity interest is not less than 10%;
- Entities that are directly or indirectly in a controlling relationship or in a group relation - Subsidiaries, joint ventures and jointly controlled companies;
- Members of the governing and supervisory bodies of the Bank and its spouses, descendants or ascendants up to the second degree of the straight line, who are the final beneficiaries of transactions or assets.

The Bank's related entities with which it maintained balances or transactions for the year ended 31 December 2016 and 2015 are as follows:

Name of Related Entity	%	Head Office
Companies that are directly or indirectly controlled by the Bank		
BAI Micro Finanças, S.A.	96,79%	Angola
BAI Europa Pty	99,99%	Portugal
BAI Cabo Verde Pty	80,43%	Cape Verde
BAI Center S.A	100,00%	Cape 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
BAI Foundation	100,00%	Angola
BAIGEST S.A.	100,00%	Angola

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

Name of Related Entity	%	Head Office
Members of Board of Directors	n.a.	n.a.
José Carlos de Castro Paiva - Chairman	n.a.	n.a.
Francisco de Lemos José Maria - Vice-Chairman	n.a.	n.a.
Ana Paula Gray - Vice-Chairwoman	n.a.	n.a.
Theodore Jameson Giletti - Director	n.a.	n.a.
Mário Alberto Barber - Director	n.a.	n.a.
Jaime de Carvalho Bastos - Independent Director	n.a.	n.a.
José de Lima Massano - Chief Executive Officer	n.a.	n.a.
Luís Filipe Lélis - Executive Director	n.a.	n.a.
Inokcelina Ben'África Santos - Executive Director	n.a.	n.a.
Helder Miguel Jasse Aguiar - Executive Director	n.a.	n.a.
Simão Francisco Fonseca - Executive Director	n.a.	n.a.
João Cândido Fonseca - Executive Director	n.a.	n.a.
Pedro Castro e Silva - Executive Director	n.a.	n.a.
Members of the Fiscal Board		
Júlio Ferreira Sampaio - Chairman	n.a.	n.a.
Moisés António Joaquim - Member	n.a.	n.a.
Alberto Severino Pereira - Member	n.a.	n.a.
Isabel Lopes - Alternate Member	n.a.	n.a.
Members of the General Meeting		
Domingos Lima Viegas - Chairman	n.a.	n.a.
Josina Baião Magalhães - Vice-Chairwoman	n.a.	n.a.
Alice Trindade Escórcio - Secretary	n.a.	n.a.
Corporation under common control		
AAA Pensões S.A.	n.a.	Angola
AAA Seguros S.A.	na.	Angola
EMIS - Empresa Interbancária de Serviços S.A.		Angola
BAI Invest S.A.	n.a.	Angola
FIPA - Fundo de Investimento Privado de Angola S.A.	n.a.	Luxembourg
GRINER Engenharia S.A.	n.a.	Angola
Nova Cimangola S.A.	n.a.	Angola
BISTP - Banco Internacional de São Tomé e Príncipe S.A.	n.a.	São Tomé and Príncipe
SODIMO - Sociedade de Desenvolvimento Imobiliário S.A.	n.a.	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 LDA	n.a.	Angola
IMOGESTIN SA	n.a.	Angola

The value of the Bank's transactions with related parties at 31 December, 2016 and 2015, as well as the respective costs and revenues recognized in the period under review, is summarized as follows:

	31-12-2016				31-12-2015 (Pro forma)
	Board Members	Subsidiaries, associates and joint ventures	Corporations under joint control	Total	(Pro forma)
Assets					
Cash balances with other credit institutions credit institutions	-	7.220.108	-	7.220.108	5.058.030
Investments in central banks and other credit institutions	-	48.716.717	-	48.716.717	24.638.195
Available for sale financial assets	-	-	75.033	75.033	75.033
Investments held to maturity	-	432.442	-	432.442	139.410
Investments in subsidiaries, associates and joint ventures	-	7.976.049	-	7.976.049	7.260.645
Loans to customers	2.073.115	-	17.508.367	19.581.482	26.454.995
Direct loans	2.086.688	-	18.921.259	21.007.947	29.988.767
Indirect loans	46.345	-	2.656.131	2.702.476	7.168.989
Loan portfolio impairment	(59.918)	-	(4.069.023)	(4.128.941)	(10.702.761)
Other assets	-	11.898.770	1.029.312	12.928.082	11.575.435
Total assets	**2.073.115**	**76.244.086**	**18.612.712**	**96.929.913**	**75.201.743**
Liabilities					
Demand deposits	831.047	659.049	4.421.036	5.911.132	4.594.154
Term deposits	3.387.538	740.987	1.208.138	5.336.663	1.722.165
Other liabilities	1.806	-	-	1.806	1.806
Total liabilities	**4.220.391**	**1.400.036**	**5.629.174**	**11.249.601**	**6.318.125**
Guarantees received	211.839	-	369.883	581.722	5.873.272
Credit written-off from assets			1.506	1.506	1.229

	31-12-2016				31-12-2015 (Pro forma)
	Board Members	Subsidiaries, associates and joint ventures	Corporations under joint control	Total	(Pro forma)
Interest on cash balances and investment in credit institutions	-	252	-	252	3.732
Interest on loans to customers	249.780	-	2.190.068	2.439.848	3.636.333
Interest and similar earnings	**249.780**	**252**	**2.190.068**	**2.440.100**	**3.640.065**
Interest on customers' resources	(134.567)	(45.540)	(22.519)	(202.626)	(88.630)
Interest on central banks' and credit institutions, resources	-	24.145	-	24.145	(2.122)
Interest and similar charges	**(134.567)**	**(21.395)**	**(22.519)**	**(178.481)**	**(90.752)**
Interest	**115.213**	**(21.143)**	**2.167.549**	**2.261.619**	**3.549.313**

At 31 December, 2016 and 2015, the total amount of cash and cash equivalents, as well as investments in other credit institutions that refer to transactions with subsidiaries, associates and joint ventures, in addition to those referred to above, are summarized as follows:

Cash balances in other credit institutions	31-12-2016	31-12-2015 (Pro forma)
BAI Europa, S.A.	7.121.583	4.926.861
BAI Cabo Verde, S.A.	98.525	131.170
Total	**7.220.108**	**5.058.031**

Investments in other credit institutions	31-12-2016	31-12-2015 (Pro forma)
BAI Europa, S.A.	39.853.171	16.542.259
BAI Micro Finanças, S.A.	-	1.000.000
BAI Cabo Verde, S.A.	8.863.546	7.095.936
Total	**48.716.717**	**24.638.195**

The expenses with compensation and other benefits provided to key personnel of the Bank's management (short- and long-term) are presented in Note 29.

Related-party transactions are carried out under the following conditions, pursuant to the Bank's policy:

- Commercial transactions - conducted under normal market conditions and applicable to transactions with the same characteristics and customers of a similar profile, in terms of, among others, risk level, turnover, business sector, etc., according to BAI pricing i.e. the transaction price must be established using the comparable market price method.
- Cost-Sharing Transactions - the price of transactions is established using the cost-plus method.

39 – Fair value of financial assets and liabilities

Fair value is based on market prices, whenever these are available.
If these are not available, 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 both the market interest rate curve and the current levels of risk of the respective issuer.

Thus, the fair value obtained is influenced by the parameters used in the evaluation 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 presented as follows:

		Valued at Fair Value				
	Amortised Cost	Not subject to interest rate risk (Level 1)	Valuation models with observable market inputs (Level 2)	Valuation models with non-observable market inputs (Level 3)	Total balance sheet value	Fair Value
31. December 2016						
Cash and balances in central banks	194.593.850	-	-	-	194.593.850	194.593.850
Cash balances in other credit institutions	24.934.154	-	-	-	24.934.154	24.934.154
Investments in central banks and other credit institutions	77.499.381	-	-	-	77.499.381	77.499.381
Financial assets held for trading and at fair value through income or loss	-	-	15.862.414	-	15.862.414	15.862.414
Available for sale financial assets	-	-	16.889.938	-	16.889.938	16.889.938
Investments held to maturity	550.166.579	-	-	-	550.166.579	534.769.770
Loans to customers	379.864.044	-	-	-	379.864.044	368.788.626
Financial assets	**1.227.058.008**	**-**	**32.752.352**	**-**	**1.259.810.360**	**1.233.338.133**
Central banks' and other credit institutions resources	19.207.649	-	-	-	19.207.649	19.207.649
Customers' resources and other loans	1.137.303.582	-	-	-	1.137.303.582	1.137.303.582
Financial liabilities	**1.156.511.231**	**-**	**-**	**-**	**1.156.511. 231**	**1.156.511.231**

As regards the comparative period at 31 December, 2015, this table was not presented, since this is pro-forma information related to a historical period, in which there was no obligation for its submission.

The Bank uses the following three-level 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 assessed. Should there be more than one active market for the same financial instrument, the relevant price will prevails in the instrument's main market or the most advantageous market for which access exists;

- **Level 2**: Fair value is determined on the basis of valuation techniques based on observable data in active markets, whether direct (prices, rates, spreads, etc.) or indirect (derivatives) and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument. It also includes instruments whose appreciation is obtained through quotations disclosed by independent entities but whose markets have lower liquidity;

- **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 in evaluating the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and contemplated processes to review the accuracy of the values so obtained.

The Bank considers an active market for a given financial instrument at the measurement date, depending on the volume of business and the liquidity of the transactions conducted, the relative volatility of quoted prices and the readiness and availability of the information and should, verify the following minimum conditions:

- Existence of frequent daily trading prices in the last year;
- The aforementioned prices change regularly; T.
- here are executable quotes from more than one entity. .

A parameter used in a valuation technique is considered a market observable data if the following conditions are met:

- Its value is determined in an active market;
- If there is an over-the-counter market and if it is reasonable to assume that active market conditions exist, with the exception of the trading volume condition;
- The parameter value can be obtained by the inverse calculation of prices of financial instruments and/or derivatives where the remaining parameters required for the initial valuation are observable in a liquid market or in an over-the-counter market that comply with the previous paragraphs.

In 2015 and 2016, the financial assets held by the Bank are not being valued using methods with parameters not observable in the market (level 3), for which reason no changes of the items valued according to this level is shown.

In 2016, all financial assets recorded at fair value were classified in level 2, despite the fact that they are prices quoted on the Angolan Capital Market (BODIVA). The fact that this market began its activity at the end of 2016, considering the low liquidity and depth of the capital market and the early stage in which it is found, it was considered that they did not meet the required 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 in central banks, Deposits with other credit institutions and investments in central banks and other credit institutions

These are very short-term assets and therefore the balance sheet value is a reasonable estimate of their fair value.

Financial assets held for trading and available-for-sale financial assets

These financial instruments are recorded at fair value. The fair value is based on market quotations available at BODIVA, whenever these are available. Should they not be available, 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, mainly credit risk and liquidity risk, determined in accordance with market conditions and the respective terms.

Market interest rates are determined based on information made public by providers of financial information 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 projecting non-deterministic cash flows such as indexing.

Investments held-to-maturity

The fair value of these financial instruments is based on market quotations, when available. Should they not be available, the fair value is estimated based on the update of the expected future cash flows of capital and interest for these instruments.

For the purposes of this report, it was assumed that treasury bills have short-term residual maturities and that treasury bills in foreign currency bear interest rates in line with prevailing market rates. Hence, the book value 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 instalments are paid on the contractually set dates. The interest and discount rates used are the current average rates charged for loans with similar characteristics in the last three months.

For the purposes of this report, 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.

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.

Resources from customers 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 charged for deposits with characteristics similar to the balance sheet date. Considering that, for the vast majority of the Bank's customer portfolio, the applicable interest rates are renewed for periods of less than one year, there are no material differences in their fair value.

40 – Activity Risk Management

The Bank is subject to several risks in the conduct of its business.

Risk management is performed in a centralized way in relation to the specific risks of each business.

The risk management policy aims at defining the profile for each risk identified as material to the Bank, with a view to protecting the soundness of the Bank, as well as guidelines for the implementation of a risk management system that enables the identification, assessment, monitoring, control and reporting of all material risks inherent in the Bank's business.

In this context, of particular relevance is the monitoring and control of the main financial risks - credit, market and liquidity - and non-financial risks- operational risk - which is subject to the Bank's business:

Main risk categories

Credit – Reflects the likelihood of negative impacts on results or capital due to the inability of a counterpart 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 on results or capital due to adverse changes in interest rates and exchange rates and / or prices of the different financial instruments that comprise it, considering both the correlations between them and their volatility. Thus, Market Risk encompasses the interest rate, exchange rate and other price risks

Liquidity – This risk reflects the probability of negative impacts on results or capital arising from the institution's inability to have liquid funds to meet its financial obligations as they mature..

Operational – Operational risk means as the probability of negative impacts occurring on earnings or capital arising from failed analysis, processing or settlement of transactions, from internal and external fraud, the use of resources under the regime of subcontracting, inadequate internal decision--making processes, inadequate or insufficient human resources, or the inoperability of the infrastructures.

Internal organization

The organizational structure of the risk management system includes a stand-alone and independent position - the Risk Management Department ("DGR ") - without direct responsibility over any risk-taking role, which is hierarchically and functionally answerable to the Board of Directors (BoD), being supervised by the Committee of Risk Management and monitored on a daily basis by an executive director appointed by the Executive Committee.

The BoD is responsible for defining, approving and implementing a risk management system that enables 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 a previously set level and do not significantly affect the Bank's financial situation.

It is incumbent on the BoD I) approve the operating regulations of the CGR; (Ii) ensure the material and human resources adequate to the performance of 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 provided for in Order 2 / 13 of 19 April.

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 organizational units are responsible for effective risk control and compliance with the EC's internal procedures handbooks.

The risk management system is documented through policies, internal standards (processes) manuals of procedures.

In the course of 2016, BNA issued a number of notices and instructions with a special focus on risk management and reporting by financial institutions. The Bank is in the process of implementing them, in order to conduct 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-making process is based on a set of policies and parameters based on scoring models for the portfolio of private customers and rating models for the corporate segment.

Next the information on the Bank's exposure to credit risk is presented:

	31-12-2016		
	Gross book value	Impairment	Net book value
Balance sheet			
Cash balances in other credit institutions	24.934.154	-	24.934.154
Investments in central banks and in other credit institutions	77.499.381	-	77. 499.381
Financial assets held for trading and at fair value through income or loss	15.862.414	-	15.862.414
Available for sale financial assets	17.376.081	486.143	16.889.938
Investments held to maturity	550.166.579	-	550 166 579
Loans to customers	448.711.397	68.847.353	379.864.044
	1.134.550.006	**69.333.496**	**1.065.216.510**
Off-balance sheet			
Guarantees provided and letters of credit	61.850.125	2.996.292	58.853.833
Commitments assumed with third parties	3.898.198	-	3.898.198
	65.748.323	**2.996.292**	**62.752.031**
	1.200.298.329	**72.329.788**	**1.127.968.541**

	31-12-2015 (Pro forma)		
	Gross book value	Impairment	Net book value
Balance sheet			
Cash balances in other credit institutions	7.650.781	-	7.650.781
Investments in central banks and other credit institutions	47.971.451	-	47 971 451
Financial assets held for trading and at fair value through income or loss	13.231.602	-	13.231.602
Available for sale financial assets	67.529.208	486.143	67.043.065
Investments held to maturity	334.875.749	-	334.875.749
Loans to customers	396.590.203	49.615.930	346.974.273
	867.848.994	**50.102.073**	**817.746.921**
Off-balance sheet			
Guarantees provided and letters of credit	24.196.195	-	24.196.195
Central banks' and other credit institutions' resources	32.875	-	32.875
	24.229.070	**-**	**24.229.070**
	892.078.064	**50.102.073**	**841.975.991**

Regarding the quality of the credit risk of the financial assets, based on the internal rating levels, the Bank is developing the necessary tools to present the information accordingly.

Nevertheless, it is important to take into account the following items related to the credit risk mitigation of the Bank's financial assets:

– With regard to credit risk, the portfolio of financial assets held by the Bank maintains its position mainly in bonds of Angola;

– For the purpose of reducing the credit risk granted to customers, the real mortgage collateral and financial collateral are relevant, which enable the direct reduction of the value of the position. The guarantees of personal protection with substitution effect in the risk position are also considered;

– In terms of the direct reduction of credit risk to customers, credit operations collateralized by financial collateral are considered, namely, deposits, obligations of the Republic of Angola and other similar ones;

– With respect to 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-the-spot 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 2016, and is governed by the general principles set forth in IAS 39 and set by the BNA, in order to align the calculation process with the IAS / IFRS;

– The Bank's impairment model begins by segmenting credit portfolio customers into different groups, including in public sector, large corporations, small and medium--sized enterprises, and for individuals in consumer credit, credit cards, housing 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 every loan considered as being individually significant, the Bank assesses, at each balance sheet date, the existence of objective evidence of impairment;

– It should be noted that restructured loan is a sign of impairment and therefore the loan portfolio marked as restructured is included in the loans with signs of impairment;

– According to the defined model, the clients (or economic groups) whose individual credit exposure is individually significant are considered on an individual basis. In this connection, exposure is considered to be significant whenever it is equal to or higher than 0.5% of the Bank's own regulatory capital. The Bank also conducts an individual analysis of its 20 customers 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 / customers, the segments and respective signs of impairment. If the credit is in default ("default") or there is another credit of that customer in default ("cross-default"), PD corresponds to 100%;

- – Loss in the event of default ("LGD"): corresponds to the internal loss estimates in case of default, which vary according to the segment, depending on the collateral type, the Loan-to-Value or "LTV") and the antiquity of the default, based on the historical experience of recovering credits that were in default;

– In the group of individually significant customers, customer exposures are subject to individual analysis. 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 collateral and existing collateral;

– The impairment value for the customers subject to individual analysis is determined using the discounted cash-flows method, i.e. the impairment value corresponds to the difference between the credit value and the sum of the flows expected relating to the various operations of the customer, updated according to the interest rates of each transaction.

Market Risk

With regard to market risk information and analysis, regular reporting on the financial asset portfolios is assured. At the level of 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 counterparts.

The Bank calculates the exposure of interest rate risk, in accordance with Order no. 08/2016, of 16 May, and is within the regulatory limits, although its compliance is only mandatory from the year 2017.

The investment portfolio is mainly exposed to sovereign bonds of the Republic of Angola, and in December 2016 accounted for 94.38% (2015: 80.66%) of the total securities portfolio.

The assessment of the interest rate risk originated by banking portfolio operations is carried out by means of the risk sensitivity analysis, based on the financial characteristics of each contract and the respective projection of the expected cash flows is made, according to resettling dates and any behavioral assumptions considered.

The aggregation for each of the currencies considered, the expected cash flows in each of the time intervals, enables the determination of the interest rate gaps by re-settling period.

Following the recommendations set forth in the BNA Instruction 06/2016 of 8 August, the Bank calculates its exposure to balance sheet interest rate risk based on the methodology outlined in the Instruction.

	31-12-2016			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in central banks and other credit institutions	77.499.381	-	-	77.499 381
Financial assets held for trading and at fair value through income or loss	15.862.414	-	-	15.862.414
Available for sale financial asset	16.638.118	-	251.820	16.889.938
Financial assets held to maturity	550.166.579	-	-	550.166.579
Loans to customers	154.251.617	225.612.427	-	379.864.044
	814.418.109	**225.612.427**	**251.820**	**1.040.282.356**
Off-balance sheet				
Customer resources and other loans (term)	462.568.335	-	-	462.568.335
Central banks' and other credit institutions' resources	16.592.104	-	2.615.545	19.207.649
	479.160.439	**-**	**2.615.545**	**481.775.984**
	1.293.578.548	**225.612.427**	**2.867.365**	**1.522.058.340**

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

	31-12-2015 (Pro forma)			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in central banks and other credit institutions	47.971.451	-	-	47.971.451
Financial assets held for trading and at fair value through income or loss	13.231.602	-	-	13.231.602
Available for sale financial assets	66.649.269	-	393.796	67.043.065
Financial assets held to maturity	334.875.749	-	-	334.875.749
Loans to customers	149.030.434	197.943.839	-	346.974.273
	611.758.505	**197.943.839**	**393.796**	**810.096.140**
Liabilities				
Customer resources and other loans (term)	387.058.409	-	-	387.058.409
Central banks' and other credit institutions' resources	13.531.500	-	1.295.048	14.826.548
	400.589.909	**-**	**1.295.048**	**401.884.957**
	1.012.348.414	**197.943.839**	**1.688.844**	**1.211.981.097**

The detail of the financial instruments with exposure to interest rate risk, as a function of the re-settling date, at 31 December 2016 and 2015, is as follows:

	31-12-2016					
	Re-setting dates / Maturity dates					
	Up to 3 months	Between 3 months and 1 year	Between 1 to 5 years	More than 5 years	Indefinite duration	Total
Assets						
Investments in central banks and other credit institutions	61.616.455	15.882.926	-	-	-	77.499.381
Financial assets held for trading and at fair value through income or loss	7.439	2.026.341	13.217.580	611.054	-	15.862.414
Available for sale financial assets	-	-	-	16.638.118	251.820	16.889.938
Investments held to maturity	120.535.638	183.361.199	172.145.330	74.124.412	-	550.166.579
Loans to customers	217.266.985	49.842.693	54.546.607	58.207.759	-	379.864.044
	399.426.517	**251.113.159**	**239.909.517**	**149.581.343**	**251.820**	**1.040.282.356**
Liabilities						
Central banks' and other credit institutions' resources	19.207.649	-	-	-	-	19.207.649
Customers' resources and other loans	194.973.539	239.418.053	10.896.004	-	-	445.287.596
	214.181.188	**239.418.053**	**10.896.004**	**-**	**-**	**464.495.245**
Net exposure	**185.245.329**	**11.695.106**	**229.013.513**	**149.581.343**	**251.820**	**575.787.111**

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

	31-12-2015 (Pro forma)					
	Re-setting dates / Maturity dates					
	Up to 3 months	Between 3 months and 1 year	Between 1 to 5 years	More than 5 years	Indefinite duration	Total
Assets						
Investments in central banks and other credit institutions	36.490.262	11.481.189	-	-	-	47.971.451
Financial assets held for trading and at fair value through income or loss	-	11.637	13.140.724	79.241	-	13.231.602
Available for sale financial assets	-	-	-	66.649.269	393.796	67.043.065
Investments held to maturity	70.391.773	53.489.565	181.095.488	29.898.923	-	334.875.749
Loans to customers	66.321.531	26.783.062	173.500.183	80.369.497	-	346.974.273
	173.203.566	**91.765.453**	**367.736.395**	**176.996.930**	**393.796**	**810.096.140**
Liabilities						
Central banks' and other credit institutions' resources	14.826.548	-	-	-	-	14.826.548
Customer resources and other loans	162.358.327	138.671.558	71.661.386	-	-	372.691.271
	177.184.875	**138.671.558**	**71.661.386**	**-**	**-**	**387.517.819**
Net exposure	**(3.981.309)**	**(46.906.105)**	**296.075.009**	**176.996.930**	**393.796**	**422.578.321**

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.

The following table sets forth the average interest rates for the major categories of financial assets and liabilities of the Bank for the years ended 31 December 2016 and 2015, as well as the respective average balances and income and expenses:

	31-12-2016			31-12-2015 (Pro forma)		
	Exposure to	Not subject to interest rate risk	Average interest rate	Yearly average balance	Yearly interest	Average interest rate
Investments						
Investments in central banks and other credit institutions	94.513.132	2.877.488	3,04%	91.205.722	1.974.409	2,16%
Securities and bonds**	528.432.774	46.797.294	8,86%	339.275.975	21.642.661	6,38%
Loans to customers***	432.256.668	42.257.425	9,78%	406.846.724	32.651.382	8,03%
Total investments	**1.055.202.574**	**91.932.207**		**837.328.421**	**56.268.452**	
Resources						
Customer resources and other loans (term)	401.643.721	20.557.350	5,12%	352.135.090	12.144.837	3,45%
Central banks' and other financial institutions' resources	16.414.689	302.325	1,84%	12.123.194	345.742	2,85%
Financial liabilities	**418.058.410**	**20.859.675**		**364.258.284**	**12.490.579**	
Interest		**71.072.532**			**43.777.873**	

* Sum of the closing balance at the end of January to December divided by 12
** Financial assets held for trading and at fair value through income or loss + Available for sale financial assets + Investments held to maturity
***Gross loans to customers excluding impairments and adjustments IFRS (effective rate and loans to employees)

At 31 December 2016, the sensitivity analysis of financial instruments to changes in interest rates is as follows:

Exposure of maturity interval or rate re-setting - Impact on net worth							
Time Band	Assets	Liabilities	Off-balance Sheet Items		Position	Weighting factor	Weighting position
			+	-			
at sight - 1 month	150.761	-41.960	-	-	108.801	0,08%	87
1 - 3 months	248.363	-184.777	-	-	63.587	0,32%	203
3 - 6 months	154.482	-109.119	-	-	45.363	0,72%	327
6 - 12 months	94.726	-132.137	-	-	37.411	1,43%	-535
1 - 2 years	113.350	-140.668	-	-	27.318	2,77%	-757
2 - 3 years	45.927	-296	-	-	45.631	4,49%	2.049
3 - 4 years	9.049	-352	-	-	8.698	6,14%	534
4 - 5 years	58.541	-323	-	-	58.218	7,71%	4.489
5 -7 years	91.986	-	-	-	91.986	10,15%	9.337
7 - 10 years	17.353	-1.825	-	-	15.528	13,26%	2.059
10 - 15 years	27.249	-2.651	-	-	24.599	18,84%	4.634
15 - 20 years	252	-	-	-	252	22,43%	56
>20 years	12.379	-	-	-	12.379	26,03%	3.222
Total							**25.706**
Accumulated Impact of Interest Rate - Sensitive Instruments							**25.706**
Regulatory Own Funds							**149.007**
Impact on Economic Value/Regulatory Own Funds							**17%**

Exposure of maturity interval or rate re-setting - Impact on interest margin							
Time Band	Assets	Liabilities	Off-balance Sheet Items		Position	Weighting factor	Weighting position
			+	-			
at sight	57.963	-879			57.083	2,00%	1 142
at sight - 1 month	92.799	-41.080			51.718	1,92%	991
1 - 2 months	147.716	-58.788			88.928	1,75%	1 556
2 - 3 months	100.647	-125.989			-25.341	1,58%	-401
3 - 4 months	51.272	-			51.272	1,42%	726
4 - 5 months	56.712	-			56.712	1,25%	709
5 - 6 months	46.498	-109.119			-62.621	1,08%	-678
6 - 7 months	19.726	-			19.726	0,92%	181
7 - 8 months	11.505	-			11.505	0,75%	86
8 - 9 months	14.147	-			14.147	0,58%	83
9 -10 months	27.203	-			27.203	0,42%	113
10 - 11 months	9.497	-			9.497	0,25%	24
11 - 12 months	12.647	-132.137			-119.490	0,08%	-100
Total							**4.432**
Accumulated Impact of Interest Rate - Sensitive Instruments up to one year							**4.432**
Interest margin							**71.719**
Accumulated Impact of Interest Rate - Sensitive Instruments up to one year /Interest margin							**6%**

Pursuant to article 6 of Order no. 08/2016 of 16 May, the Bank shall inform the BNA whenever there is a potential reduction of the economic value in its banking book or more than 20% of regulatory own funds or net interest income As a result of an interest rate change of 2%. In the course of 2016, the Bank complied with this requirement.

The breakdown of assets and liabilities at 31 December 2016 and 2015 by currency is as follows:

	31-12-2016				
	Kwanzas	**Exposure to**	**Euros**	**Not subject to interest rate risk**	**Total**
Assets					
Cash and cash balances in central banks	151.179.011	19.710.788	23.457.286	246.765	194.593.850
Cash balances in other credit institutions	756.684	14.446.590	9.091.600	639.280	24.934.154
Investments in central banks and other credit institutions	6.008.384	49.839.837	21.651.160	-	77 499 381
Financial assets held for trading and at fair value through income or loss	-	15.862.414	-	-	15.862.414
Available for sale financial assets	75.033	16.814.905	-	-	16.889.938
Investments held to maturity	316.608.288	232.692.568	865.723	-	550.166.579
Loans to customers	183.813.844	197.244.572	(1.194.135)	(237)	379.864.044
Non-current assets held for sale	15.680.633	-	-	-	15.680.633
Non-tangible assets	49.259.609	-	-	-	49.259.609
Intangible assets	1.056.727	-	-	-	1.056.727
Investments in subsidiaries, associates and joint ventures	7.976.049	-	-	-	7.976.049
Current tax assets	1.507.122	-	-	-	1.507.122
Current tax assets deferred	2.851.545	-	-	-	2.851.545
Other assets	20.936.340	1.499.834	5.106.769	(34)	27.542.909
	757 .709.269	**548.111.508**	**58.978.403**	**885.774**	**1.365.684.954**
Liabilities					
Central banks' and other credit institutions' resources	2.926.254	16.276.526	4.858	11	19.207.649
Customer resources and other loans	654.911.277	467.915.671	13.971.792	504.842	1.137.303.582
Provisions	7.561.247	-	127.940	-	7.689.187
Other liabilities	15.265.594	1.696.888	16.801.919	229.749	33.994.150
	680.664.372	**485.889.085**	**30.906.509**	**734.602**	**1.198.194.568**
	77.044.897	**62.222.423**	**28.071.894**	**151.172**	**167.490.386**

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

	31-12-2015 (Pro forma)				
	Kwanzas	Exposure to	Euros	Not subject to interest rate risk	Total
Assets					
Cash and cash balances in central banks	138.793.840	30.716.559	5.818.497	1.308.853	176.637.749
Cash balances in other credit institutions	530.590	6.483.330	516.218	120.643	7.650.781
Investments in central banks and other credit institutions	13.004.629	25.750.579	9.216.243	-	47.971.451
Financial assets held for trading and at fair value through income or loss	13.231.602	-	-	-	13.231.602
Available for sale financial assets	75.033	66.968.032	-	-	67.043.065
Investments held to maturity	238.847.396	95.543.769	484. 584	-	334.875.749
Loans to customers	181.244.911	165.730.764	(1.456)	54	346.974.273
Non-current assets held for sale	7.330.473	9.007.195	-	-	16.337.668
Non-tangible assets	49.740.154	-	-	-	49.740.154
Intangible assets	457.284	-	-	-	457.284
Investments in subsidiaries, associates and joint ventures	7.260.645	-	-	-	7.260.645
Current tax assets	1.507.122	-	-	-	1.507.122
Current tax assets deferred	3.917.454	-	-	-	3.917.454
Other assets	17.208.230	1.274.003	4.293.578	(37)	22.775.774
	673.149.363	**401.474.231**	**20.327.664**	**1.429.513**	**1.096.380.771**
Liabilities					
Central banks' and other credit institutions' resources	1.407.514	13.415.510	3.353	171	14.826.548
Customer resources and other loans	514.760.175	412.248.902	11.702.477	294.995	939.006.549
Provisions	6.643.370	102.027	-	-	6.745.397
Other liabilities	10.769.451	1.488.342	(769.243)	900.214	12.388.764
	533.580.510	**427.254.781**	**10.936.587**	**1.195.380**	**972.967.258**
	139.568.853	**(25.780.550)**	**9.391.077**	**234.133**	**123.413.513**

Liquidity Risk

The liquidity risk assessment is done using internal metrics defined by the Bank's management, namely, exposure limits.

This monitoring is reinforced by the monthly performance of sensitivity analyzes with the aim of characterizing the Bank's risk profile and ensuring that its obligations in a liquidity crisis scenario are met.

Control of liquidity levels aims at maintaining a satisfactory level of cash flow 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 decision support in the ALCO committee.

The evolution of the liquidity situation is carried out in particular 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 required by the BNA (Instruction no. 19/2016 of 30 August).

At 31 December 2016 and 2015, the liquidity gap of the Bank's balance sheet presented the following structure:

	31-12-2016						
	Periods to maturity						
	At sight	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Indefinite duration	Total
Assets							
Cash and cash balances in central banks	194.593.850	-	-	-	-	-	194.593.850
Cash balances in other credit institutions	24.934.154	-	-	-	-	-	24.934.154
Investments in central banks and other credit institutions	-	61.616.455	15.882.926	-	-	-	77.499.381
Financial assets held for trading and at fair value through income or loss	-	7.439	2.026.341	13.217.580	611.054	-	15.862.414
Available for sale financial assets	-	-	-	-	16.638.118	251.820	16.889.938
Investments held to maturity	-	120.535.638	183.361.199	172.145.330	74.124.412	-	550.166.579
Loans to customers	-	28.569.339	35.211.245	146.816.208	126.927.863	42.339.389	379.864.044
	219.528.004	**210.728.871**	**236.481.711**	**332.179.118**	**218.301.447**	**42.591.209**	**1.259.810.360**
Liabilities							
Central banks' and other credit institutions' resources	-	19.207.649	-	-	-	-	19.207.649
Customer resources and other loans (term)	-	194.973.539	239.418.053	10.896.004	-	-	445.287.596
	-	**214.181.188**	**239.418.053**	**10.896.004**	**-**	**-**	**464.495.245**
Liquidity gap	**219.528.004**	**(3.452.317)**	**(2.936.342)**	**321.283.114**	**218.301.447**	**42.591.209**	**795.315.115**
Accumulated liquidity gap	**219.528.004**	**216.075.687**	**213.139.345**	**534.422.459**	**752.723.906**	**795.315.115**	

	31-12-2015 (Pro forma)						
	Periods to maturity						
	At sight	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Indefinite duration	Total
Assets							
Cash and cash balances in central banks	176.637.749	-	-	-	-	-	176.637.749
Cash balances in other credit institutions	7.650.781	-	-	-	-	-	7.650.781
Investments in central banks and other credit institutions	-	36.490.262	11.481.189	-	-	-	47.971.451
Financial assets held for trading and at fair value through income or loss	-	-	11.637	13.140.724	79.241	-	13.231.602
Available for sale financial assets	-	-	-	-	66.649.269	393.796	67.043.065
Investments held to maturity	-	70.391.773	53.489.565	181.095.488	29.898.923	-	334.875.749
Loans to customers	-	10.026.032	75.676.827	37.828.459	184.515.009	38.927.946	346.974.273
	184.288.530	**116.908.067**	**140.659.218**	**232.064.671**	**281.142.442**	**39.321.742**	**994.384.670**
Liabilities							
Central banks' and other credit institutions' resources	-	14.826.548	-	-	-	-	14.826.548
Customer resources and other loans (term)	-	162.358.327	138.671.558	71.661.386	-	-	372.691.271
	-	**177.184.875**	**138.671.558**	**71.661.386**	**-**	**-**	**387.517.819**
Liquidity gap	**184.288.530**	**(60.276.808)**	**1.987.660**	**160.403.285**	**281.142.442**	**39.321.742**	**606.866.851**
Accumulated liquidity gap	**184.288.530**	**124.011.722**	**125.999.382**	**286.402.667**	**567.545.109**	**606.866.851**	

It should be noted that the Bank has the amount of AKZ 550,116,579 thousand related to sovereign bonds of the Republic of Angola, which are not encumbered, which may be collateralized for the purpose of obtaining liquidity.

At 31 December 2016 and 2015, the liquidity ratio calculated, in accordance with Instruction no. 19/2016 of 30 August, amounts to 306% and 319%, respectively. This instruction defines at least a ratio of 100% in Kwanzas and 150% for foreign currency exposure. The Bank presents observation ratios for the period of 1 to 3 months of 1,000% in 2016 and 2,145% in 2015. The regulator has defined minimum ratios similar to the previous ones.

Operational Risks

An operational risk management system that is based on the identification, evaluation, monitoring, measurement, mitigation and reporting of this type of risk is implemented.

BAI manages operational risk based on a business process vision, support and control and this is a cross-cutting vision to the organization's organizational units.

This type of management is underpinned by principles, methodologies and control mechanisms such as segregation of duties, lines of responsibility, codes of conduct, risk and control self-assessment (RCSA), Key Risk Indicators (KRI), access controls (physical and logical), reconciliation operations, exception reports, contingency plans, contracting of insurance and internal training on processes, products, services and systems.

Capital Management and solvency ratio

The Bank's total own funds are calculated in accordance with applicable regulations, namely Order 05/2007 of 12 September and Instruction 03/2011 of 8 June. Financial institutions shall maintain a level of total own funds 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 Own Funds comprise:

1. Base Own Funds - comprise (i) paid-up capital; (ii) reserve for recording the value of the monetary restatement of the paid-in capital stock; (iii) retained earnings from previous years; (iv) legal, statutory reserves and other reserves arising from undistributed results, or constituted for the capital increase; and (v) net income for the year.

2. Additional total own funds - comprise: (i) redeemable preference shares; (ii) generic funds and provisions; (iii) reserves arising from the realization of properties for own use; (iv) subordinated debt and hybrid capital and debt instruments; and (v) other amounts authorized by the BNA.

3. Deductions - comprise: (i) shares of the institution repurchased; (ii) redeemable preference shares with fixed and cumulative dividends; (iii) loans granted by nature of capital; (iv) loans granted by nature of capital; Value of shares; (v) tax credits arising from tax losses; (vi) goodwill; (vii) other intangible assets net of depreciation; and (viii) other values by determination of the BNA.

Order 08/2007 of 12 September establishes that, for the purposes of calculating the Regulatory Solvency Ratio, the excess verified at the limit of risk exposure per customer should be deducted from Regulatory Own Funds.

The following table shows the Bank's capital requirements calculations for 31 December 2016 and 2015:

		31-12-2016	31-12-2015 (Pro forma)
Risk weighted assets			
With 0% factor		-	-
With 20% factor		2.697.642	2.509.059
With 30% factor		61.608.406	40.021.664
With 50% factor		188.377	(2.763)
With 60% factor		12.157.362	12.420.450
With 100% factor		252.873.126	252.952.946
With 130% factor		171.756.802	111.563.795
Total risk weighed assets	**A**	**501.281.715**	**419.465.151**
Foreign exchange and gold risk	**B**	**14.643.409**	**9.499.841**
Total own funds			
Tier I	**D**	151.931.746	102.495.414
Tier II	**E**	(336.060)	221.200
	F = D + E	**151.595.686**	**102.716.614**
Credit risk excess	**G**	**-**	**(1.014.966)**
Own regulatory funds	**H = F + G**	**151.595.686**	**101.701.648**
Solvency ratio	**K = I + J**	**23,4%**	**19,7%**
Tier I	**I = (D + G)/ (A+B/10%)**	23,5%	19,7%
Tier II	**J = E/ (A+B/10%)**	0%	0%

41 – Impacts of the transition to IAS / IFRS

Main impacts of the transition to IAS / IFRS in shareholders' equity and net income for the year ended 31 December 2015

The entry into force of IAS / IFRS, as on 1 January, 2016, as provided for in Order 6/16 of 22 June of the BNA, made it necessary to introduce adjustments resulting from the application of the new accounting principles, which Determine changes to the Balance Sheet, Equity and Net Profit values for the year 2015, prepared in accordance with the previous accounting standards established in the Financial Institutions' Chart of Accounts ("CONTIF").

These are the first individual annual financial statements of BAI prepared in accordance with IAS / IFRS and the provisions of IFRS 1 have been complied with for the purpose of determining transition adjustments, with reference to 1 January 2015. The reconciliation of Net Profit and Equity for 2015, in accordance with CONTIF and IAS / IFRS, as defined in IFRS 1.

In preparing the individual financial statements on the transition date, BAI has decided to opt for some of the exceptions permitted under IFRS 1 as follows:

(i) De-recognition of financial assets
Under IFRS 1, BAI has decided to apply the de-recognition requirements of IAS 39 only for operations carried out as from 1 January 2015. Accordingly, the assets derecognised up to that date, in accordance with the accounting standards previously applied, were not restated in the balance sheet.

(ii) Valuation of tangible fixed assets
BAI has decided to consider the cost of property, plant and equipment, with reference to 1 January 2015, the book value determined in accordance with the accounting policies previously applied.

With the exception of the situations mentioned above, BAI retrospectively adopted the remaining IAS / IFRS.

The impacts of the transition to IAS / IFRS in the Bank's financial position are presented below.

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

BALANCE SHEET AS OF 1 JANUARY AND 31 DECEMBER 2015

Balance sheet CONTIF	31-12-2015 CONTIF	Transitional adjustments	Reclassifications	31-12-2015 IFRS Pro forma	Balance sheet IFRS
Assets					
Cash balances	184.283.866	-	4.664	176.637.749	Cash and cash balances in central banks
				7.650.781	Cash balances in other credit institutions
Liquidity investments	47.971.451	-	-	47.971.451	Investments in central banks and other credit institutions
Foreign exchange operations	-	-	-	-	Non-applicable
Loans in the payment system	4.664	-	(4.664)	-	Non-applicable
Held for trading securities	13.231.602	-	-	13.231.602	Financial assets held for trading and at fair value through income or loss
Available for sale securities	66.968.032	-	75.033	67.043.065	Available for sale financial assets
Securities held to maturity	334.875.749	-	-	334.875.749	Investments held to maturity
Loans	353.685.753	(1.978.919)	(4.732.561)	346.974.273	Loans to customers
-	-	-	16.337.668	16.337.668	Non-current assets held for sale
Tangible fixed assets	46.153.090	-	3.587.064	49.740.154	Other tangible assets
Intangible fixed assets	4.075.433	-	(3.618.149)	457.284	Intangible assets
Financial fixed assets	18.144.271	-	(10.883.626)	7.260.645	Investments in subsidiaries, associates and joint ventures
-	-	-	1.507.122	1.507.122	Current tax assets
-	-	747.431	3.170.023	3.917.454	Current tax assets deferred
Other amounts	28.218.348	-	(5.442.574)	22.775.774	Other assets
Total assets	**1.097.612.259**	**(1.231.488)**	**-**	**1.096.380.771**	**Total assets**
Liabilities					
Liquidity collections	13.531.501	-	1.295.047	14.826.548	Central banks' and other credit institutions' resources
Deposits	938.494.033	512.516	-	939.006.549	Customers' resources and other loans
Other collections	-	-	-	-	Subordinated liabilities
Liabilities in the payment system	1.295.047	-	(1.295.047)	-	Non-applicable
Foreign exchange operations	244.673	-	(244.673)	-	Non-applicable
Advances from customers	1.502.445	-	(1.502.445)	-	Non-applicable
Provisions for contingent liabilities	6.745.397	-	-	6.745.397	Provisions
Other liabilities	10.641.646	-	1.747.118	12.388.764	Other liabilities
Total liabilities	**972.454.742**	**512.516**	**-**	**972.967.258**	**Total liabilities**
Equity					
Share capital	14.786.705	-	-	14.786.705	Share capital
Reserve for Monetary Correction of Capital Stock	28.669	-	-	28.669	Reserve for Monetary Correction of Capital Stock
Treasury shares	(47.260)	-	-	(47.260)	Treasury shares
Potential earnings/(losses)	442.400	-	(442.400)	-	Potential earnings/(losses)
Other reserves and retained earnings	94.589.293	(2.299.392)	442.400	92.732.301	Other reserves and retained earnings
Annual individual net income	15.357.710	555.388	-	15.913.098	Annual individual net income
Total Equity	**125.157.517**	**(1.744.004)**	**-**	**123.413.513**	**Total Equity**

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

BALANCE SHEET AS OF 1 JANUARY AND 31 DECEMBER 2015

Balance sheet CONTIF	01-01-2015 CONTIF	Transitional adjustments	Reclassifications	01-01-2015 IFRS Pro forma	Balance sheet IFRS
Assets					
Cash balances	199.052.509	-	387.130	177.732.870	Cash and cash balances in central banks
				21.706.769	Cash balances in other credit institutions
Liquidity investments	216.737.742	-	-	216.737.742	Non-applicable
Loans in the payment system	387.130	-	(387.130)	-	Non-applicable
Held for trading securities	3.474.520	-	-	3.474.520	Financial assets held for trading and at fair value through income or loss
Available for sale securities	-	-	75.033	75.033	Available for sale financial assets
Securities held to maturity	228.678.434	-	-	228.678.434	Investments held to maturity
Loans	365.460.572	(2.958.901)	(2.452.138)	360.049.533	Loans to customers
-	-	-	9.727.106	9.727.106	Non-current assets held for sale
Tangible fixed assets	41.776.224	-	3.858.837	45.635.061	Other tangible assets
Intangible fixed assets	4.687.181	-	(3.890.000)	797.181	Intangible assets
Financial fixed assets	19.754.803	-	(11.186.583)	8.568.220	Investments in subsidiaries, associates and joint ventures
-	-	-	1.501.019	1.501.019	Current tax assets
-	-	1.083.419	3.624.037	4.707.456	Current tax assets deferred
Other amounts	21.062.735	-	(1.257.311)	19.805.424	Other assets
Total assets	**1.101.071.850**	**(1.875.482)**	**-**	**1.099.196.368**	**Total assets**
Liabilities					
Liquidity collections	10.287.418	-	3.347.318	13.634.737	Central banks' and other credit institutions' resources
Deposits	950.916.588	439.434	-	951.356.022	Customers' resources and other loans
Other collections	-	-	-	-	Subordinated liabilities
Liabilities in the payment system	3.347.318	-	(3.347.318)	-	Non-applicable
Foreign exchange operations	348.738	-	(348.738)	-	Non-applicable
Advances from customers	5.868.012	-	(5.868.012)	-	Non-applicable
Provisions for contingent liabilities	9.153.967	213.061	-	9.367.028	Provisions
Other liabilities	7.495.341	-	6.216.750	13.712.090	Other liabilities
Total liabilities	**987.417.382**	**652.495**	**-**	**988.069.877**	**Total liabilities**
Equity					
Share capital	14.786.705	-	-	14.786.705	Share capital
Reserve for Monetary Correction of Capital Stock	28.669	-	-	28.669	Reserve for Monetary Correction of Capital Stock
Treasury shares	(47.260)	-	-	(47.260)	Treasury shares
Potential earnings/(losses)	670.985	-	(670.985)	-	Potential earnings/(losses)
Other reserves and retained earnings	98.215.369	(2.527.977)	670.985	96.358.377	Other reserves and retained earnings
Annual individual net income	-	-	-	-	Annual individual net income
Total Equity	**113.654.468**	**(2.527.977)**	**-**	**111.126.491**	**Total Equity**

ATTACHMENT TO FINANCIAL STATEMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015 (PRO FORMA)
(Amounts in AKZ thousand except when clearly indicated otherwise)

INCOME STATEMENT AS AT 31 DECEMBER 2015

Income Statement CONTIF	31-12-2015 CONTIF	Transitional adjustments	Reclassifications	31-12-2015 IFRS	Income statement IFRS
Earnings from short-term investments of cash and equivalents	1.974.409	(43.359)	54.337.402	56.268.452	Interest and similar earnings
Earnings from securities	21.642.661	-	(21.642.661)	-	Non-applicable
Earnings from loans	31.994.650	-	(31.994.650)	-	Non-applicable
Cost of deposits	(12.144.836)	(73.082)	(272.661)	(12.490.579)	Interest and similar charges
Costs of liquidity funding	(271.120)	-	271.120	-	Non-applicable
Cost of funding with securities	(1.541)	-	1.541	-	Non-applicable
Interest	**43.194.223**	**(116.441)**	**700.091**	**43.777.873**	**Interest**
Income/(loss) from financial fixed assets	(2.025.724)	-	2.045.612	19.888	Earnings/(losses) on equity instruments
Income/(loss) from the provision of financial services	7.361.960	-	1.021.045	8.383.005	Earnings/(losses) on services and commissions
Non-applicable	-	-	(1.455.687)	(1.455.687)	Charges with services and commissions
Income/(loss) from securities traded	231.586	-	-	231.586	Income from financial assets and liabilities at fair value through profit or loss
Income/(loss) from foreign exchange operations	19.585.153	-	-	19.585.153	Foreign exchange income/(loss)
Non-operating income/(loss)	2.084.579	(228.585)	(2.241.744)	(385.750)	Earnings/(losses) on disposal of assets
Other Operating Income and Expenses	1.863.566	-	799.235	2.662.801	Other operating income/(loss)
Gross Income	**72.295.343**	**(345.026)**	**868.552**	**72.818.869**	**Gross Income**
Staff costs	(11.600.675)	-	(1.062.509)	(12.663.184)	Staff costs
Third-party supplies	(11.663.563)	-	816.901	(10.846.662)	Third-party supplies and services
Penalties imposed by the regulator	(7.322)	-	7.322	-	Non-applicable
Taxes and fees not included on income/(loss)	(1.397.884)	-	1.397.884	-	Non-applicable
Depreciations and amortizations	(2.654.141)	-	-	(2.654.141)	Annual depreciations and amortizations
Other administrative and trading costs	(17.462)	-	17.462	-	Non-applicable
Provisions for contingent liabilities	(4.677.107)	-	331.445	(4.345.662)	Provisions net of reversals
Provision for bad debts and provision of guarantee	(24.465.465)	1.236.402	-	(23.229.063)	Loan impairment net of reversals and recoveries
Non-applicable	-	-	(1.353.231)	(1.353.231)	Impairment on other financial assets net of reversals and recoveries
Non-applicable	-	-	(1.023.826)	(1.023.826)	Impairment on other assets net of reversals and recoveries
Income/(loss) before tax	**15.811.724**	**891.376**	**-**	**16.703.100**	**Income/(loss) before tax of ongoing operations**
Charges on current income	(454.014)	-	454.014	-	Current taxes
Non-applicable	-	(335.988)	(454.014)	(790.002)	Deferred taxes
Annual individual net income/(loss)	**15.357.710**	**555.388**	**-**	**15.913.098**	**Annual individual net income**

The differences between CONTIF and IAS / IFRS, which had an impact on the individual financial statements at 1 January and 31 December 2015 and the reconciliation of shareholders' equity and results at said dates, are as follows:

		31-12-2015 (Pro forma)		01-01-2015 (Pro forma)
		Results for the year	Results for the year	Capital and reserves
Domestic standards CONTIF		**125.157.517**	**15.357.710**	**113.654.468**
Impairment on loans to customers - direct loans	a)	214.659	1.023.341	(808.682)
Impairment on loans to customers - indirect loans	a)	-	213.061	(213.061)
Implementation of the effective rate concept to loans to customers	b)	(2.193.578)	(43.359)	(2.150.219)
Implementation of the effective rate to the deposit portfolio at a growing rate	c)	(512.516)	(73.082)	(439.434)
Cancellation of the tangible and intangible assets revaluation reserve	d)	-	(228.585)	-
Sub-total adjustments		**(2.491.435)**	**891.376**	**(3.611.396)**
Deferred tax of 30%	e)	747.431	(335.988)	1.083.419
Total transitional adjustments		**(1.744.00)**	**555.388**	**(2.527.977)**
Equity - IAS/IFRS		**123.413.513**	**15.913.098**	**111.126.491**

Notes:

a) In accordance with IAS 39, the loan portfolio is measured at amortized cost and is subject to impairment tests. Impairment losses result from the difference between the balance sheet value of the credits and the expected future cash flows discounted at their effective interest rate, determined at the beginning of the contract (effective rate determined individually by contract). The expected cash flows are estimated based on the recoverable value of the credit, as a result of the economic analysis of the credit.

BAI's impairment policy consists of the regular assessment of the existence of objective evidence of impairment. The identified impairment losses are recorded in the income statement, and in a subsequent period reversed by results, if there is a reduction of the estimated loss amount.

The application of the impairment model in the Bank's loan portfolio implied, on 31 December 2015, a reduction of AKZ 214.659 thousand, when compared to the application of regulatory provisions determined in accordance with the notices issued by the BNA.

b) Instruction no. 07/2016 of 8 August establishes the procedures that banking financial institutions must observe in the application of the effective interest rate method in the recognition of income and expenses associated with financial instruments, in accordance with the International Accounting Standard 39 - Financial Instruments: Recognition and Measurement, hereinafter referred to as IAS 39.

The "effective interest rate method" of a financial asset or a financial liability (or group of financial assets or financial liabilities) is intended to allocate interest income or interest expense during the relevant period. The calculation includes commissions and other eligible transaction costs paid or received between the parties to the contract.

To this end, the "effective interest rate", which accurately discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period for the net book value of the financial instrument, must be determined. Financial asset or financial liability.

Considering the need to adapt the IT systems for the calculation of credit commissions according to the effective rate method, it has not yet been possible to determine the adjustment on the basis of this method at this date and has opted for the linear deferral of commissions For the remaining life of the outstanding claims at the balance sheet date.

An adjustment amount was determined in the amount of AKZ 2.193.578 thousand, with reference to 31 December 2015. This amount is recognized in the financial margin in the coming years, over the remaining period until maturity of the credits. In this calculation, all commissions and expenses associated to loans granted to customers were considered.

c) The Bank had in its balance sheet savings products with a higher rate of remuneration, i.e. increases with each period of validity of the product, and at the date of contracting the deposit the rates of remuneration of the different periods were defined.

According to IAS 39, the effective interest rate for each of the portfolio deposits should be determined, and the cost should not be recognized in the period based on the nominal rate. Therefore, the cost is recognized based on the application of a single rate over the life of the product.

d) At 31 December, 2015, the balance of the item "Potential Results" resulting from the disposal of assets was partially consumed in CONTIF. Since this item is not applicable in IAS / IFRS, as mentioned in the previous point, this amount was reclassified to the Income for the year in the item Income from disposal of other assets.

e) In accordance with the criteria set forth in IAS 12, deferred taxes are calculated taking into account the temporary differences between the book value of the assets and liabilities for accounting purposes and the amounts used for tax purposes, using the tax rates approved or substantially approved on the date of balance sheet, which are expected to be applied on the date of reversal of the temporary differences.

Deferred taxes are recognized when there is a reasonable expectation that future taxable income will be obtained to absorb tax-deductible temporary differences (including reportable tax losses).

In this context, the transition adjustments with reference to 1 January 2015 and 31 December 2015 result in negative equity variations. According to the Corporate Tax Code in force, negative equity variations do not relate to the determination of tax payable, that is, for current tax purposes.

At 31 December 2015, the tax effects of the transition adjustments were recognized.

As conversion adjustments are reversed, for example, as commissions associated with credit are recognized in profit or loss, the value of deferred tax assets is also reversed through profit or loss for the year.

It should be noted that the BNA has defined that for purposes: (i) the preparation of the opening balance sheet in accordance with IFRS and (ii) the reconciliation of equity in accordance with generally accepted accounting principles and equity under IFRS, financial institutions should consider the fiscal framework In force in Angola, which is why the Bank defined this accounting treatment.

42 – Relevant facts

As part of the financial restructuring process of the BMF, a loan assignment agreement was concluded with BAI in December 2016, the main aspects of which are as follows:

- The agreement aimed at restoring the regulatory solvency ratio of the BMF above the minimum of 10%, as required by the BNA;
- The agreement resulted in the transfer of two pools of credit operations totalling AKZ 4.297.256 thousand (AKZ 1.895.688, on 14 December, 2016 and AKZ 2.401.568 thousand on 21 December, 2016) for the same amount as Gross amount of claims, including principal and interest (overdue and past due);
- The assignment was settled through the transfer to the BMF of a number of securities held to maturity, namely Treasury Bills and Treasury Bills, at their nominal value and respective income, for the amount referred to above, which did not imply any direct accounts of both entities;
- Given that the securities transferred represented only 0.78% of the total portfolio held until BAI maturity, it was possible to maintain the remaining portfolio classified in this category, in accordance with paragraph 9 of IAS 39. It should nevertheless be emphasized that such operations, even insignificant ones, can only occur if they are non-recurrent and should not therefore be considered as a management solution for future operations;
- In view of the poor quality of the acquired portfolio, impairment losses were recorded in the total amount of AKZ 3.216.000 thousand in BAI, but its net impact was only AKZ 298.237 thousand due to the reversal of impairment losses and Provisions for participation in the BMF in the total amount of AKZ 2.917.763 thousand (See table at end of page)

43 – Accounting standards and interpretations recently issued

Accounting norms and interpretations recently issued, which entered into force and that the Bank has applied in the preparation of its financial statements, are as follows:

IAS 19 (amended) – Defined Benefit Plans: Employees' contribution

The IASB issued this amendment on 21 November 2013, with an effective date (retrospectively) for periods beginning on or after 1 July 2014.

		mAKZ
Total value of transfer of credits of the BMF (1)		4.297.256
Impairment losses on credits of the BMF (2)		3.216.000
Reversal of impairment on the participation in the BMF (Note 13)		715.404
Reversal of BMF' provision on negative equity		
Balance 31-12-2015 balance (Note 18)	1.653.279	
Replenishment 30 -06 -2016	549.080	2.202.359
Total reversals of impairment and provisions (3)		**2.917.763**
Net impact on profit or loss (2)-(3)		298.237

This amendment clarifies the guideline for contributions made by employees or third parties related to services by requiring the entity to assign such contributions in accordance with paragraph 70 of IAS 19 (2011). Thus, such contributions are assigned using the contribution formula of the plan or in a linear fashion.

The amendment reduces complexity by introducing a simple form that allows an entity to recognize contributions made by employees or third parties linked to the service that are independent of the number of years of service (for example, a percentage of the due date), as a cost reduction of the services during the period in which the service is provided. The Bank had no material impact on the application of this change in its financial statements.

The Bank did have any significant impact in the application of this amendment in its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements of the 2010-2012 cycle, issued by the IASB on 12 December 2013, introduce changes, with an effective date of application for periods beginning on or after 1 July 2014, to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 2 - Definition of acquisition condition (vesting)
The amendment clarifies the definition of vesting contained in Appendix A of IFRS 2 - Share-based Payment, separating the definition of “performance condition” and “service condition” from “acquisition condition” by making A description of each of the conditions more clearly.

IFRS 3 - Accounting for contingent consideration within a business combination
The purpose of the amendment is to clarify certain aspects of the accounting of contingent consideration in a business combination, namely the classification of contingent consideration, taking into account whether such contingent consideration is a financial instrument or a non- financial.

IFRS 8 - Aggregation of operating segments and reconciliation between the total assets of the reportable segments and the assets of the company
The amendment clarifies the aggregation criterion and requires an entity to disclose the factors used to identify the reportable segments when the operating segment has been added. To achieve internal consistency, a reconciliation of the total assets of the reportable segments to the total assets of an entity shall be disclosed if such amounts are regularly provided to the operating decision maker.

IFRS 13 - Short-term receivables or payables
The IASB changed the basis of conclusion to clarify that in eliminating AG 79 from IAS 39, it did not seek to eliminate the need to determine the present value of a short-term receivable or payable account, the invoice of which was issued without interest, If this discount is material. It should be noted that paragraph 8 of IAS 8 already allows an entity to not apply accounting policies defined in IFRS if its impact is immaterial.

IAS 16 and IAS 40 - Revaluation model - proportional depreciation or accumulated amortization
In order to clarify the calculation of the accumulated depreciation or amortization, at the date of the revaluation, the IASB changed paragraph 35 of IAS 16 and paragraph 80 of IAS 38, in order to: (I) the cumulative depreciation (or depreciation) is not dependent on the selection of the valuation technique; And (ii) the accumulated depreciation (or amortization) is calculated by the difference between the gross amount and the net book value.

IAS 24 - Related party transactions - key management personnel services
To address concerns about the identification of the costs of key management personnel (KMP), when these services are provided by an entity (a management entity such as investment funds), the IASB clarified that disclosure of amounts Incurred by the KMP services provided by a separate management entity shall be disclosed, but it is not necessary to provide the breakdown provided for in paragraph 17.

The Bank did have any significant impact in the application of these amendments in its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle, issued by the IASB on 25 September 2014, introduce changes, with an effective date of application for periods beginning on or after 1 January 2016 to IFRS 8 IAS 16, IAS 24 and IAS 38.

IFRS 5 Non-current assets held for sale and discontinued operations: Change to the Method of Disposition

The amendments to IFRS 5 clarify that if an entity reclassifies an asset (or a group in discontinuation) directly from “held for sale” to “held for distribution to owners” (or vice versa) then the change in classification is considered a continuation of the original layout plan. Accordingly, no measurement gain or loss will be recorded in the income statement or in the statement of comprehensive income.

IFRS 7 Financial Instruments: Disclosures: contracts of services provided

Amendments to IFRS 7 clarify - adding additional application guidance - when service contracts are continued involvement for the purpose of applying disclosure requirements in paragraph 42 C of IFRS 7.

IFRS 7 Financial Instruments: Disclosures: Amendments to IFRS 7 in the offsetting of financial assets and liabilities for condensed interim financial statements

This amendment clarifies that the additional required disclosures that were introduced in December 2011 by amendments to IFRS 7 - netting of financial assets and liabilities - are not required in interim periods after the year of their initial implementation, unless IAS 34 Interim Financial Reporting requires such disclosures.

IAS 19 Employee Benefits: Discount rate: regional market issue

The amendments to IAS 19 clarify that the obligations of high-quality companies used to estimate the discount rate should be determined by considering the same currency in which the benefits will be paid. Consequently, the depth of the market for high-quality corporate securities should be assessed at the currency rather than at the country level. If an active market does not exist, the market rate for government securities denominated in that currency should be used.

IAS 34 Interim Financial Reporting Disclosure of information “elsewhere in the interim financial report”

The amendments clarify that “other disclosures” required by paragraph 16A of IAS 34 should be presented in the interim or interim financial statements of the interim financial statements for some other document (such as management comments or a risk Is available to the users of the financial statements on the same terms as the interim financial statements and at the same time.

The amendments to IAS 34 also clarify that if users of financial statements do not have access to this information, which is cross-referenced, under the same conditions and at the same time, the interim financial report is incomplete.

The Bank had no impact on the implementation of these changes, since it does not prepare interim financial statements in accordance with IAS 34.

IAS 27 Equity in separate financial statements

On 12 August, 2014, the IASB issued amendments to IAS 27, with an effective date of application for periods beginning on or after 1 January, 2016, with a view to introducing an option for the measurement of subsidiaries, associates or ventures By the equity method in the separate financial statements.

The Bank did not adopt this option in its separate accounts (if individual accounts apply IFRS).

Exception to consolidation (amendments to IFRS 10, IFRS 12 and IAS 28)

The IASB issued, on 18 December 2014 and applicable to periods beginning on or after 1 January 2016, the amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Application of the consolidation exception, allowing investment entities to be exempt from consolidation provided certain requirements are met. These changes are not applicable to the Bank.

Other changes

The following amendments were also issued by the IASB in 2014 and applicable to periods beginning on or after 1 January 2016:

- Amendments to IAS 16 and IAS 38: Clarification of accepted methods for depreciation and amortization (issued on 12 May);
- Amendments to IFRS 11: Accounting for acquisitions of interests in joint ventures (issued on 6 May);
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December).

The Bank did have any significant impact in the application of these amendments in its financial statements.

The Bank decided not to opt for the application following standards and / or interpretations in advance:

IFRS 9 - Financial Instruments (issued in 2009 and amended in 2010, 2013 and 2014)

IFRS 9 was adopted by defining the entry into force, at the latest, from the date of commencement of the first financial year, which begins on or after 1 January 2018.

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related to financial liabilities. IFRS 9 (2013) introduced the hedging methodology. IFRS 9 (2014) made limited changes to the classification and measurement contained in IFRS 9 and new requirements to deal with the impairment of financial assets.

The requirements of IFRS 9 represent a significant change in the current requirements under IAS 39 for financial assets. The standard contains three categories of measurement of financial assets: amortized cost, fair value against other comprehensive income (OCI) and fair value through profit or loss. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to receive the contractual cash flows and the terms of its cash flows give rise to receipts, on specified dates, related only to the nominal amount and interest rate in force. If the debt instrument is held in the context of a business model that both captures the contractual cash flows of the instrument and captures sales, the measurement will be at fair value with the counterpart of other comprehensive income (OCI), maintaining The interest income to affect the results.

For an investment in equity instruments not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual basis for each share, to present fair value changes in other comprehensive income (OCI). No amount recognized in other comprehensive income (OCI) will be reclassified for profit or loss at any future date. However, dividends generated by such investments, are recognized as income instead of OCI, unless they clearly represent a partial recovery of investment cost.

In other situations, either the cases in which financial assets are held under a trading business model or other instruments that are not only intended to receive interest and amortization and capital are measured at fair value through profit or loss .

Investments in equity instruments, in which the entity fails to designate the presentation of fair value changes in OCI will be measured at fair value with changes recognized in profit or loss.

The standard requires that derivatives embedded in contracts where the host contract is a financial asset within the scope of application of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety in order to determine whether it is measured at amortized cost or at fair value.

The standard eliminates the existing categories in IAS 39, “held to maturity”, “available for sale” and “accounts receivable and payable.”

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated under the fair value option, to enforce the separation of component of change in fair value that is attributable to the credit risk of the entity and its presentation in other comprehensive income instead of profit and loss. With the exception of this amendment, the IFRS 9 (2010) generally transposes the classification and measurement guidelines, laid down in IAS 39 to financial liabilities, without substantial changes.

IFRS 9 (2013) introduced new requirements for hedge accounting that aligns more closely with risk management. The requirements also set out a more principles approach to resolving some hedge accounting weaknesses that are contained in the coverage of IAS 39 model.

IFRS 9 (2014) establishes a new impairment model based on “expected losses” that will replace the current “losses incurred” model under IAS 39.

Thus, the loss event no longer needs to be verified before it becomes an impairment. This new model seeks to accelerate the recognition of impairment losses applicable to debt instruments held, which are measured at amortized cost or at fair value by counterpart in OIC.

In the event that the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will generate an accumulated impairment equal to the expectation of loss estimated to occur within the next 12 months.

In the event that credit risk has increased significantly, the financial asset will generate an accumulated impairment equal to the expectation of loss that is estimated to occur until its maturity, thus increasing the amount of impairment recognized.

Once the loss event (which is currently called "objective proof of impairment") is verified, the accumulated impairment is directly affected by the instrument in question, its accounting treatment being similar to that provided for in IAS 39, including the treatment of the interest.

IFRS 9 will apply on or after 1 January 2018.

Following the preparation of financial statements in accordance with IAS / IFRS for the first time on 31 December 2016, the Bank intends to begin, in the coming years, a process of evaluating the potential effects of this standard, but given the nature of the Bank's activities, it is expected that this standard will have significant impacts on the Bank's financial statements.

IFRS 15 - Revenue from contracts with customers

The IASB issued, on 28 May, 2014, IFRS 15 - Revenue from contracts with customers.

Early adoption is permitted. This standard supersedes IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 Revenue - Direct Trading Transactions Involving Advertising Services.

IFRS 15 determines a model based on 5 steps of analysis in order to determine when the revenue should be recognized and what the amount. The model specifies that revenue must be recognized when an entity transfers goods or services to the customer, 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 customer; or
ii. Throughout the period, in that it portrays the performance of the entity..

The Bank is evaluating the impacts arising from the adoption of this standard.

Standards, amendments and interpretations issued but not yet effective for the Bank

IFRIC 22 – Transactions in foreign currency and payment of advances

The IFRIC 22 interpretation was issued on 8 December 2016, with a date of mandatory enforcement for periods beginning on or after 1 January 2018.

The new IFRIC 22 provides that, in the event that there have been 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 a transaction for the purpose of determining that (or part of it) 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 the foreign currency (or if there being multiple advances, the rates in force at each advance).

The Bank is evaluating the impacts arising from the adoption of this standard.

IFRS 16 - Leases

On 13 January, 2016, the IASB issued IFRS 16 - Leases, which are mandatory for periods beginning on or after 1 January 2019. Its early adoption is permitted provided that IFRS 15 is also adopted.

This standard repeals IAS 17 - Leases.

IFRS 16 removes the classification of leases as operational or financial (for the lessor - the leasing customer), treating all leases as financial leases.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from applying the requirements of the standard.

At this date, the Bank has not recorded leases in the financial statements, either from the lessor's perspective or from the lessee's perspective. However, if it records operations of this type, the impacts of the application of this standard will be evaluated.

Other changes

Also issued by the IASB:

- On 19 January, 2016 and applicable to periods beginning on or after 1 January 2017, amendments to IAS 12 aimed at clarifying the deferred tax asset recognition requirements for unrealized losses to resolve disagreements;

- On 29 January, 2016, and applicable to periods beginning on or after 1 January, 2017, amendments to IAS 7, disclosure initiative, requiring companies to provide information on changes in their financial liabilities, providing information that assists Investors in the understanding of corporate indebtedness;

- On 20 June 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IFRS 2 - Classification and Measurement of Share-based Share Transactions;

- On 8 December, 2016, and applicable to periods beginning on or after 1 January, 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 8 December 2016, introduce changes, with an effective date of application for periods beginning on or after 1 July 2018, to IFRS 1 (elimination of First time adoption) and IAS 28 (measurement of an associate or joint venture at fair value) and effective on or after 1 January 2017, IFRS 12 (clarification of the Application of the standard).

The Bank is evaluating the impacts arising from the adoption of this standard.

11

EXTERNAL AUDITOR'S REPORT

EXCELLENCE
IS BEING LEADER
AND BEING UP TO
THAT LEADERSHIP

KPMG

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INDEPENDENT AUDITORS' REPORT

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

To the shareholders of
Banco Angolano de Investimentos, S.A.

Introduction

1. We have audited the accompanying financial statements of **Banco Angolano de Investimentos, S.A.,** which comprise the balance sheet as at 31 December 2016 (that shows a total of 1,365,684,954 thousands AOA and an equity of 167,490,386 thousands AOA including a net profit for the period of 49,740,873 thousands AOA), the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and the corresponding Notes to the financial statements.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with the Technical standards of the Angolan Institute of Accountants and Chartered Accountants ("Ordem dos Contabilistas e Peritos Contabilistas de Angola"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures included in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 opinion.

Opinion

6. In our opinion, the financial statements referred in paragraph 1 above, present fairly, in all material respects, the financial position of **Banco Angolano de Investimentos, S.A.**, as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Emphasis of matter

7. Without qualifying our opinion expressed in the paragraph above, we draw attention to the fact that, as disclosed in note 2.1., these financial statements, prepared for the year ended 31 December 2016, relate to the Bank´s individual activity, which have been prepared in order to comply with the presentation requirements for individual financial statements defined by BNA.

Luanda, 29 March 2017

KPMG Angola – Audit, Tax, Advisory, S.A.
Represented by
Vitor Manuel da Cunha Ribeirinho
Chartered Accountant (Member n.º 20120089)

12

REPORT AND OPINION OF THE FISCAL BOARD

ACCURACY IS TO PLACE IMPORTANCE ON THE SLIGHTEST COMMA

RELATÓRIO E PARECER DO CONSELHO FISCAL

Senhores Accionistas,

Em cumprimento das disposições legais e estatutárias, designadamente da Lei 1/04 de 13 de Fevereiro (Lei das Sociedades Comerciais), submetemos à apreciação de V. Exas. o Relatório e Parecer do Conselho Fiscal sobre o Relatório e Contas de 2016 do Banco Angolano de Investimentos, S.A., bem como sobre a proposta de aplicação de resultados:

1. Durante o exercício, tivemos a oportunidade de acompanhar periodicamente a actividade do Banco através de informação contabilística e contactos quer com a Administração, quer com as diversas áreas, nomeadamente as de Contabilidade e Finanças, Auditoria Interna e de Planeamento e Controlo.

2. No exercício das nossas funções e com a profundidade e extensão possíveis, efectuámos as análises que, nas circunstâncias, se afiguraram necessárias e apreciámos o Relatório do Conselho de Administração e as Demonstrações Financeiras, incluindo o Balanço, a Demonstração de Resultados e as respectivas notas, documentos estes que foram elaborados em conformidade com as Normas Internacionais de Contabilidade (IASB) e as Normas Internacionais de Relato Financeiro (IFRS), em obediência ao estipulado pelo Aviso nº 6/16 de 22 de Junho de 2016 do Banco Nacional de Angola.

3. Nestes termos, tendo em conta o Relatório dos Auditores Externos, concluímos o seguinte:

   (a) Que o Relatório do Conselho de Administração e as Demonstrações Financeiras, estando de acordo com os registos contabilísticos, satisfazem as disposições legais e estatutárias;

   (b) Que o exercício de 2016 foi positivo, tendo o Banco alcançado um resultado líquido no montante de 49.740.873 mil AKZ (Quarenta e nove mil setecentos e quarenta milhões e oitocentos e setenta e três milhares de Kwanzas), observada a prática legalmente permitida e economicamente aconselhável, de constituir as adequadas provisões destinadas a contribuir para a estabilidade do seu património;

   (c) Que os critérios valorimétricos utilizados e as políticas seguidas são consistentes com os aplicados nos exercícios anteriores.

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4. Considerando que os documentos referidos em (2) permitem no seu conjunto a compreensão da situação financeira e dos resultados económicos do Banco, propomos:

   (a) A aprovação do Relatório de Gestão do Conselho de Administração e das Contas referentes ao exercício de 2016;

   (b) A aprovação da proposta de aplicação do resultado líquido do exercício de 2016, constante do Relatório do Conselho de Administração.

5. Finalmente, expressamos o nosso agradecimento ao Conselho de Administração e a todos os colaboradores do Banco com quem contactámos, pela valiosa colaboração prestada.

Luanda, 28 de Março de 2017

O Conselho Fiscal

Júlio Ferreira de Almeida Sampaio

(Presidente)

Moisés António Joaquim

(Vogal)

Alberto Cardoso Pereira

(Vogal)

SOCIAL RESPONSIBILITY REPORT
2016

0.1

The root
of education
is bitter
**but its fruit
is sweet.**

Aristoteles

Through the BAI Foundation, during the first half of 2016, **it supported the construction of three additional classrooms**

Education is the key factor for the development of societies and BAI, committed to social responsibility, has sought to do its share. Through the BAI Foundation, during the first half of 2016, it supported the construction of three additional classrooms from scratch to respond to the demand of the needy children in Funda, under the responsibility of the NGO AMEN.

BAI was also able to make available scholarship grants to five girls attending higher education from the Centro Feminino Horizonte Azul.

0.2

Art says the unsayable; expresses the inexpressible **translates the untranslatable.**

Leonardo da Vinci

ART AND CULTURE

ANGOLA'S CONTEMPORARY DANCE COMPANY

Art, as a primary form of cultural expression of a people has always enjoyed particular attention by Banco Bai.

The Bank joins Arts and Culture with a view to promoting artistic diversity and new talents because it considers that by safeguarding the cultural heritage, it plays a key role in its sustainable development and its surroundings.

In this context, BAI intervention, through its foundation, was directed at the following actions:

- Provision of support to Angola's Contemporary Dance Company in hosting two major cultural shows.
- Purchase of a set of musical instruments to set up and equip the Funda Symphony Orchestra (NGO AMEN), fully funded by the BAI Foundation.
- Sponsorship of the publication of the book "History of the Catholic University of Angola", volumes I and II, by Father Apolinário Hilemusinda.
- Still in connection with the attention dedicated to Angolan and international literary and musical performances and with a view to supporting and promoting an enhanced reading culture, BAI sponsored the 10th Edition of the International Book and Record Fair, one of the country's largest cultural events, promoted by ARTEVIVA, Edições e Eventos Culturais.
- BAI has also contributed to the launch of a book authored by Hélder Caculo, a journalist, believing that such initiatives should be embraced as literature is of great importance to the society.
- The Bank provided support for the hosting of several music concerts under the umbrella of the 'Show of the Month', a project which values both Angolan music and musicians and kick-started in January 2014, aimed at generating a different concept of concerts in Luanda, awarding leading musicians and new talents, bringing together multiple generations

BAI Board Members and guests tour the **BAI Art exhibition hosted at the Academy**


Autor Mendes Ribeiro
Título Mulher de Luanda
Técnica Óleo sobre tela
BAI

BAI PROVIDED SUPPORT FOR THE CONSTRUCTION OF THE CASA DAS ARTES, AN INDEPENDENT PROJECT LED BY FILMMAKER MARIA JOÃO GANGA

and musical styles in the same space which result in new experiences for Angola's music scene. In order to support the Show of the Month, BAI associated itselfe in the quality of each show through the BAI Arte brand. Throughout the year, more than 8,000 Angolans shows performed at the 'Show of the Month' stage.

- Provision of support to the folk project to rescue Rebita (song, dance, and instruments) also became reality.

- BAI Arte started 17 years ago, also within the framework of the Bank's social responsibility policy. Aware of its cultural dimension, the Bank remains committed to supporting the development of the Angolan visual arts in its various areas. This commitment of a participatory partner in the domestic culture was further strengthened with the hosting on 17 to 30 November 2016, of an exhibition under the theme "20 Years, 20 Works, BAI Art 2016", showcasing works from its collection selected by professor and artist Jorge Gumbe. This event, falling under the celebrations of the Bank's 20th anniversary was hosted at BAI Academy multipurpose venue and had both an educational purpose and that of disseminating Angola's artistic creativity.

- BAI provided support for the construction of the Casa das Artes, an independent project led by filmmaker Maria João Ganga, specializing in cultural training and education. The venue offers dancing, painting, theatre and photo lessons as well as other creative activities. Casa das Artes was opened on 10 September and it also hosts workshops and exhibitions, and a theatre for the presentation of shows with seating capacity for 270 people.


Artists in the opening of the *Casa das Artes*

THE BANK PROVIDED SUPPORT FOR THE HOSTING OF SEVERAL MUSIC CONCERTS UNDER THE UMBRELLA OF THE 'SHOW OF THE MONTH', A PROJECT WHICH VALUES BOTH ANGOLAN MUSIC AND MUSICIANS AND KICK-STARTED IN JANUARY 2014, AIMED AT GENERATING A DIFFERENT CONCEPT FOR CONCERTS IN LUANDA

National singers performed various hits in the Show of the Month

0.3

Sport is a war
without weapons.

George Orwell

SPORTS

In sports, **sponsorship** was also granted to basketball, **cycling,** handball and soccer namely

2ND LUANDA BAY CYCLING PRIZE

In sports the major highlight was the sponsorship of the 22nd African Women's Handball Championship

- Full support to the Olympic judo athlete Antónia de Fátima Moreira " FAYA " for her trip to the training camp in Hungary (May, 2016), on the way to the Rio 2016 Olympics (Brazil - August 2016).

- In sports, sponsorship was also granted to basketball, cycling, handball and soccer namely:

  - Benfica Petróleos do Lubango Women's basketball;
  - Local National Basketball Association;
  - Sporting Clube de Benguela;
  - 2nd Luanda Bay Cycling Prize

THE CELEBRATION BY THE ANGOLAN TEAM, FOLLOWING ITS WIN OVER TUNISIA

In terms of support to sports, the main highlight was the sponsorship of the 22nd African Women's Handball Championship, a major initiative for the country where BAI was part as the event's official sponsor. Angola became the African champion by defeating Tunisia in the final in December.

Celebrations by the Angolan national team following the win over Tunisia, attended **by special guests and representatives of Banco BAI**

0.4

In general,
**nine-tenths
of our happiness**
depends on our
health alone.

Arthur Schopenhauer

HEALTH

In health, we conducted a donation of vaccines against yellow fever in the Comarca de Viana Prison Facility and provided continuous support to the David Bernardino Paediatric Hospital in Luanda, as well as supporting some private initiatives

Donation of yellow fever vaccines
in the Comarca de Viana Prison Facility

0.5

One should think more of doing good deeds than being good: **then one would also end up being good.**

Alessandro Manzoni

SOCIAL WELL-BEING

Osivambi village

Osivambi village

In a situation of national crisis, BAI has once again taken up its social responsibility through the following:

- Funding for the construction of 10 social houses for needy families under the aegis of the NGO – Association of Professionals and Friend Against Poverty (APACP);
- Provision of food support (frozen food) to the orphanage under the management and monitoring of the Angolan Association of Abandoned Children (AACA);
- Christmas season support for sick and unprotected children (Office of the Chief of Staff of the President);
- Christmas season support to the Children Friends of Quicabo;
- Support to Madam Ana Maria Carneiro's initiative (solidarity Christmas with Luanda children);
- Support to the Osivambi Village Project (School with five classrooms and two offices, a medical office and a catholic church);
- Support to the S. José de Cluny School (construction of a school complex from scratch)
- TISA Project (Information Technology in Classrooms.

On the same vein, BAI continues to promote and generate opportunities in actions aimed at supporting civil society.

In this regard, BAI implemented a number of initiatives for institutional support and actions able to add social value, such as:

BAI has once again taken up its social responsibility through the following: **Funding for the construction of 10 social houses** for needy families under the aegis of the NGO – Association of Professionals and Friend Against Poverty (APACP)

- The fight against poverty as a scourge to be done away with, prompted BAI to support ALCOPA, an association which seeks, inter alia, to inform, educate and raise the awareness of the population on issues that concern the fight against poverty;
- Clarifying the nuances of Labour Law: In its regular support to institutions, the Bank supported the initiative by FBL Advogados who, in partnership with the Law Faculties of both the Universidade Agostinho Neto and Universidade Católica hosted the 1st Congress on Labour Law.
- Leveraging the affirmation of women as entrepreneurs, in the perspective of supporting entrepreneurship. BAI has contributed to the March Woman days, by providing support to FMEA - Federation of Women Entrepreneurs, an association that seeks to provide conditions to women so that they are able to become solid entrepreneurs, diversify the economy and alleviate poverty.

0.6

Praise goes only as far as the person who utters it

Miguel de Cervantes

BRAND AND RECOGNITION

Euromoney, the prestigious magazine of the banking sector, selected BAI as the Best Bank in Angola for the year 2016. It was the fourth time BAI earned this distinction. The award was handed over to the Bank Management during a ceremony held in London, on the 6 July this year. The financial strength, dynamism and the sense of innovation are factors that distinguish the BAI from its peers in the Angolan banking system.

- Still in the first half of the year, the British magazine 'The Banker' published the list of the 1,000 Best Banks in the World in its 2016 edition. Angola featured among the top 1,000 banks in the world. In the African continent, BAI stands at the commendable 22nd position in the ranking. To prepare the ranking, the selection criteria used by the magazine are measurements of indicators such as assets, solvency and liquidity ratios, and the income/(loss) before taxes.

- In the 2016 Edition of the Sirius Awards, an initiative by Delloitte, BAI was awarded the Financial Sector's Best Management and Accounts Report prize.

Euromoney, the prestigious magazine of the banking sector, selected **BAI as the Best Bank in Angola for the year 2016**

Director Pedro Castro e Silva receiving the award

Euromoney Awards for Excellence 2016

Sirius Award for the Financial Sector's Best Management and Accounts Report