2015
REPORT AND ACCOUNTS

BAI

20 YEARS SHAPING THE FUTURE OF OUR CLIENTS

BAI

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01 JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

1996

Founding of BAI

The year 2015 was marked by major changes in the domestic economic scenario. The systematic fall in the price of oil triggered significant transitions in the domestic economy, causing growth in GNP to drop, a reduction in tax revenue, an increase in the need for public financing, a reduction in the availability of foreign exchange, a reduction in international reserves, a steep devaluation of the currency, increased inflation and a reduction in public expenditure, compared with the previous financial year.

With regard to the banking sector, besides the consequences of the aforementioned changes in the economic scenario, the highlights in terms of regulation were the continuation of the process for the full adoption of IAS/IFRS[1] and the reinforcement of the implementation of preventive measures against money laundering and the financing of terrorism.

The sector was also affected by the de-risking measures adopted by some international banks, with major implications with regard to transactions in United States dollars.

As such, the management of BAI´s activity in 2015 required constant adaptation, striving to preserve the guiding principles of profitability, efficiency, liquidity and stability.

The Bank´s net income totaled AKZ 15.358 million in 2015, an increase of 20% over 2014, which reflected, on one hand: (i) the 25% increase in the financial margin, largely due to the increase in the interest rate, and (ii) the 42% increase in income from foreign exchange operations, arising mainly from the reevaluation of the foreign exchange rate indexed treasury bond portfolio, and, on the other: (i) the substantial 69% increase in loan provisions, mirroring the worsening in credit risk, and (ii) the strict control of administrative costs, which rose a mere 6%. As a result, cost-to-income dropped 6%, registering 38% in 2015.

Assets fell slightly, by 0.3%, influenced by the 1% reduction in deposits. Credit to the economy in domestic currency registered a growth of 17%. The substantial change in the structure of the balance sheet should also be mentioned, whereby the weight of liquidity investments over assets fell from 20% in 2014 to 4% in 2015, while the weight of investments in securities over assets rose from 21% to 38% in the same period.

The profitability of equity rose 1%, registering 13% for the 2015 financial year, while the regulatory solvency ratio increased by 2% to 20% at the close of the year, well above the minimum regulatory limit.

Within the scope of management, we should highlight the Strategic Plan for the period 2016-2021, the conclusion of the implementation of the amendments to the corporate governance model and the strengthening of the internal control system, in particular with regard to the duties of the internal audit department, integrated risk and compliance management, taking compliance with BNA requirements in relation to these issues into account. In relation to credit risk management, we should stress the progress made in the implementation of the do model for the calculation of impairment loss defined in IAS 39, which will provide the Bank with a model for the recognition and measurement of assets in line with the Best international practices.

Within the scope of activity in the financial markets, we should draw attention to the start of negotiations involving securities at BODIVA and the creation of the informative feature "BAI Minute Markets", disclosed on TPA and the social networks. Equally important is the conclusion of the new Head Offices building, opened on 22 March 2016, which enabled us to centralise the departments which were previously located in several different buildings, thereby providing the opportunity to increase cost efficiency and rationalisation, in addition to standardising our culture.

There is no doubt 2016 continues to be a year of greater challenges and increased risks in light of the international and domestic economic scenario and the regulatory changes. Hence, BAI intends to continue with the implementation of its Strategic Plan for the period 2016-2021, focusing on the consolidation of the Bank´s core sectors and a more thorough approach with regard to small and medium-size companies.

[1] *"IAS – International Accounting Standards" and "IFRS – International Financial Reporting Standards"*

We would like to thank all our employees for their undying commitment, dedication and professionalism, all of which has enabled us to ensure BAI remains a benchmark institution in the Angolan financial sector. As a result of the changes in the composition of the governing bodies in August 2015, we would like to extend our special thanks to our director Mário Barber for the dedicated manner in which he has run the Executive Committee and the major contribution provided to BAI in the exercise of these duties over the past 5 years, as well as to Vice-President Paula Gray and director Carlos Duarte for their valuable assistance as executive director and non-executive director, respectively.

Finally, we would also like to thank our clients for the trust placed in BAI, a factor which boosts our commitment to promoting the economic growth of the market in which we are active.

José Carlos de Castro Paiva

Chairman of the Board of Directors

José de Lima Massano

Chief Executive Officer

RELEVANT ASPECTS 02

1997

Opening of the 1st branch
in Luanda (Main Branch)

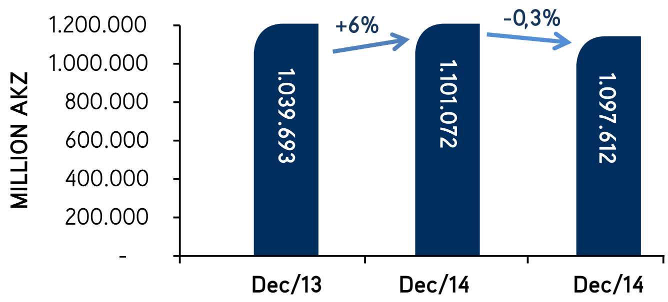
A. Key Indicators

Amounts in million AKZ	Dec 13	Dec 14	Dec 15	13/14	14/15
Balance and Off-Balance Sheet					
Net Assets	1.039.693	1.101.072	1.097.612	5,9%	-0,3%
Loans [1]	245.708	365.461	353.686	48,7%	-3,2%
Deposits	902.936	950.917	938.494	5,3%	-1,3%
Equity	104.430	113.654	125.158	8,8%	10,1%
Banking Product	56.784	58.835	72.234	3,6%	22,8%
Net Earnings	12.082	12.849	15.358	6,3%	19,5%
Operations					
Number of Employees	1.870	2.000	2.004	7,0%	0,2%
Distribution channels	128	138	144	7,8%	4,3%
Number of Clients [2]	558.593	515.862	587.444	-7,6%	13,9%
Active ATMs	292	321	334	9,9%	4,0%
Active POSs	2.196	2.539	2.806	15,6%	10,5%
Productivity					
Number of clients per employee	299	258	293	-13,7%	13,6%
Number of clients per branch	4.364	3.738	4.079	-14,3%	9,1%
Number of employees per branch	15	14	14	-0,8%	-4,0%
(%) Cost to Income Ratio	38,7%	43,7%	37,9%	13,1%	-13,4%
Profitability					
(%) ROAE	11,9%	11,8%	12,9%	-0,6%	10%
(%) ROAA	1,2%	1,2%	1,4%	1,9%	18%
Liquidity and Funds Management					
(%) Loan to Deposit Ratio [3]	27,2%	38,4%	37,7%	41,2%	-1,9%
(%) Concentration of Deposits = Top 20	38,0%	37,0%	37,4%	-2,5%	0,9%
(%) Concentration of Loans = Top 20	48,0%	60,0%	57,1%	25,0%	-4,9%
Asset Quality					
(%) Non-Performing Loans Ratio	6,9%	11,4%	9,8%	65,9%	-14,0%
(%) Total Loans Coverage Ratio	13,7%	10,1%	12,3%	-26,3%	22,5%
(%) Non-Performing Loans Coverage Ratio	198,7%	88,2%	125,7%	-55,6%	42,5%
(%) Total Loans / Total Assets	23,6%	33,2%	32,2%	40,4%	-2,9%
Capital Adequacy					
(%) Fixed Asset Ratio	51,6%	52,3%	48,9%	1,4%	-6,5%
(%) Regulatory Solvency Ratio	17,4%	17,4%	19,8%	-0,3%	13,7%
Regulatory Equity	82.810	88.877	101.702	7,3%	14,4%
Ratings					
Moody's					
Short-term		NP	NP		
Long-term		Ba3	B1		
Forecast		Negative	Negative		
Fitch					
Short-term		B	B		
Long-term		B+	B+		
Forecast		Stable	Stable		

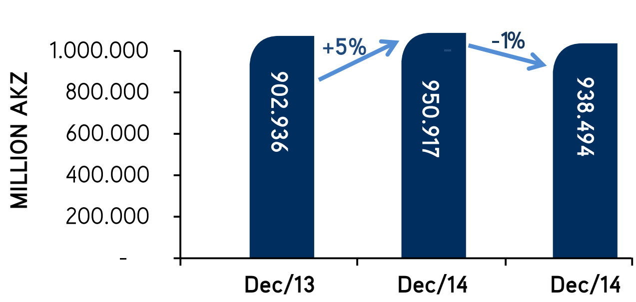
[1]Net loans from accrued provisions; [2] Number of active clients; [3] Deposit loans.

B. Chart Analysis of Main Indicators

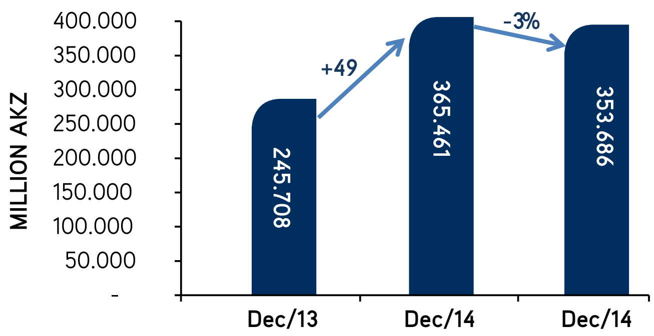
Net Assets



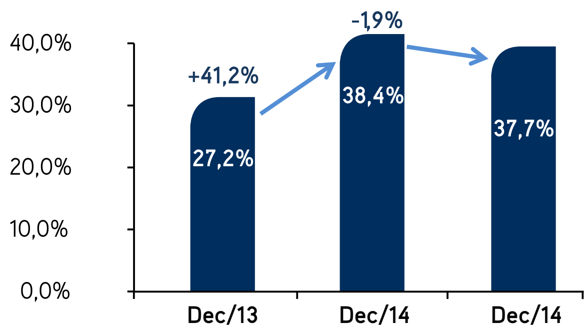
Client Deposits



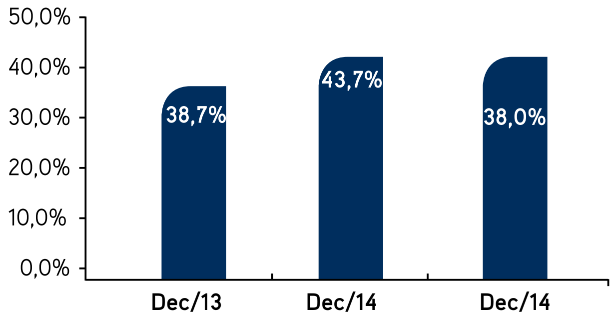
Loan Portfolio



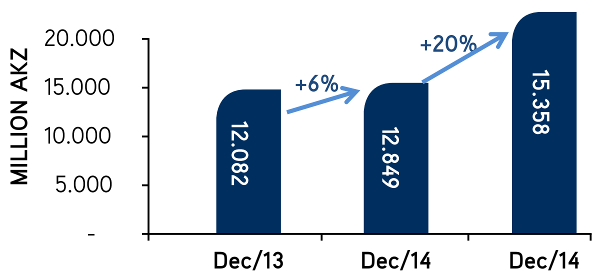
Loan to Deposit Ratio



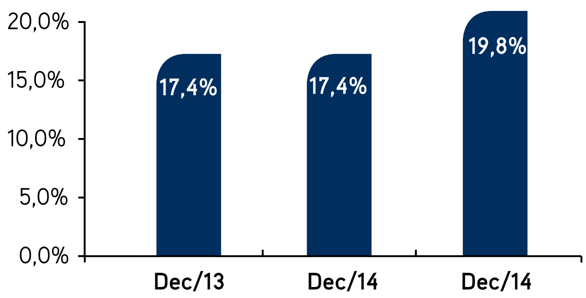
Cost to income



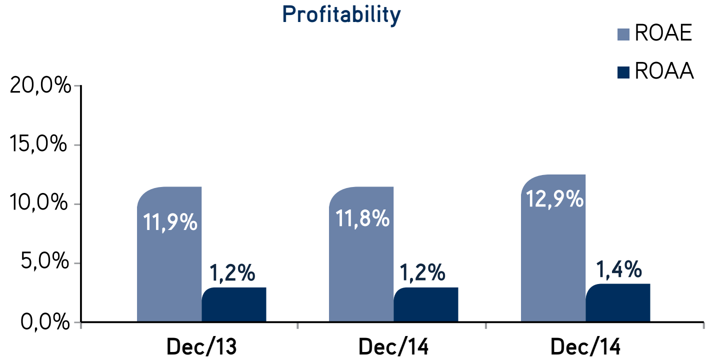
Net Income



Regulatory Solvency Ratio



Profitability



STRATEGY AND ORGANISATIONAL STRUCTURE 03

1998

Opening of the 1st branch in the province of Cabinda

A. Corporate Governance Model

Recent developments

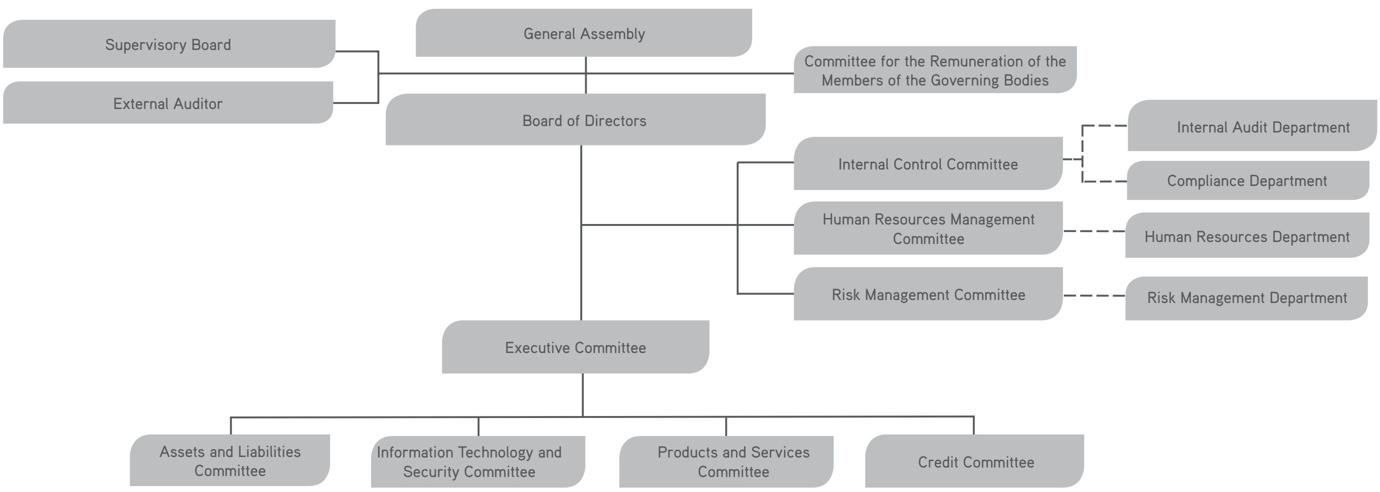
In 2014 and 2015, the Bank adopted a series of corporate governance measures aimed at aligning its corporate governance model with Notices N°s 1/13 and 2/13, of 19 April, the most noteworthy of which are:

- The appointment of an independent director;
- The creation of the Committee for the Remuneration of the Members of the Governing Bodies;
- The creation of the Board of Directors Committees (Human Resources, Internal Control and Risk Management);
- A review of the Board of Directors and Executive Committee regulations;
- A review of the allocation of the responsibilities of each director as a means of guaranteeing the effective segregation of the activities of business, support and control;
- Approval of the Conflict of Interests, Transparency and Disclosure of Information Policies;
- The creation of a autonomous and independent risk management function;
- A review of the Policy for the Prevention and Detection of Money Laundering and the Financing of Terrorism and Compliance with Penalties.

Basic corporate governance mechanisms at BAI

- The set of rules regulating the interest of shareholders in the Bank, mainly those related to the enforcement of their rights, contained in the Bylaws:
- The set of rules regulating the Board of Directors, regarding their functional aspects and the establishment of the duties and obligations of the directors. These rules are contained in the Bylaws and Regulations of the Board of Directors, its Committees and the Executive Committee;
- The internal rules containing a series of solid performance principles and standards, are contained in the code of conduct;
- The organisational chart has a functional structure that allows for a clear separation of roles and responsibilities of the different corporate bodies. The distribution of responsibilities of each executive officer is carried out in order to ensure the effective segregation of business, support and control functions.
- The instruments used to improve information provided to shareholders (especially the Annual Report and the Bank website) and the processes aimed at making this information more accurate, thorough and available in timely manner, including all matters associated with the Audit Committee and the Independent Auditor.

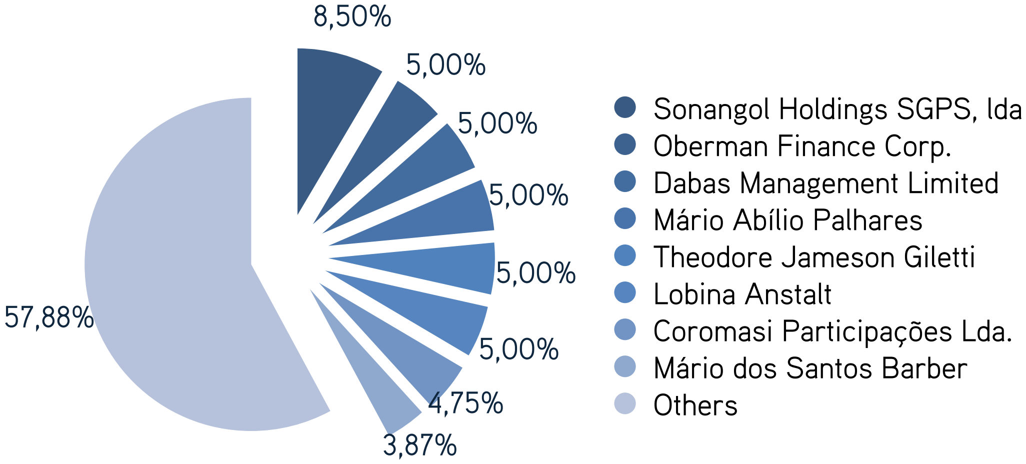
Corporate Governance Structure



Shareholder structure

The shareholding structure of BAI consists of 53 shareholders, 21 of which are companies, which have no qualified shareholdings pursuant to article 6 of Notice N° 1/13 of 1'9 April The holdings of the members of the governing bodies are disclosed in accounts note N° 18.

Shareholder structure (shareholders with more than 3% of the share capital)



General Assembly

The main duties of the General Assembly are (i) to elect and dismiss members of the governing bodies, including the respective chairpersons; (ii) to decide on capital increases; (iii) to approve the annual management report and accounts; and (iv) to decide on the allocation of profit.

The General Assembly meets annually, at a regular meeting, by the end of the first quarter of each year. Extraordinary meetings may be convened by resolution of the Board of Directors or Audit Board, or when requested in writing, by one or more shareholders holding shares corresponding to at least 5% of the capital.

All the shareholders have the right to vote, as the Bank only has ordinary shares.

General Assembly decisions are made in accordance with the absolute majority of the votes present, except when decisions require a qualified majority of votes.

Composition of the General Assembly

Chairman	*Domingos Lima Viega*
Vice Chairman	*Josina Baião Magalhães*
Secretary	*Alice Trindade Escórcio*

Remuneration Committee of the Members of the Governing Bodies

This Committee is entrusted with implementing and reviewing the remuneration policy of the members of the governing bodies pursuant to Notice N° 1/13 of 19 April. The Committee is appointed for a period of four years, coinciding with the mandate of the governing bodies, and is composed of three shareholders who do not belong to these bodies.

Supervisory Board

The Supervisory Board, consisting of a chairman, two full members and one reserve member, being one of the full members an expert accountant, meets quarterly and whenever convened by its Chairman or requested by the majority of its members. The operating rules of this body are set forth in the by-laws and the regulations of the same, from which we highlight the following duties:

- Oversee the Bank administration;
- Verify the accuracy of the Balance Sheet and Profit and Loss Statement;

- Verify the accuracy of books, accounting records and supporting documents;
- Call the General Meeting, when the respective chairman does not do so.

Regular meetings of this body are held on a quarterly basis, and extraordinary meetings are held whenever necessary. The decisions are recorded in the minutes and signed by all the members.

Composition of the Supervisory Board

Chairman	*Júlio Ferreira Sampaio*
Member	*Moisés António Joaquim*
Member	*Alberto Severino Pereira*
Substitute Member	*Isabel Lopes*

External Auditor

The independent auditor has a four-year term of office and is appointed by the Board of Directors. Their activity and autonomy are supervised by the Internal Control Committee since 2015. The independent audit is provided by KPMG Angola, appointed in 2014, upon the conditions defined in Notice no. 4/13, of April 22nd, particularly in regard to the requirements of capability and independence.

Board of Directors

The Board of Directors (BD) consists of an odd number of members, with a minimum of five and a maximum of thirteen, and is entrusted with exercising a wide range of powers with regard to managing and representing the Bank, conducting all the duties required to conduct the business. The term of office of the members of the Board of Directors is four years, whereby this mandate began in 2014 and will end in 2017.

The directors are either executive or non-executive, whereby the latter are either independent or non-independent. BAI adopts the concept of independent director in line with the criteria of Notification Nº 1/13 of 19 April (Nº 9 of article 3).

The Board of Directors was expanded from 11 to 13 members in August 2015 in accordance with the appointment of two new directors, one of which is Chairman of the Executive Committee and the other an independent director.

The resumes of the members of the Board of Directors are contained on the Bank's institutional page on the Internet. [4]

The powers and procedural rules of the BD are set forth in a separate regulation drawn up in accordance with the bylaws. The Board meets on a quarterly basis and whenever convened by the Chairman or requested by the majority of the members.

Board of Directors Committee

The Board of Directors has the following special Committees: Human Resources Management, Internal Control Management and Risk Management. None of these committees have decision powers. Their main function is that of a supervisory body (information, advisory and bids). The operating rules of these committees are defined in the respective regulations. These Committees shall hold, at least, one quarterly meeting or whenever called by their respective Chairpersons.

[4] *http://www.bancobai.ao/Conteudos/Artigos/detalhe.aspx?idc=281&idsc=389&idl=118*

Composition of the Board of Directors and Committees

	Non- executive	Executive	Internal Control Committee	Risk Management Committee	Human Resources Management Committee
José Carlos de Castro Paiva	P				P
Francisco de Lemos José Maria	VP				
Ana Paula Gray	VP				
Theodore Jameson Giletti				P	
Mário Alberto Barber					
Jaime de Carvalho Bastos	I		P		
José de Lima Massano		P			
Luís Filipe Lélis					
Inokcelina Ben'África Santos					
Helder Miguel Jasse Aguiar					
Simão Francisco Fonseca					
João Cândido Fonseca					
Pedro Castro e Silva					

Note: *P: Chairman, VP: Vice-Chairman, I: Independent*

Duties of the Internal Control Committee:

- Ensuring the formalization and implementation of a system to provide effective and well-documented information, including the process for the preparation and disclosure of the financial statements;
- Supervising the formalization and implementation of the institution´s accounting policies and practices;
- Reviewing all financial information for publication or internal disclosure, specifically the annual management accounts;
- Monitoring the independence and the effectiveness of the internal audit, approving and reviewing the scope and frequency of the activity involved in the same and supervising the implementation of the proposed corrective measures;
- Supervising the performance of the compliance department; and
- Supervising the activity and independence of the external auditors, establishing a communication channel as a means of learning of the conclusions of the examinations conducted and the reports issued.

Duties of the Human Resources Management Committee:

- Define the new staff recruitment and selection policy;
- Define staff remuneration policies and processes, suitable to the long-term culture and strategy and considering the business and risk ramifications;
- Recommend to the board of directors, the appointment of new personnel for executive positions, which shall provide a detailed description of functions, in accordance with the existing internal responsibilities;
- Support and supervise the definition and conduction of the staff assessment process.

Duties of the Risk Management Committee:

- Advising the Board of Directors with regard to the risk strategy, taking into account:
- The financial situation of the Bank;
- The nature, size and complexity of its business;
- The capacity to identify, assess, monitor and control risks;
- The work conducted by the external audit department and by the delegation of powers to monitor the internal control system;

- All categories of major risks in the institution, namely credit risks, market risks, liquidity risks, operational risks, strategic risks and reputation risks, set forth in the approval of the internal control system in Notice N° 2/13 of 19 April;
- Supervising the implementation of the Bank´s risk strategy; and
- Supervising the performance of the risk management department as provided for in Notice N° 2/13 of 19 April.

The following activities were conducted in 2015, grouped in accordance with the different basic duties of each committee:

a. Internal Control Committee

- Compliance;
- Internal auditing;
- Corporate governance;
- Internal control system;
- Financial information;
- Implementation of the measures requested by the BNA.

b. Risk Management Committee

- Structure of risk management activities;
- Activity plan for 2015/2016;
- Risk management policy.

c. Human Resources Management Committee

- Human resources department activity plan for 2015;
- Human resources strategic plan;
- Performance assessment for 2014;
- Analysis of the organisational environment;
- Compensation and careers model, analysis of internal equity and new salary table.

Executive Committee

The Executive Committee of the Board of Directors (EC) is composed of three to seven members, appointed by the BD from among its members. The powers and procedural rules of the EC are set forth in a separate regulation. The Committee meets at least once a month or whenever convened by the Chairman or by at least two Executive Directors. Its powers comprise:

- Management of the Bank's daily activity, ensuring compliance with all applicable laws and regulations;
- Preparation of the annual and multi-annual plans and budgets, as well as any amendments thereto, for approval by the BD;
- Preparation of the accounting documents for approval by the BD;
- Approval of the internal procedural rules;
- Acquisition, sale and encumbrance of movable property and intangible assets necessary for the Bank's activity;
- Acquisition, sale and encumbrance of real estate for the Bank's activity;
- Acquisition of the necessary services for the Bank's activity;
- The implementation of the human resources policy;
- Exercising disciplinary power;
- Opening and closing branches;
- Hiring attorneys-in-fact to perform specific acts or categories of acts;
- Representation of the company in and out of court, actively and passively, filing and challenging judicial and arbitrational proceedings, recognising, withdrawing or compromising in any actions.

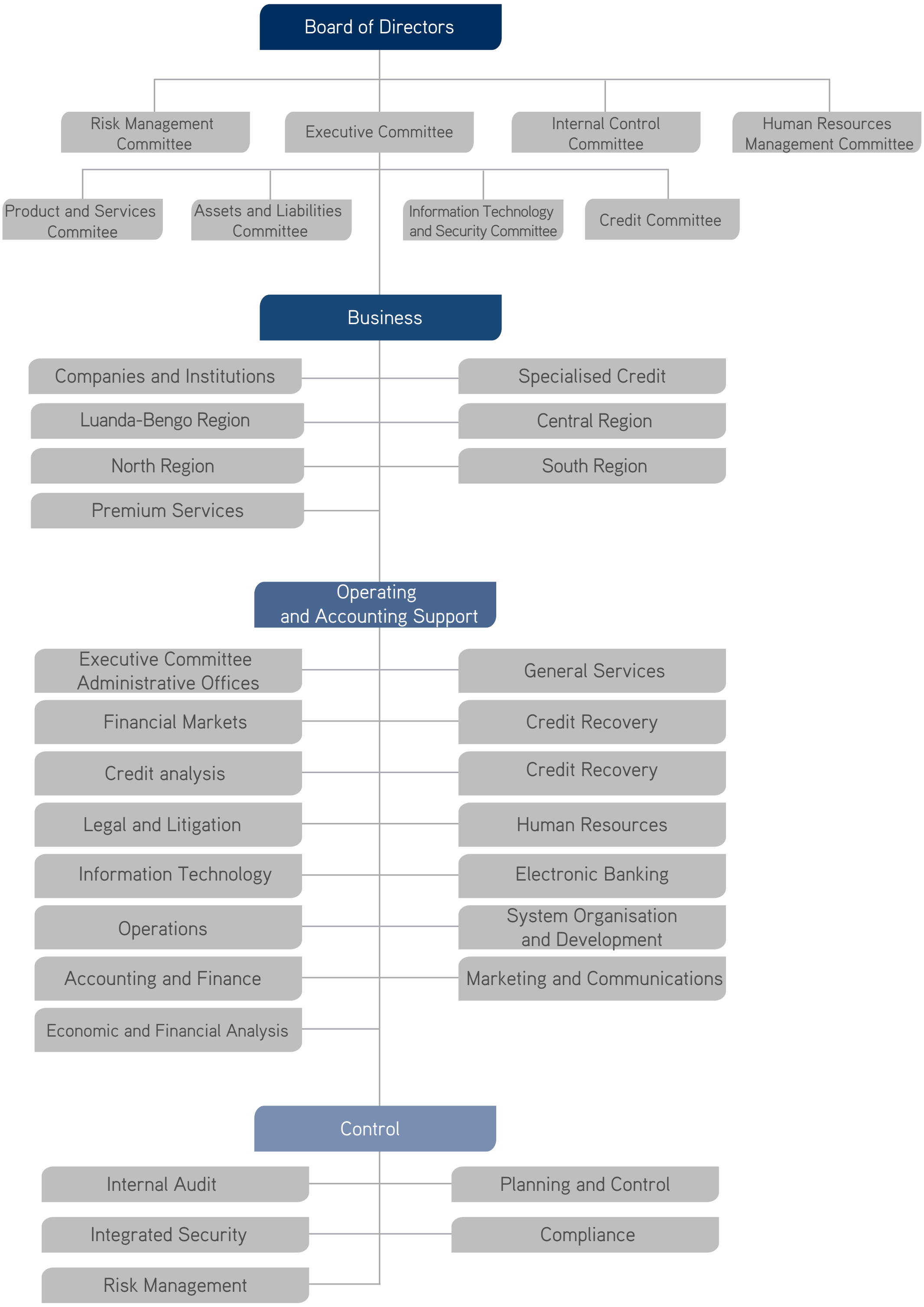
Within the scope of its duties, the Executive Committee enjoys the assistance of 4 specialised management committees (Assets and Liabilities Committee (ALCO), Credit Committee (CCR), Information Technology and Security Committee (CIS) and Products and Services Committee (CPS), entrusted with processing, managing and deciding on specific issues.

The table below illustrates the allocation of responsibilities by group of duties (business, support and control):

Allocation of responsibilities and segregation of the basic duties of business, support and control

Name, department and responsibility	Acronym	Business	Support	Control
José de Lima Massano – Chief Executive officer				
a) Internal Audit Department	DAI			X
b) Integrated Security Department	GSI			X
c) Legal and Litigation Department	DJC		X	
d) Human Resources Department	DRH		X	
Luís Filipe Lélis – Executive Director				
a) Operations Department	DOP		X	
b) Systems Organisation and Development Department	DOD		X	
c) Information Technology Department	DTI		X	
Inokcelina Ben'África dos Santos – Executive Director				
a) Compliance Department	GCL			X
b) Risk Management Department	DGR			X
c) Credit Analysis Department	DAC		X	
d) Credit Recovery Department	DRC		X	
Helder Miguel Jasse Aguiar – Executive Director				
a) Premium Services Department	GSP	X		
b) Retail Banking Department	DBR	X		
c) Electronic Banking Department	DBE		X	
Simão Francisco Fonseca – Executive Director				
a) Companies and Institutions Department	DEI	X		
b) Specialised Credit Department	DCE	X		
c) General Services Department	DSG		X	
João Cândido Fonseca – Executive Director				
a) Accounting and Finance Department	DCF		X	
b) Planning and Control Department	DPC			X
c) Central Treasury Department	DTC		X	
Pedro Castro e Silva – Executive Director				
a) Marketing and Communications Department	DMC		X	
b) Financial Markets Department	DMF		X	
e) Economic and Financial Analysis Department	GEF		X	

Organisational Chart



Internal Control System

The internal control system is defined as the comprehensive series of policies and processes of a permanent and transversal nature for the entire institution, conducted by the Board of Directors and other employees in order to ensure:

iv. The continuity of the business through the efficient allocation of resources and the implementation of operations and risk control (performance objectives);

v. The reliability and timeliness of the accounting information and management support (information objectives); and

vi. iii) Compliance with the legal and internal rules (compliance objectives).

Given these objectives, BAI seeks to ensure a suitable environment and control activity, a solid risk management system[5], an efficient information and communication system, and a continuous monitoring process in order to ensure the quality and effectiveness of the system itself over time.

Planning and Control Department

To implement and monitor the Bank´s planning and management control process, by means of budgeting and management indicators, and monitoring the performance of the subsidiaries.

Risk Management Department

To identify, assess, monitor, control and provide information on all the major risks in relation to the activity conducted by BAI, in accordance with the provisions of the law and regulations. This department is also responsible for drawing up monthly reports for ALCO.

Integrated Security Department

To define policies, rules and controls to ensure the proper management and monitoring of the security of computer and electronic systems and equipment, in addition to guaranteeing the implementation of the same.

A brief description of the main duties of the Internal Control System

Board of Directors

To review and approve, on a regular basis, the internal control and risk management strategy and policies, as well as the gradual alignment of the same with the entities of the financial Group with the same policies.

Executive Committee

To propose the review of the internal control and risk management policies and to ensure the implementation of the same at the Bank.

Internal Audit Department

To ensure and coordinate overall the audit and internal inspection activities to the Bank's structural units, to ensure control and compliance with banking legislation, the established processes and the service rules in force. To support the identification of the risks inherent to new business, products and information systems and to control the values comprising the Bank's equity. Within the scope of the control management process, this Board is also responsible for drawing up reports on the Corporate Governance and Internal Control System.

Compliance Office

To implement and monitor the processes for the prevention of money laundering and the financing of terrorism. Supervising compliance and the correct implementation of the legal, regulatory, statutory and ethical provisions and recommendations and guidelines issued by the competent supervisory authorities.

Integrated Security Department

To define policies, rules and controls to ensure the proper management and monitoring of the security of computer and electronic systems and equipment, in addition to guaranteeing the implementation of the same.

Operational Risk Control Department

Checking for the existence, assessing the quality and the implementation of internal controls as a necessary step for an adequate operational risk management, as well as contributing to continuous improvement in order to safeguard Bank's assets.

[5] *Risk management is the subject of a chapter in this Annual Report.*

Remuneration Policy

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

i. The definition of the rules must be clear, simple, transparent, and aligned with the culture and values of the Bank, considering the nature of its activity;

ii. The definition of proportionality principles which guarantee sufficient external competitiveness to attract and retain employees, as well as internal equity promoting a sense of justice and the cohesion of the teams;

iii. The definition of the policy should consider the constant need for risk mitigation and avoid situations that foster conflicts of interest;

iv. The definition of the policy should consider all forms of payment (fixed, variable and benefits) and be aligned with the strategy and business objectives of the Bank;

v. The calculation of the fixed and variable individual remuneration and other benefits should consider the assessment of the corresponding performance (objectives and skills), according to the duties performed and the economic and financial situation of the Bank.

Remuneration by type

Fixed Remuneration	Variable Remuneration		Allocation of Benefits
Basic Salary	Shortages Subsidies	Internship Subsidies	Salary Loan
13th Month (Holidays)	Exemption from Working Hours	Annual Performance Bonus	Personal Loan
14th Month (Christmas)	Normal Day Overtime	Mobile Phone Expenses	Automotive Loan
Meal Allowance	Risk Subsidies	Fuel Subsidy	Housing Loan
	Temporary Replacement Subsidies	Technical Subsidy	
	Duty Subsidies	Attendance Bonus	

Members of Governing Bodies

The members of the governing bodies have a different remuneration policy compared to the others, which consists of assigning a fixed and variable remuneration, the latter being decided on an annual basis in accordance with the overall performance of the Bank. The Bank discloses the remuneration of the governing bodies in the notes to the accounts.

Employees

The policy is based on the following Human Resources Management Instruments and Policies:

1. Functional descriptions;
2. Qualifier of functions;
3. Pay scale (framework levels and tiers);
4. Performance Assessment and Management System (SAGD);
5. Career Management Policy;
6. Policy for the Individual Development of Employees..

The purpose of the Performance Assessment and Management System is to acknowledge and improve the performance of employees, by supporting personal and professional development based on the following criteria: Goals, Skills, Punctuality and Attendance.

Code of Conduct

The Bank has a Code of Conduct that encompassing the operating principles and rules of professional conduct complied with during activities, applicable to all employees and members of the governing bodies, specifically:

- Ethical duties: the principle of equal treatment of all the clients, professional duties, seriousness, competence, diligence, loyalty, neutrality and integrity, principle of prevalence of customers´ interests over employees' interests, the duty of confidentiality, of cooperation with all supervisory authorities, duties of internal conduct and special duties of market supervision and the transparency of the same);
- General principles related to the prevention of money laundering and the financing of terrorism;
- General principles on reporting fraud and irregularities and on the handling of customer complaints..

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

Transactions with related parties

BAI operates in accordance with the following principles to ensure transactions with related parties are duly controlled:

- The directors should, in the exercise of their duties, act with rigour, zeal, efficiency and responsibility (Code of Conduct);
- Transactions with related parties should be conducted in accordance with normal market conditions, pursuant to the level of risk and pricing practised by BAI (Conflicts of Interest Policy);
- On analysing each transaction with related parties, attention should be paid to the essence of the respective transaction and not merely to the legal form of the same (Accounting policies – principle of substance over form);
- As a means of ensuring the transparency of the process, the Bank discloses information on transactions with related parties to its shareholders and the market through its individual and Group financial statements (transparency and disclosure of information policy).

BAI uses the following definition of related parties, extending it beyond that required by Notice Nº 2/13 of 19 April:

- Partners or shareholders with a qualified stake, entities belonging to the economic group in the sense set forth in Notice N° 14/07 of 12 September, on consolidation for accounting purposes, or persons with a relationship of spouse or descendant or ascendant at the first or second degree of members of the Management and Supervisory Entities of the Financial Institutions, regarded as direct or ultimate beneficiaries of the transactions or assets;
- Joint undertakings in which the Bank is a direct or indirect entrepreneur;
- The members of the Bank´s key management personnel.
- The Bank also conducts an annual assessment of transactions with related parties within the scope of the Transfer Price Dossier, drawn up in accordance with Presidential Decree N° 147/13 of 01 October.

Conflict of Interest Policy

The Conflict of Interest Policy of BAI is based on the following general principles:

1.	**The prioritization of the Customer's interests**	BAI grants priority to its Customers' interests, and the duty of loyalty to these customers is a principle of basic conduct in the set of standards applicable to the Bank´s activity;
2.	**The provision of transparent information**	BAI provides its Customers with clear explanations and accurate information on the benefits and remuneration offered by the Bank for deposits received and on the prices and charges inherent to the services provided;
3.	**A ban on holding potentially conflicting positions in other companies**	The job demands exclusivity due to both ethical motivation and performance requirements;
4.	**The use of information**	Disclosure is prohibited, except in cases expressly provided for in the law, in addition to the use of information on the activity of BAI or its relations with customers;
5.	**Procurement of services or products**	The direct or indirect involvement in the procurement of services or products in which the employee has a financial interest is forbidden;
6.	**Credit decisions to related parties**	In accordance with the provisions of article 84 of Law 12/05, the Financial Institutions Act, "Loans to related parties".
7.	**A ban on the granting of loans**	In accordance with the provisions of article 83 of Law 12/05, the Financial Institutions Act, "Loans to members of the governing bodies;
8.	**Loan pricing**	Loans granted to shareholders and stakeholders [6] will be conducted under normal market conditions in accordance with the their level of risk and the pricing enforced by BAI, except for loans for permanent home ownership and for the payment of health costs, which are subject to the Human Resources Management Committee.

The policy provides, in particular, for the existence of a process, prior to decision-making by the Executive Committee and the Board of Directors, which ensures that these decisions do not give rise to conflicts of interest and which are identified and assess the transactions with related parties pursuant to Notice N° 1/13 of 19 April. Other conflicts of interest are analysed by the Compliance Department, and the decision must be made by the Executive Committee.

Transparency and Disclosure of Information Policy

The Transparency and Disclosure of Information Policy aims to ensure the transparency and easy understanding of the BAI corporate governance model in accordance with the requirements of Notice N°1/13 of 19 April, based on the following general principles:

- Information subject to mandatory publication should be disclosed in a complete, accurate and timely manner;
- Any institutional disclosure concerning the Bank vis-a-vis the market should be based on complete, accurate, up-to-date and appropriate information;
- The provision of information should always comply with the rules of banking secrecy.

The Board of Directors is responsible for reviewing and updating the policy on an annual basis or whenever necessary, specifically when there is a change in the information subject to mandatory disclosure.

[6] The term "Stakeholders" encompasses (i) all the members of the governing bodies, (ii) all the Bank´s personnel, (iii) any person providing services to the Bank as a subcontractor; and (iv) any person providing services to the Bank and who, working under the control and responsibility of the Bank guarantees the provision of services included in the Bank´s activity.

Compliance with the requirements of transparency (article 21 of Notice No 1/13)

Content	Disclosure			Comments
	Yes	No	Not applicable	
Composition of the management and supervisory bodies and the identification of the executive and non-executive directors.	X			Report and Accounts and institutional website
Identification of the external auditors, including their credentials and compliance with the requirements of independence set forth in Notice N° 4/13 of 22 April.	X			Report and Accounts
Identification of the company´s departments, the powers assigned to the same and the respective persons in charge in the case of key positions in the internal control system (internal auditing, compliance and risk management).	X			Report and Accounts and institutional website
Distribution of duties and segregation between the areas of business, support and control.	X			Report and Accounts
Identification of the communication policies and channels with regard to relations of authority, the delegation of powers and the disclosure and provision of information, specifically in relation to irregularites within the scope of corporate governance.	X			Report and Accounts

Compliance with the duty to disclose information (article 22 of Notice No 1/13)

Content	Disclosure: Yes	Disclosure: No	Disclosure: Not applicable	Comments
a. the institution´s capital structure identifying the holders of qualified shareholdings	X			Report and Accounts
b. corporate acts with regard to major changes in the institution´s strategic global objectives and the financial groups´ organisational and business structures	X			Report and Accounts
c. Financial information	X			Report and Accounts and quarterly balance sheets
d. Information on the members of the governing bodies, including:				Relatório e Contas
i. remuneration policy, detailing the global amounts paid by the institution to the total of each entity;	X			Report and Accounts
ii. professional qualifications and experience;	X			Website
iii. identification of shareholdings at the institution;	X			Report and Accounts
iv. identification of positions in the governing bodies of other companies belonging or not belonging to the financial group, and;	X			Report and Accounts
v. categorization of the members of the board of directors as executive or not	X			Report and Accounts
e. a description of the materially relevant risks to the institution, of the existing processes for the management of the same, and a forecast of the evolution of the associated risk factors.				Report and Accounts
f. corporate governance policies, specifically the institution´s code of conduct and the mitigation of conflicts of interest.				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 geared to personnel working in areas subject to risk and areas and positions of control.	x			Report and Accounts
h. disclosure of the aforementioned information with regard to the consolidated scope of the financial group.	X			Financial information is published annually on the website

B. Strategy and Business Model

The objective of the BAI strategy for the period 2010-2015 was to create a benchmark Angolan financial group, acknowledged as one of the pillars of domestic economic development, capable of attracting, developing and retaining the best professionals and of creating value for its shareholders and society, based on 3 guidelines:

1. Expansion of the Banking Business in Angola;
2. Personnel Development; and,
3. Support Platforms for the Development of the Group.

In light of the new and challenging economic, competitive and regulatory scenario, the guidelines for BAI´s activity have been renewed, and the 2016-2021 Strategic plan has been approved by the Board of Directors, the vision of which is for BAI "To provide the best banking experience in Angola", based on the following cornerstones:

1. The defence of a position of leadership providing a service of excellence for the Corporate and Premium sectors;
2. The acquisition of value with a differentiated approach based on quality of service for the Affluent and Small and Medium Entities sectors; and,
3. The exploitation of Mass Markets through a service model which enables us to simultaneously increase profitability and the number of clients;
4. A significant and speedy improvement in the business platforms: organisation, processes and systems.

The growth policy for the Bank´s business network is governed by principles of sustainability, with a focus on the provision of services to all the target sectors. The network is split up into branches, offices, customer service centres for private banking entities and branches ("premium services"). In addition to the physical presence, BAI provides a multi-channel customer relations strategy encompassing (i) internet banking, (ii) mobile banking, (iii) mobile payments, and (iv) banking correspondence.

The recruitment, retention and development of the Bank´s human resources is of paramount importance, with the aim of creating a competent and dynamic team with a performance culture, geared to the satisfaction of our clients´ needs. With a view to achieving this objective, BAI provides a range of vocational incentives and training activities, most of which are conducted by the Bank´s Academy.

Within the scope of the strategy for the expansion of activity in Angola, and complementary to banking activity, BAI holds a stake in Nossa Seguros, which operates in the areas of life and non-life insurance and pension fund management.

In order to complement its domestic activity, BAI is involved in international activity focused on markets in the Portuguese-speaking nations:

- The Bank´s internationalization process was put into motion in 1998 with the opening of BAI Europe, focusing on the promotion of transactions between companies based in Portugal with clients resident in Angola, in both the public and private sectors, as well as the provision of the corresponding banking services;
- BAI Cape Verde opened in 2008, the main target sector being companies, (it has a small retail network); and,
- BAI has a stake in the International Bank of Sao Tome and Principe, the oldest bank and the market leader in this country, holding 71% in deposits and 45% in credit.

The main business areas of the financial banking Group are:

- **Commercial Banking –** basically involves loan concession transactions and the funding of resources related to the Companies and Institutions sector, including a variety of products, namely credit, the financing of projects and foreign trade;
- **Retail Banking –** this basically involves loan concession transactions and the funding of resources related to private clients, largely geared to the branch network and internet banking, and, in the case of Angola, mobile banking;
- **Private Banking –** encompasses all activity with private clients;
- **Investment Banking –** provides financial guidance services and integrated financing solutions for the execution and development of business, including combined business solutions such as the transfer of funds, the subscription to or acquisition of securities, mergers and acquisitions and privatisations;
- **Correspondent Banking Services –** these services are provided by BAI Europe to BAI Angola and Cape Verde, as well as other Angolan banks, thereby facilitating the access of its clients to the international goods and services markets.

The main business areas of the financial banking Group are:

BAI	BAI	BAIE	BAICV	BISTP
Retail Banking	X		X	X
Private Banking	X			
Commercial Banking	X	X	X	X
Investment Banking		X		
Correspondent Banking Services		X		

Note: BAIE – BAI Europe; BAICV - BAI Cape Verde; BISTP – International Bank of Sao Tome and Principe

Financial group – Corporate governance mechanisms

Monitoring of the business

In accordance with the regulations of the BAI Board of Directors, this board is responsible, among other duties, for guaranteeing, for the group of financial institutions governed directly or indirectly by the Bank, the consistency of (i) strategy; (ii) financial information; (iii) risk management and compliance system; (iv) the monitoring of internal control and (v) policies and process applicable to related parties. The monitoring of the financial group by the BAI Board of Directors is conducted at three levels:

- Regularly (at least every three months) at Board meetings, by means of the review of strategic guidelines and the analysis of financial information;
- By attending the General Meetings of each subsidiary company, by the Chairman of the BAI Board of Directors or a director assigned for the purpose; and,
- By nominating members of the Board of Directors for appointment to the governing bodies of the subsidiary companies.

Remuneration Policy

The remuneration policy is defined individually by each of the entities comprising the Group, in accordance with the following common principles:

- The policy is reviewed on an annual basis in order to guarantee the consistency and coherence between performance and the economic situation of each entity and its objectives;
- Taking into account:
  - The nature of the entity´s business;
  - The entity´s economic and financial situation;
  - The entity´s interests from a perspective of continued business;
  - The characteristics of the duty performed;
  - The performance of the duty in the different areas (technical / operational and behavioural).

Related party transactions policies and processes

Within the scope of the financial group´s parent company, BAI adopts the principles and processes described in this chapter in order to guarantee the transactions between the companies belonging to the financial group are controlled with regard to the purpose and conditions of the same.

Policies and processes applicable to the financial group

Within the context of the development and improvement of the corporate governance model and internal control system in relation to the financial group, the BAI Board of Directors is in the process of:

- gradually implementing standard policies to ensure a greater consistency of the Group´s internal control system as a whole, including the due adaptations, in accordance with the needs and specific characteristics of each entity;
- gradually extending to the other entities of the Group the powers and scope of the Internal Control and Risk Management Committees in relation to their responsibilities, for the oversight and cross monitoring of the activities conducted by the same; and
- assessing the possibility of a more comprehensive implementation of internal control duties – internal auditing, compliance and risk management.

Conflicts of Interest

Each of the Group´s entities has its own Code of Conduct specifying the principles applicable to the respective activity. The main common principles of the codes are identical to those in force at BAI, specifically:

- A series of ethical duties: the principle of equal treatment for all the Bank´s clients, competence, diligence, the principle of the prevalance of the interests of clients over the interests of personnel, duty of confidentiality, cooperation with all the supervisory authorities;
- General principles with regard to the prevention of money laundering and the financing of terrorism; and,
- General principles on reporting fraud and irregularities and the processing of complaints filed by clients.

Geographical Presence and Distribution Channels

Geographical Presence of BAI in Angola	Branches	Points of sale	CAEs (Corporate Support Centres)
84 - Luanda *4 SIACS (Ope on Saturdays)	68*	6	10
11 - Benguela *1 SIAC (Ope on Saturdays)	9*	1	1
7 - Cabinda *1 SIAC (Ope on Saturdays)	5*	1	1
7 - Huíla	7	-	-
6 - Huambo *1 SIAC (Ope on Saturdays)	6*	-	-
4 - Zaire	3	1	-
3 - Cunene	3	-	-
4 - L. Norte	4	-	-
2 - Bengo *1 SIAC (Ope on Saturdays)	2*	-	-
2 - K. Sul	2	-	-
3- L. Sul	3	-	-
3- Malange *1 SIAC (Ope on Saturdays)	3*	-	-
2 - Uíge *1 SIAC (Ope on Saturdays)	2*	-	-
1 - Bié	1	-	-
1 - K. Kubango	1	-	-
1 - Moxico	1	-	-
2 - Namibe	2	-	-
2 - K. Norte	2	-	-

C. Social Responsibility

Activity involving Social Responsibility is carefully planned and put into motion by the BAI Foundation, the BAI Group´s non-profit-making organisation.

In 2015, the BAI Foundation continued to support several different social projects and initiatives in the areas of culture, health and well-being, education and sport.

Social Sector

BAI, fully aware of people´s problems and needs, provides support in the form of meals, schooling and transport for the residents of a female orphanage and shelter in Viana named Horizonte Azul.

The Bank provided food support for AACA – Angolan Association of Abandoned Children, throughout 2015.

In the Christmas season, we sponsored the "Happy Christmas Project" for child patients at Josina Machel Hospital (Mari-aPia), as well as the "Quicabo Children´s Project".

Culture

We supported several different cultural initiatives in 2015, one of the highlights of which was FENACULT. We accompanied the activity of the Angola Contemporary Dance Company, the presence of Angola at the Venice / Italy Biennial, the Show of the Month musical concerts, and contributed to the consolidation of the Funda Juvenile Symphony Orchestra.

Health

In this area, BAI, via the BAI Foundation, promoted the creation of conditions for the construction of the the David Bernardino Children´s Hospital Emergency Operating Wing.

Furthermore, we are proud to be able to declare that the conditions for supporting and implementing the partnerships with the Institutes involved in the Fight against HIV/AIDS and the National Oncology Centre have also been created.

These partnerships are geared to the prevention and control of the propagation of endemic diseases and the fight against discrimination among the populations, by means of the promotion and disclosure of information to the people.

Education

In the recent years, we have sponsored the TISA (Information Technology in the Classroom) project, creating opportunities of access to new information technologies and multimedia, at the following schools:

- 1st Secondary Education Cycle, former 3002 (current 1100), in Luanda, since 2009;Primary School Nº 60, in Lubango (Huila), since 2011;And Deolinda Rodrigues Primary School, in Huambo, since 2015.The purpose of this cause is to promote digital inclusion in public schools from an early age.

In a current context in which the use of multimedia educational methods is at the centre of teaching skills, the BAI/TISA Foundation project has gradually given the public school community the chance to use the computer as a means of teaching and learning.

We are proud of our role in the training of around 190 teachers and 6,000 students in this digital inclusion programme promoted by BAI.

Sports

In the area of sport, we have been striving for several years to support the monitoring of the Sporting de Benguela basketball and Viana hockey children´s classes, with visible results in terms of trained athletes.

In 2015, we also provided support for the Angolan Paralympic Committee, in addition to comprehensive and ongoing support for "FAIA" Olympic Judo Athletes.

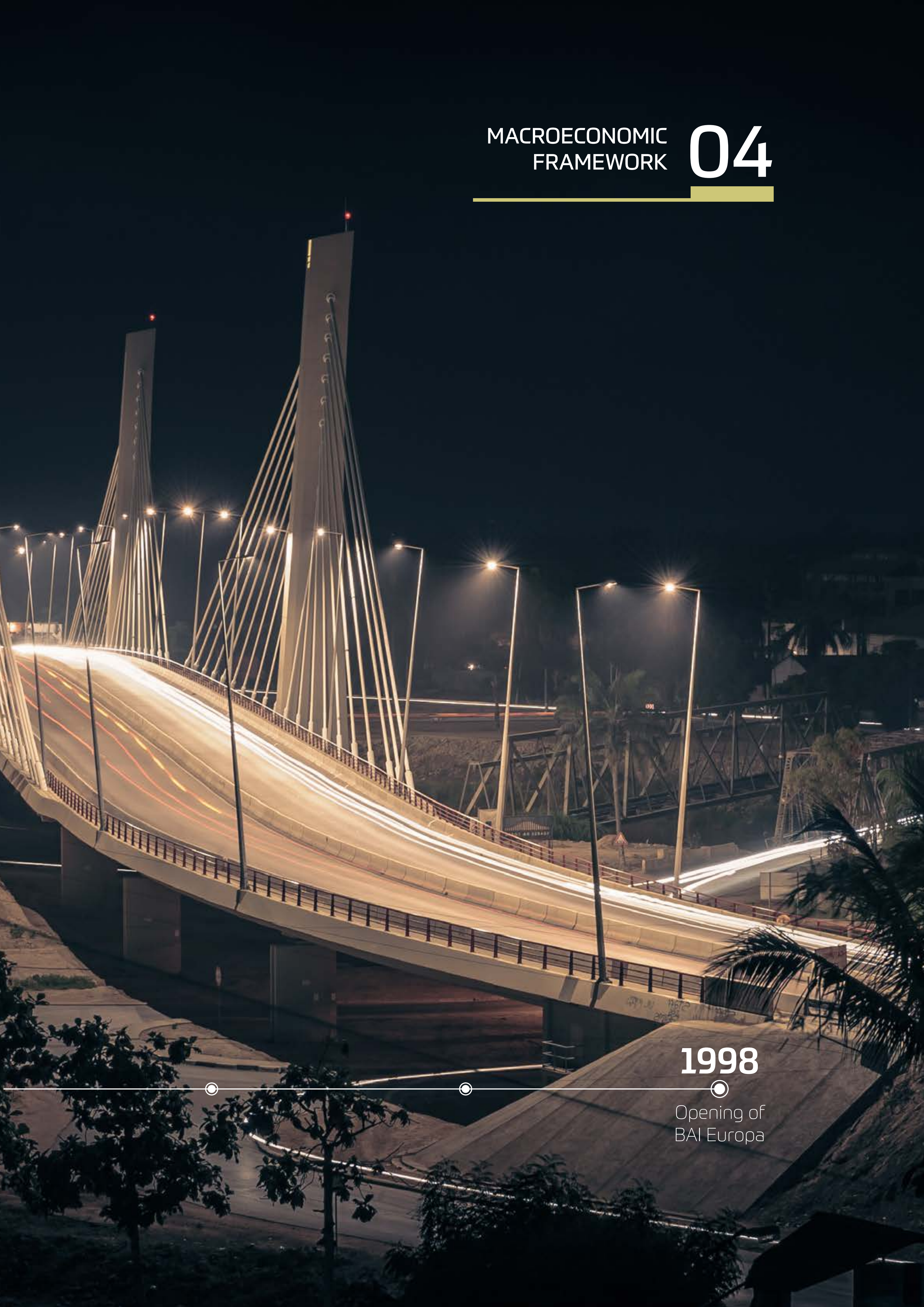
D. Brands I Recognition

Our efforts have been noticed: we were awarded the 2015 Sirius Award for the Best Annual Report and Accounts in the Financial Sector for that year.

SIRIOS AWARDS

AWARD FOR THE BEST MANAGEMENT AND ACCOUNTS REPORT IN THE FINANCIAL SECTOR WINNER

MACROECONOMIC FRAMEWORK 04



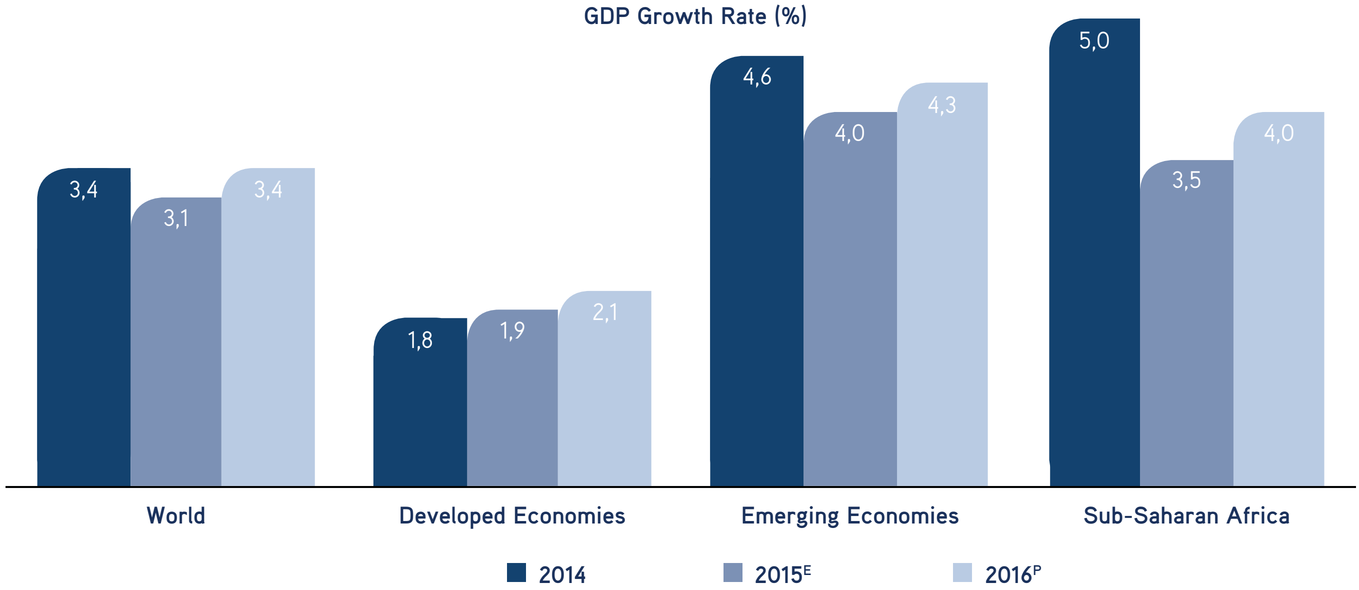
1998

Opening of BAI Europa

A. The International Scenario

Economic Growth

According to the World Economic Outlook (WEO) published in January 2016, the International Monetary Fund (IMF) forecasts a growth of 3.1% in the global economy for 2015, which corresponds to a deceleration of 0.3 percentage points (p.p.) compared to that registered in 2014. It should be pointed out that the forecasts for the growth rate of economic activity for 2015 vary in accordance with economic blocks. On the one hand, the acceleration of certain developed economies is regarded as the main source of global growth, which should be mitigated by the deceleration of the emerging and developing economies.



Source: FMI- WEO update

The developed economies should have grown 1.9% in 2015, whereby the USA has grown 2.5%, the Euro Zone 1.5%, Japan 0.6% and the United Kingdom 2.2%. The driving factors responsible for this growth include the fall in the unemployment rate in the USA, lower oil prices and the accommodative monetary policies in the Euro Zone, Japan and the United Kingdom.

On the other, the IMF forecasts a 0.6 p.p. slowdown in the growth rate of the emerging and developing economies, as a result of, in general, the low price of commodities, the spill-over effects of the economic downturn in China, the drop in the volume of international trade and less favourable global financial conditions. In the case of the BRICs, it is estimated that the 2015 growth rates for China and India respectively will vary between 6.9% and 7.3%, while the Russian and Brazilian economies are expected to shrink by 3.8% and 3.7% respectively.

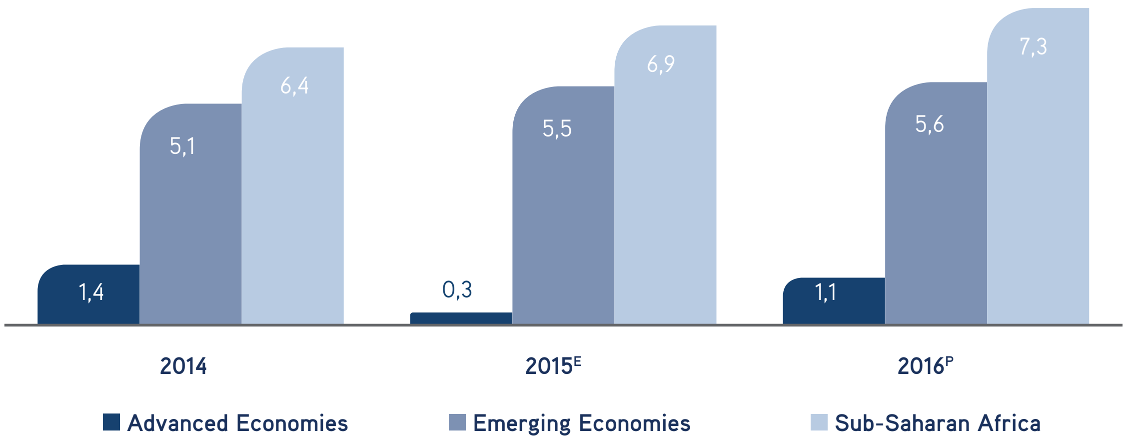
In detail, China´s growth rate fell by 0.4 p.p. compared to 2014 as a result of the restructuring of the country´s economy, striving to move from a model based on exports to a model based more on the domestic market. This slowdown in the Chinese economy resulted in India becoming the fastest growing economy in the BRICS block, boosted by increases in consumption and public investment and the consolidation of external and fiscal accounts. In the case of Brazil and Russia, economic activity was penalised by the drop in the price of energy commodities, the foreign exchange crisis involving the Brazilian real and the Russian ruble and, in the case of Brazil, a considerable political risk.

It is estimated that economic activity in Sub-Saharan Africa fell 1.5 p.p. to 3.5% in 2015, due to a combination of less favourable internal and external factors. With regard to external factors, we need to stress the fall in the price of raw materials, the slowdown of the emerging economies, specifically China, less inflow of capital and the reduction in the volume of world trade. Internal factors include a drop in consumption (both public and private) and the worsening of global financial conditions. It should also be emphasised that the economic slowdown was most felt by the countries which are exporters of raw materials.

Inflation

Inflation in the developed economies in 2015 dropped 1 p.p. to 0.3%, leaving the price level variation rate close to the threshold of deflation, largely associated with the fall in the price of oil. Among the developed economies, special note should be made of the drop in the inflation rate in the Japanese (2 p.p.) and US (1.5 p.p.) economies. The inflation rate in the Euro Zone dropped 0.2 p.p. to 0.2%, paving the way for the continuation of the expansionist monetary policy. The inflation rate for this group of economies is expected to register 1.2% in 2016 according to IMF forecasts, thereby moving close to the target of 2%.

Annual Inflation (%)



Source: FMI- WEO update

In relation to the emerging economies, inflation will have risen slightly to 5.6% in 2015, compared to the 5.1% registered in 2014, a reflection of the depreciation of the currencies of most of these economies. To quote an example, inflation in Russia registered 12.9% in 2015, the highest rate since the 2008 global downturn, while the consumer price index in Brazil rose 10.7% in 2015. The forecasts point to a modest increase in the inflation rate of the emerging economies in 2016, which will become stable in 2017.

The inflation rate in Sub-Saharan Africa registered 6.9% in 2015 compared to 6.4% in 2014. Inflation varied among the countries comprising the region. In some countries inflation behaved more moderately as a result of the low price of raw materials. While the weakening of their currencies vis-a-vis the US dollar of the economies largely dependent on the export of raw materials [7] contributed to an increase in inflation. Inflation in Sub-Saharan Africa is expected to register 7.3% in 2016.

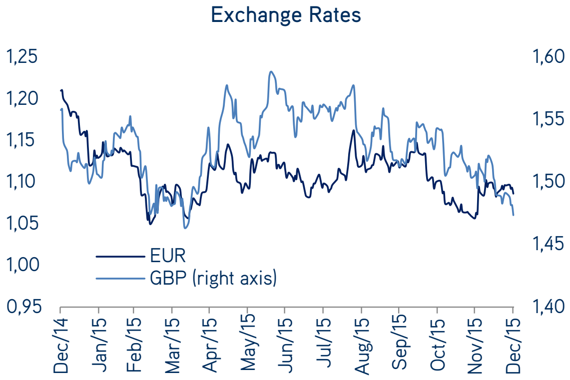
Foreign Exchange Market

In the year under analysis the United States dollar (USD) continued to yield gains on the foreign exchange market, whereby the US Dollar Index [8] appreciated by around 10%. The appreciation of the USD was boosted by the expectations in relation to the direction of the USA´s monetary policy, which materialised in late December 2015. This posture was in contrast with the more accommodative monetary policy adopted by the European Central Bank (ECB) and the Bank of Japan (BoJ).

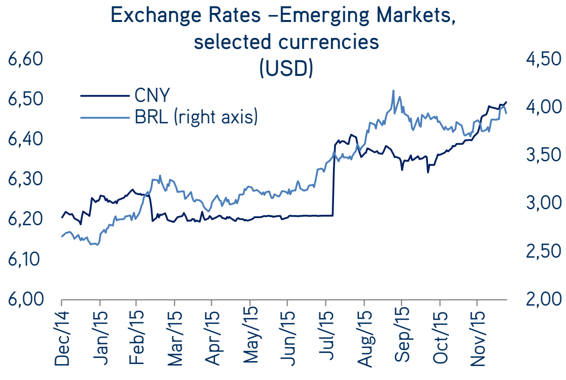
The USD appreciated 11.39% against the euro, 5.77% against the British pound and 0.3% against the yen. It should be mentioned that the depreciation of the Japanese currency was lower than expected, due to the fact it served as a safe haven asset due to the context of uncertainties with regard to the global economy.

[7] *For example: Angola, Ghana, Zambia and Mozambique.*

[8] *In terms of the current exchange rate índex weighted by trade. The US Dollar Index is used to determine the purchasing power of the USD and to combine the effects of appreciation and depreciation against a basket of foreign currencies.*



Source: Bloomberg



Source: Bloomberg

In addition to the monetary behaviour expected by the EDF, the tension registered in the shareholder markets and the high level of aversion to risk among investors contributed to a significant depreciation of the currencies of the emerging and developing economies. As such, the USD appreciated 40% against the Brazilian real and 25% against the Russian ruble. In turn, the renminbi depreciated 6% over the year, where the Chinese Central Bank unexpectedly began to implement changes in the country´s foreign exchange policy with a view to establishing an exchange rate more consistent with macroeconomic fundamentals[9].

Furthermore, the currencies of the economies of Sub-Saharan Africa also underwent significant devaluations, in particular the Mozambican currency, which depreciated by more than 30%, the South-African rand by 5%, and the CFA franc and the Ghanaian currency by 12% and 14% respectively, while the Nigerian naira depreciated 7% against the USD.

Monetary Market

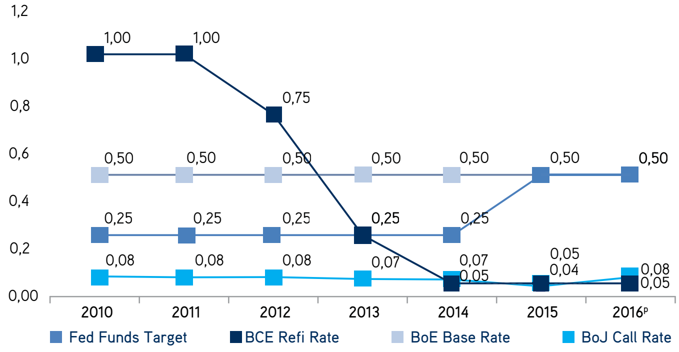
The speed of economic recovery among the different economies in 2015 triggered different responses from the respective central banks. The Central Banks of the Euro Zone, Japan and the United Kingdom maintained their economic stimulus programmes, whereby the ECB reinforced its programme with a view to boosting economic activity and bringing inflation down to the target of 2%. The standard interest rates in these economies remained unchanged throughout the year: 0.05% in the Euro Zone, 0.5% in the United Kingdom and 0.1% in Japan.

Moreover, the solid economic performance and the drop in the unemployment rate in the USA at the end of the year provided the conditions for the Federal Reserve to begin a new cycle of interest rate subsidies, thereby raising the Fed Funds target rate to an interval between 0.25% and 0.5%. This was the first increase since the Fed Funds rate was defined at an interval between 0% and 0.25% in December 2008. Additionally, the Fed Funds announced a predisposition for future increases in the event economic indicators continue to evolve in a positive manner.

This contrast in the execution of the monetary policy dictated the evolution of the interbank interest rates in the Euro Zone and the USA. Libor rates registered an upward trend, increasing the difference in relation to Euribor rates, whereby the latter registered a downward trend for the different maturities.

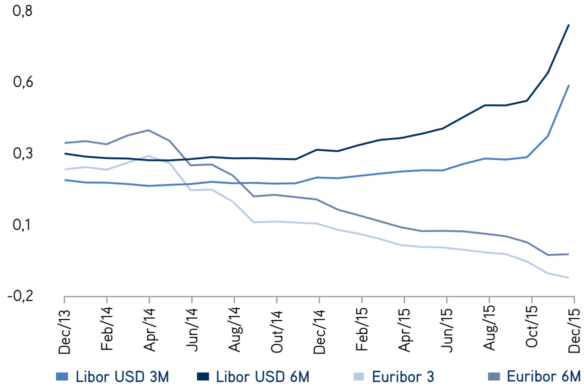
[9] *It is worth mentioning that the IMF announced the inclusion of the Chinese currency in the basket of currencies with Special Overdraft Rights (DES).*

Interest Rates – Central Banks (%)



Source: Bloomberg

Interest Rates – Interbank Markets (%)



Source: Bloomberg

Commodities

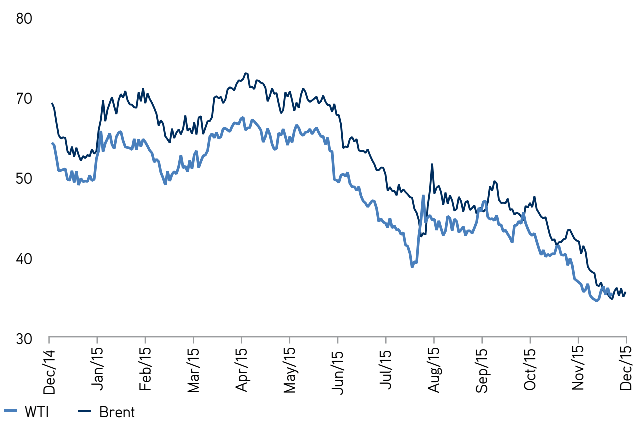
Commodity prices fell significantly over the year 2015, causing a negative impact on the terms of trade in countries which are largely dependent on the same. The excessive supply on the market, the slowdown in the growth of the emerging economies and the considerable appreciation of the USD – the currency in which most commodities are traded – are the main factors behind this process.

With regard to farming commodities, the FAO [10], food product price index registered an average of 164.1 points in 2015, representing the fourth consecutive annual drop in the indicator and the biggest continuous drop on record since the year 2000. The price of base metals fell to the lowest levels since 2009 over the year 2015. In addition to the afore-mentioned facts, this drop also reflects a new mining capacity put into operation in several countries, particularly in Australia, adding to the already excessive supply.

The price of oil registered an annual drop of around 50%, largely due to the excess of actual and potential supply over demand. According to the International Energy Agency (IEA) [11], the average daily production of oil in 2015 amounted to 95.7 million barrels per day to meet an estimated demand of around 93.7 million barrels per day. This excess supply resulted in an accrued stock of 1.9 million barrels per day and a reduction in the average price of Brent to USD 52 per barrel, which corresponds to of USD 47 per barrel registered in 2015. This surplus in the global oil supply is due to the increase in the production of shale oil in the USA and the decisions made by OPEC to increase production.

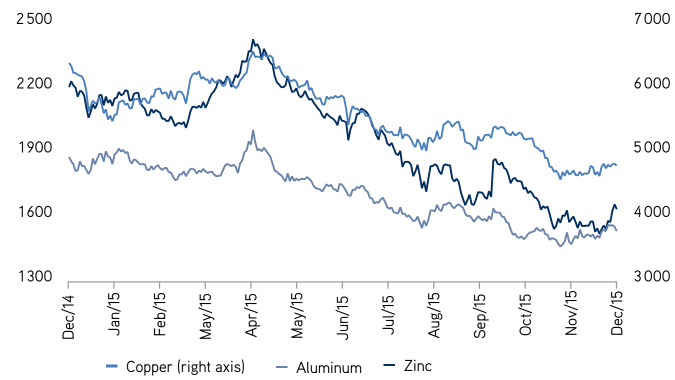
According to the Agency, the price of oil in 2016 is expected to remain low due to the imbalance existing in the market, and a balance between supply and demand and a consequent stabilisation in the variation in stocks is only forecast for 2017. It should be emphasised that the development of the oil market is facing countless uncertainties in 2016, including the rate and volume at which oil from Iran is placed on the market, the development of global demand and the capacity of non-OPEC producers to respond to a scenario of low oil prices.

Oil (Futures 3M, USD)



Source: Bloomberg

Base Metals (Futures 3M, USD)



Source: Bloomberg

[10] *The United Nations Food and Agriculture Organization*
[11] *Short-Term Energy Outlook for January 2016.*

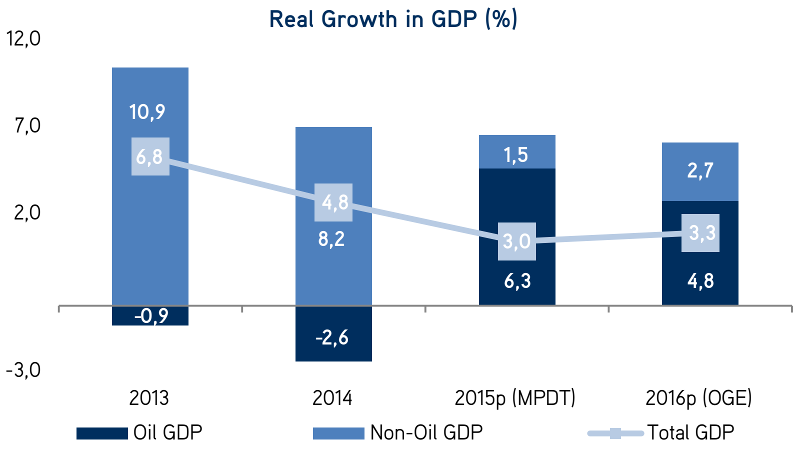
B. The Domestic Scenario

Real Sector

According to the most recent forecasts published by the Ministry of Planning and Territorial Development (MPDT), the real growth rate of the economy is expected to register 3.0% in 2015, representing a drop of 1.8 p.p. against the previous year.

This slowdown is basically due to the performance of the non-oil sector, which dropped 6.7 p.p., registering a real growth of 1.5%, as a result of a general slowdown in all sectors of activity contributing to this slice of GDP, with the exception of the diamond industry. In particular, the market services industry, which is the biggest non-oil GDP component with a weight of 39%, registered a deceleration of 5.8 p.p. in growth in 2015 due to the reduction in the availability of foreign exchange to settle import needs.

In relation to the oil sector, a real growth of 6.3% is forecast compared to the -2.6% figure registered in 2014. This upturn is based on the forecast for an increase in oil production from 610.2 million barrels in 2014 to 648.5 million barrels in 2015.



Source: MPDT and OGE 2016

According to the 2016 General State Budget (OGE 2016) justification report, the economy will register real growth of 3.3% in 2016, which corresponds to an increase of 0.3 p.p. in relation to the 2015 MPDT forecast. Taking the segmentation between oil and non-oil GDP into account, the former is expected to grow 4.8%, mirroring a 1.5 p.p. drop compared to the 2015 forecasts published by MPDT, while non-oil GDP is expected to increase by 1.2 p.p. to 2.7% real growth. Energy, Agriculture and the Processing Industry are the sectors most responsible for this growth, with rates of around 20%, 4.6% and 3.1%, representing an increase of 17.5 p.p., 3.9 p.p. and 5.2 p.p. respectively.

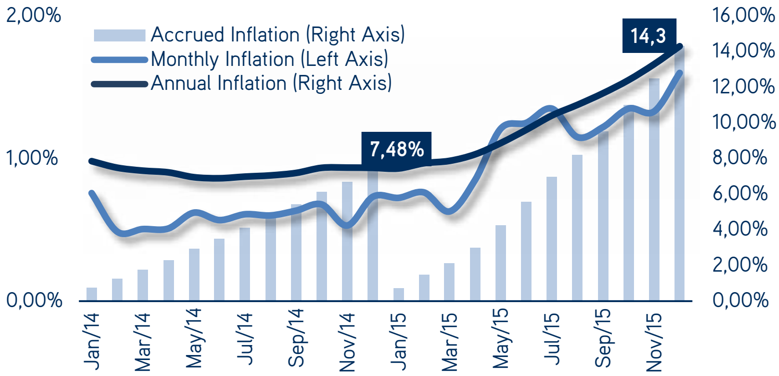
Inflation

The inflation rate registered two digits once again in 2015, and stood at 14.27% at the end of the year, surpassing the target set by the Executive Branch (13.8%). This is the biggest hike in the inflation rate since the end of the scenario of hyperinflation, increasing by around 6.79 p.p. between the end of 2014 and the end of 2015.

This annual increase in the CPI is largely explained by the variations in the price of food and non-alcoholic beverages (contribution of 6.36 p.p.), housing, water, electricity and fuel (contribution of 1.46 p.p.), and miscellaneous goods and services (contribution of 1.39 p.p.).

The reduction in sales of foreign exchange for the import of goods and the depreciation of the currency justify the considerable pressure on prices throughout the year, as imported goods and services are still largely dependent on domestic consumption. Moreover, the increase in the price of fuel, justified by the withdrawal of the subsidies granted to the same, contributed to this rise in price in 2015, due to increased production and distribution costs.

Monthly and Annual Variation in the Luanda CPI



Source: INE

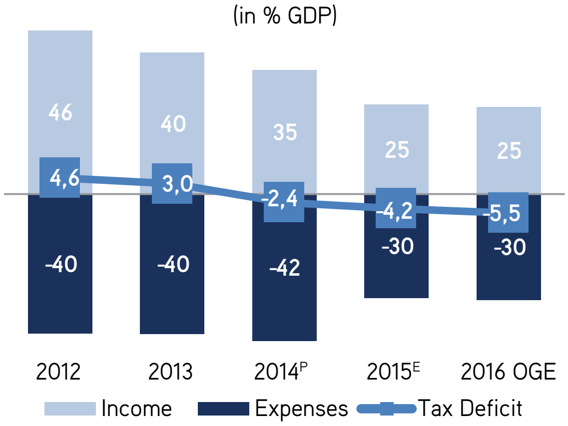
The scenario of the ongoing depreciation of the Kwanza against the US dollar due to the lack of foreign exchange arising from the growing demand and potential events resulting in the devaluation of the currency with regard to the risks involved with the execution of the General State Budget (OGE) may have an impact on prices in 2016.

Public Sector Accounts

According to the Ministry of Finance estimates set forth in the 2016 State Budget, a total of AKZ 3,240.7 billion in tax revenue should have been collected in 2015, which represents a 26% drop in the revenue collected the previous year (falling from 35% to 25% of GDP). This drop in the volume of revenue collected is largely due to the 46% drop in oil revenue (falling from 23.8% to 12.7% of GDP), registering the amount of AKZ 1,616.3 billion, while revenue from the non-oil sector amounted to AKZ 1,205 billion (9.5% of GDP), equal to an increase of 6.81% over the previous year.

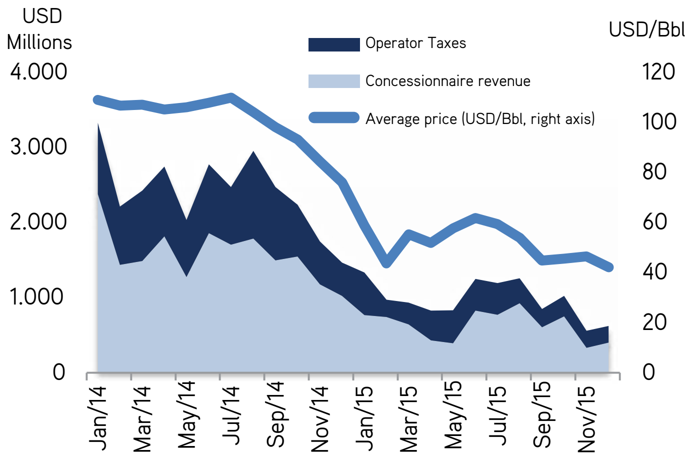
Total tax expenditure should have diminished by 28% (from 42% to 30% of GDP) compared to the previous year, amounting to AKZ 3,776 billion, 70% of which corresponds to current expenditure and the remaining 30% to capital expenditure. The reduction in expenditure in the financial year 2015 was a result of the tax adaptations demanded by the scenario of low oil prices on the international markets. More specifically, the fiscal adjustment package included significant reductions in the level of public spending, whereby current expenditure was readjusted by 28%, while capital expenditure fell by 27% over the year.

Evolution of Revenue, Expenditure and Tax Deficit (in % GDP)



Source: MINFIN

Oil Tax Revenue



Source: MINFIN

Within the scope of fiscal adjustment, according to the review of the 2015 State Budget, public consumption of goods and services suffered a significant reduction of 67% compared to 2014. Moreover, expenditure in relation to subsidies dropped 66.7% compared to the previous year due to the ongoing implementation of the fuel subsidy reform programme, placing diesel oil under a free price system.

Hence, the overall budget balance (both with regard to commitments and cash)[12] registered a deficit of around AKZ 535.5 billion (4.2% of GDP), which will have been financed by domestic sources to the amount of AKZ 920.7 billion and external sources to the amount of AKZ 413.6 billion.

Given the significant need for the Treasury Department to finance the execution of public expenditure, placed under pressure by the reduction in tax revenue and a growing trend of inflation, treasury bill interest rates registered significant increases in 2015, the most noteworthy of which were 91 and 182-day maturities reaching 13.9% and 14.95% respectively. Financing in the primary market for maturities of over 1 year was conducted through the issuance of exchange rate indexed treasury bonds, the coupon interest rates of which remained stable in relation to those defined in 2014, with 2-year, 3-year, 4-year and 5-year maturities with 7%, 7.25%, 7.5% and 7.75% rates respectively.

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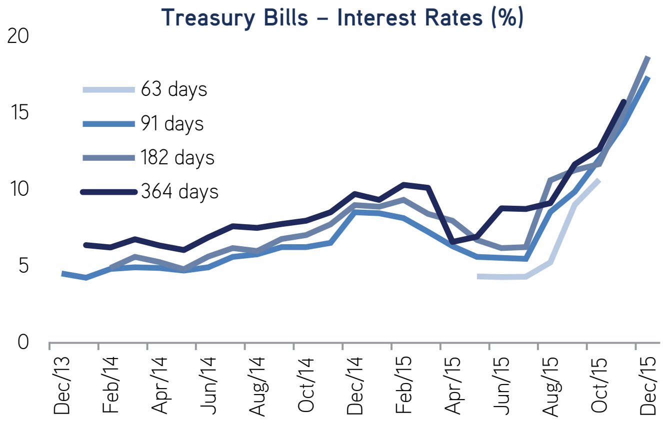
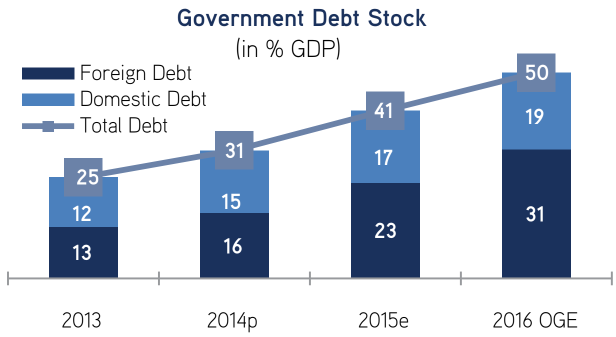


Source: BNA

Financing through Treasury Bonds (namely BTs and OTs) over the year under analysis came to the total amount of AKZ 1,462.5 billion, 41% of which correspond to the issuance of BTs and 59% to the issuance of OTs. As such, public debt stock is estimated at 40.5% of GDP in 2015, and is expected to increase to around 49.7% in 2016[13].

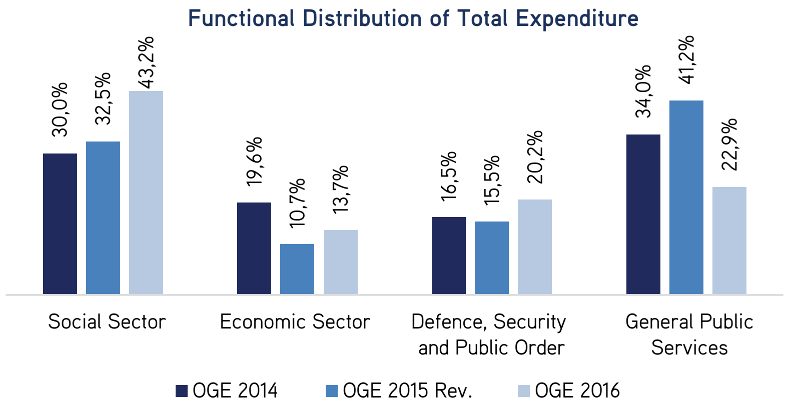


Source: MINFIN

The scenario forecast for the year 2016 continues to be fragile, to the extent the fiscal deficit is expected to rise to 5.5% of GDP, judging by the risks involved in the execution of the General State Budget, with an emphasis on the external forces arising mainly from the volatility of the price of oil and the economic slowdown in China. The 2016 General State Budget forecasts an 8.5% increase in total revenue, together with an increase in total expenditure of 13.8%. This budget appears to be expansionist, paying special attention to the social sector in terms of the functional distribution of expenditure (excluding financial operations), whereby this sector will account for 43.2% of total expenditure.

[12] *The figures are related to amounts in arrears (receivables and payables) with a null record in 2015.*

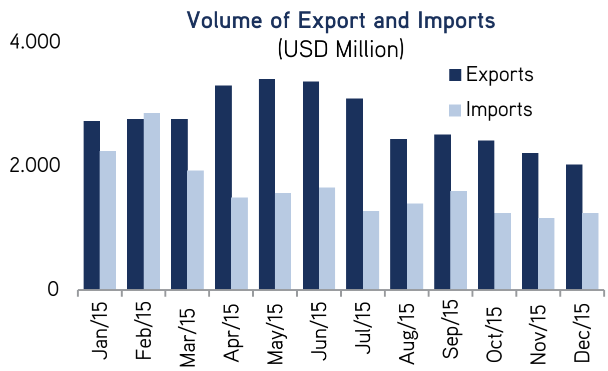
[13] *The rating agencies Fitch, Moody's and Standard and Poor's maintained as stable its assessments to the Angolan public debt, providing BB-, Ba2 and B + ratings respectively, despite the continuing decline and relative volatility of oil prices, with negative repercussions on the balance of public accounts. However, this constraint will have implicated a general review from the perspective of the evolution of the public debt rating, which went from "stable" to "negative".*



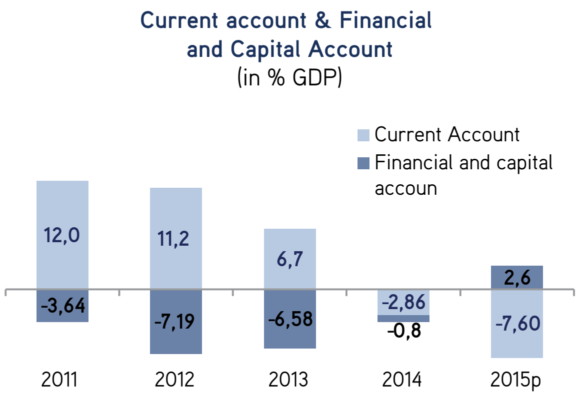
External Accounts

The balance of trade registered a surplus of USD 13,063.80 million, with imports registering USD 20,051.65 million and exports USD 33,115.45 million, which represents a 58% drop in the said balance, with a reduction of 44.1% in exports and 28.6% in imports compared to the year 2014. Although the number of exported barrels of oil increased by 79.2 million, the value of exports fell by 44% in 2015 due to the 48.5% drop in the price of Angolan crude oil compared to the previous year, at an average of USD 51.8 per barrel.

The estimated current account balance, a direct channel for the transfer of the drop in the price of oil to the domestic economy via the connection between net exports and GDP, fell to USD -7.8 billion in 2015, corresponding to an aggravation of the foreign deficit of 4.7 p.p., amounting to 7.6% of GDP. At the same time, the financial and capitals account should register a surplus, moving from a deficit of 0.8% of GDP in 2014 to a surplus of 2.6% of GDP in 2015, associated with the inflow of disbursements and a reduction in investments leaving Angola for other countries.

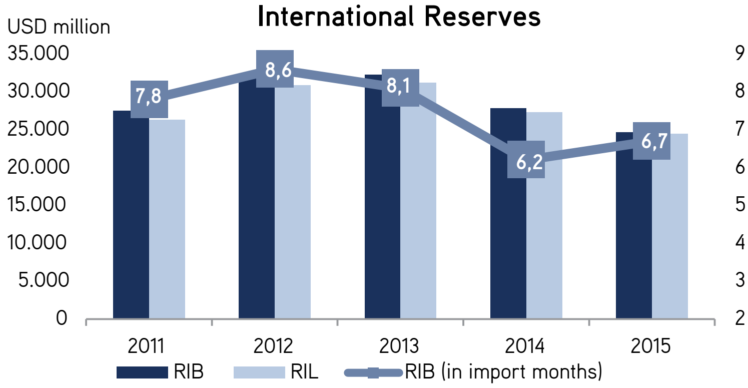


Source: BNA



Source: BNA

In turn, net international reserves amounted to USD 24,546.91 million, registering a negative variation of USD 2.9 billion, corresponding to a drop of 10.6% compared to 2014, as a result of the net effect of the reduced inflow of export revenue and the excessive demand for foreign exchange for the purpose of settling the imports of goods and services. Furthermore, due to the reduction in the import of goods and services, the coverage of Gross Reserve imports should have registered a rise of 6.2 months in 2014 to 6.7 months of imports in 2015.



Source: BNA

In light of the scenario which reduced the inflow of foreign exchange to the Country, BNA conducted as more prudent and streamlined management of the supply of foreign currency on the foreign exchange market, beginning, at the start of the year, to afford greater weight to direct sales as a means of channelling foreign currency into purposes regarded as vital to the normal operation of the economy, to the detriment of others.

Hence, in the year 2015, the National Bank of Angola (BNA) sold the amount of USD 16,899.40 million in foreign currency to commercial banks, 57.9% of which were direct sales segmented for priority sectors.

This amount compares to the USD 19,174.51 million sold by BNA the previous year, representing a drop of 11.9%. In turn, clients sold USD 2,669.18 million to the banks, against the USD 15,292.27 million figure for 2014, representing a drop of 82.5% [15].

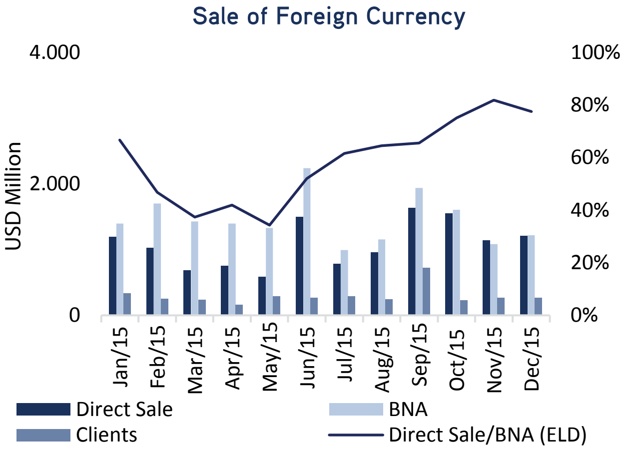
This diminished supply of foreign currency to economic agents exerted significant pressure on the exchange rate, due to the imbalance between supply and demand, which culminated in a considerable increase in foreign exchange pressure. As a means of mitigating the pressure existing in the foreign exchange market, BNA used the foreign exchange rate as the main means of adjustment, allowing for a significant devaluation over the year 2015. This devaluation ensured international reserves remained at internationally recommended levels, while providing the Executive Branch with a margin for the execution of the budget.

Hence, the depreciation of the Angolan currency at the beginning of the year occurred in a gradual manner. However, BNA caused two upheavals in the foreign exchange market by suddenly devaluing the exchange rate. On 05 June 2015 the Kwanza underwent a depreciation of 6.0%, accompanied by an increase in the sale of foreign currency the same week, which, at the time, allowed for a reduction in both pending foreign exchange needs and the difference to the informal market [16]. However, this improvement was short-lived, and, in September, more specifically on the 10th and 11th, a further foreign exchange devaluation of 6.9% occurred, but which had no impact on the reserves, due to the fact this devaluation did not trigger an increase in the sale of foreign currency.

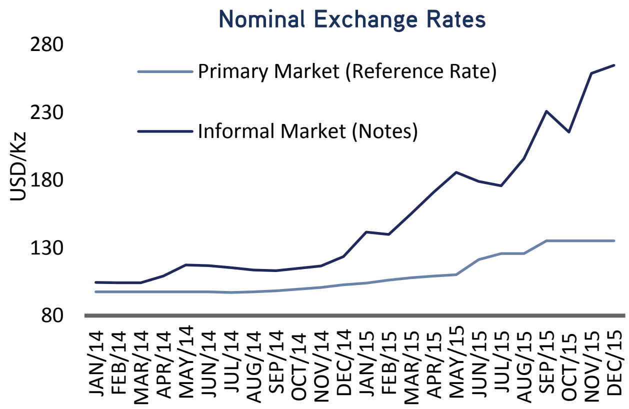
As such, in terms of annual averages, the face value of the primary market exchange rate fell 23% against the US dollar in 2015 (31.6% in accrued terms). Moreover, the management of the reserves conducted by BNA redirected a part of unrequited demand to the informal market, causing the exchange rate in this market to soar. It should be pointed out that at the end of the year the parallel exchange rate registered an average annual spread of 70.8% compared to the primary market rate (87.5% in accrued terms).

[15] Notice N° 7/2014 of 08 October stipulates that oil corporations may no longer sell foreign currency to the banks, and must now sell directly to BNA, thereby starving the banks of a major source of foreign currency.

[16] In the week in which the devaluation of 05 June occurred, BNA sold 72.7% more in foreign currency compared to the amount sold the previous week, of which USD 836 million was sold directly and USD 100 million auctioned.



Source: BNA

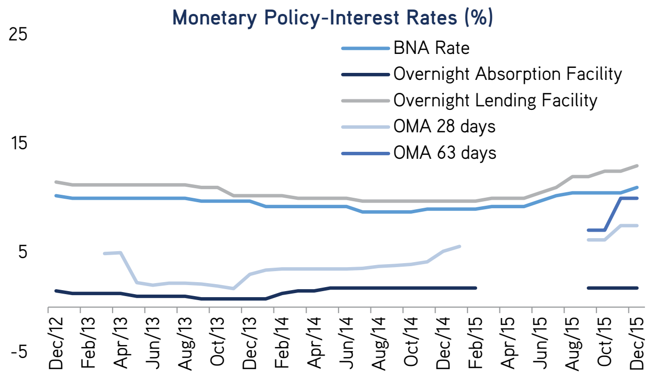


FFinally, it should be mentioned that aside of the activity of BNA on the foreign exchange market, a series of administrative measures were implemented to both directly and indirectly regulate the dynamics involved in the market [17].

Monetary and Financial Panorama

Monetary Policy

The monetary policy for the year 2015 focused on the management of excess liquidity in the banking sector and on the interaction with the fiscal policy in accordance with the effects of the fall in the price of oil on the economy. As such, BNA made several changes to the reference interest rate (the BNA rate) and the overnight lending facility rate in the restrictive sense, having decided to increase the BNA rate by 2 p.p. over the year[18], and the overnight lending facility in the same manner, or in other words, from 9.75% in December 2014 to 13% at the end of 2015.

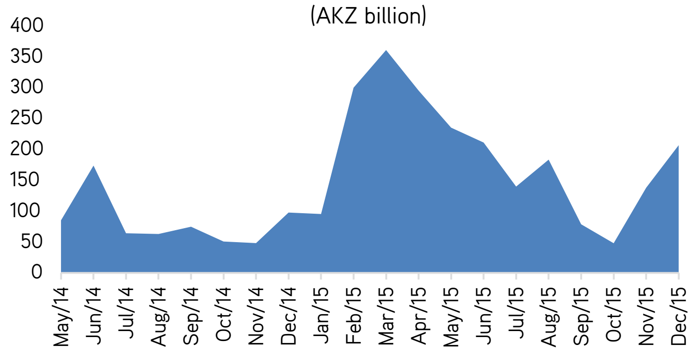


Source: BNA

[17] See Box 1 for greater details on the series of notices and instructions in relation to monetary and foreign exchange activity over the year.
[18] The increase in the reference interest rates was implemented in a gradual manner, whereby the standard interest rate (the BNA rate) increased 0.25 p.p. to 9.25% in March. Subsequently, the BNA rate underwent consecutive increases of 0.5 p.p. in June and July, 0.25 p.p. in August, and increased 0.5 p.p. to 11% at the last CPM meeting of the year.

Moreover, also with the aim of reducing liquidity in the financial system and creating, at the same time, the conditions for the financing of the General State Budget, the coefficient of Mandatory Reserves in domestic currency was changed to 25%, 20% of which may be settled using Public Bonds issued as from January 2015 and financing agreements between the Ministry of Finance and the banks, with weighted maturities (Instructions N° 3/2015 of 23 February and 8/2015 of 03 June). In the case of reserves in foreign currency, 80% of the liability was converted in December 2015 into Treasury Bonds in foreign currency issued in 2015 with a 7-year maturity and a remuneration of 5% per annum. (Instruction N° 19/2015 of 15 December). In addition, BNA announced the mandatory requirement for the commercial banks to hold captive accounts in domestic currency at BNA, with a balance equal to the need to purchase foreign currency the following week (Instruction N° 10/2015 of 04 June) [19].

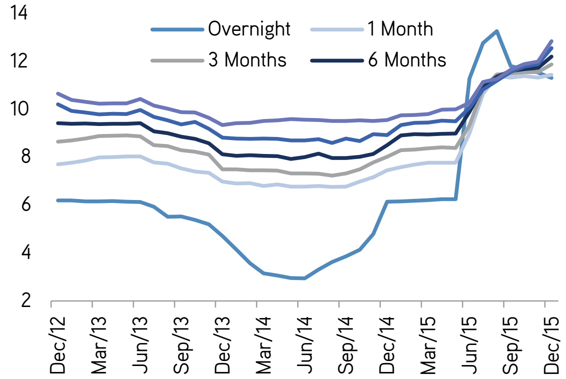
Evolution of Free Reserves
(AKZ billion)



Source: BNA

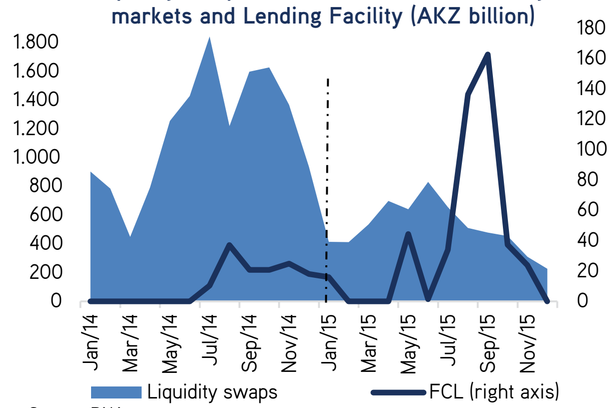
In turn, the interbanking monetary market (IMM) interest rates registered significant increases, above all as from the start of the second six months of the year, a time at which the monetary policy was more restrictive, and on the entry into force of Instruction N° 10/2015 of 16 de June. Consequently, the liquidity negotiated in the second six months of the year was 25% down compared to that negotiated in the first six months. In annual terms, the volumes of liquidity traded on the interbanking monetary markets amounted to AKZ 6.163 billion in 2015, 43% less than that negotiated in 2014. Furthermore, this period of lower swaps of liquidity in the interbanking monetary markets was also marked by an increase in the BNA lending facility, particularly in the months of August and September.

LUIBOR Rates (%)



Source: BNA

Liquidity swaps in the interbanking monetary markets and Lending Facility (AKZ billion)



Source: BNA

In the interbanking market LUIBOR rates registered an upward trend, in line with BNA policies, particularly overnight maturity, which increased by 5.2 p.p. to 11.31% over the year. We should mention the unexpected sharp increase in the overnight rate between June and August, which surpassed the permanent lending facility rate and LUIBOR rates for other maturities. This period was marked by additional pressure for the absorption of liquidity by means of the entry into force of the aforementioned instructions and the first sudden and unexpected devaluation of the year. However, in the final quarter of the year the LUIBOR overnight rate was adjusted after the peak registered in August.

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[19] *It should be pointed out that the annual growth in net external assets does not reflect the foreign exchange depreciation which occurred over the year. When analysed in USD, the net international reserves registered a reduction of 10.6%, as explained above, which implies a reduction in Net External Assets.*

Monetary Summary

Net external assets, including the foreign exchange effect, registered an increase of 13.3% in 2015, while net internal assets rose 28% as a result of the significant 29% increase in loans to the Central Government to meet treasury needs and the 17.5% increase in loans to the economy. It should be emphasised that the Central Government debt rose 473.8% due to the increase in loans to the Government having been greater than the increase in the deposits placed in the monetary system.

Furthermore, an annual increase of 11.6% in the monetary supply was registered, represented by the M2 monetary aggregate, in line with the considerable increase in net internal loans. Special mention should be made of the 22.2% increase in deposits in foreign currency when converted into domestic currency, 18.4% in demand deposits in domestic currency and 16.2% in notes and coins in the possession of the public. The biggest monetary aggregate (M3) increased in the same proportion as M2 due to the residual weight of other financial instruments similar to deposits (bonds except shares and repurchase agreements).

Monetary Breakdown as at 31 December 2015 (in billion AKZ)

	Dec/14	Dec/15	T.v.h. (%)
Net external assets	**3 097,5**	**3 510,1**	**13,3**
BNA	2 904,4	3 304,6	13,8
Net International Reserves	2 818,4	3 294,5	16,9
Commercial Banks	193,0	205,5	6,5
Net internal assets	**2 012,7**	**2 194,8**	**9,0**
Net internal loans	3 015,9	3 859,2	28,0
Loans to the Central Government (net)	69,2	396,9	473,8
Loans to the Central Government	2 001,8	2 583,2	29,0
Central Government Deposits	1 932,6	2 186,3	13,1
Loans to the Economy	2 946,7	3 462,3	17,5
Loans to other Non-Monetary Financial Institutions	33,1	31,8	-3,8
Loans to the Public Sector	61,6	82,0	33,2
Loans to the Private Sector	2 852,0	3 348,5	17,4
Other net assets	-1 003,2	-1 664,4	-65,9
M3			
M2	**5 110,1**	**5 704,8**	**11,6**
M2 MN	**5 103,5**	**5 696,6**	**11,6**
M1	**3 411,6**	**3 895,9**	**14,2**
Notes and coins in the possession of the public	**3 096,9**	**3 412,5**	**10,2**
Demand deposits - MN	339,7	381,7	12,4
Demand deposits - ME	1 905,2	2 256,2	18,4
Quasi-Currency	851,9	774,6	-9,1
Term Deposits - MN	**2 006,6**	**2 284,1**	**13,8**
	1 166,6	1 258,0	7,8
Term Deposits - ME	840,0	1 026,1	22,2
Other Instruments Equivalent to Deposits	6,6	8,2	23,6

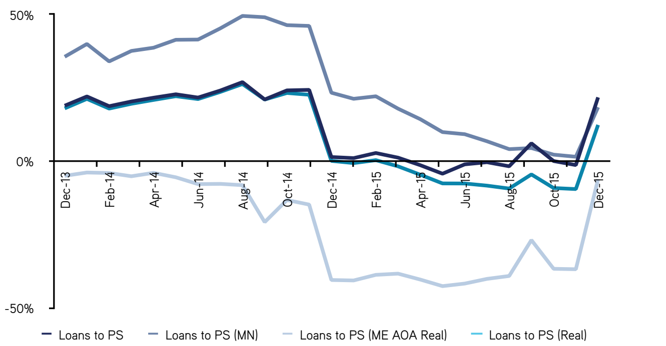
Source: BNA

[20] *It should be pointed out that the monetary breakdown is always presented in accordance with the golden rule of accounting, which implies that the assets and liabilities are all under a common denominator, in this case, converted into a single currency. On analysing the evolution of the deposits in foreign currency in USD, what is registered, as illustrated in the following subsection, is a reduction in the same. As such, this increase is almost exclusively attributed to the depreciation in the foreign exchange rate.*

Credit to the Private Sector and Deposits

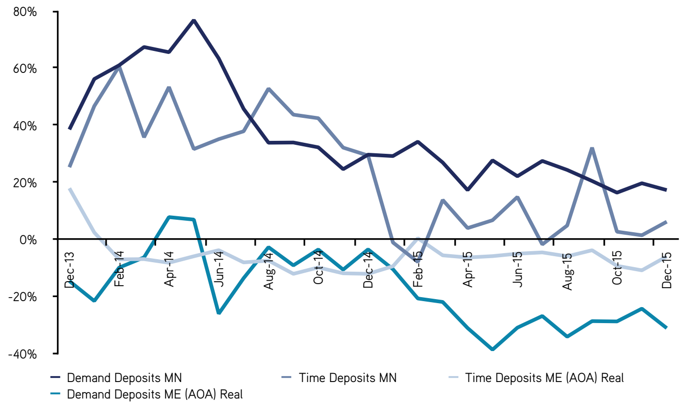
Loans in the private sector rose 17.4% to AKZ 3,348.5 billion in 201521, due to the growth in loans in domestic currency (14.7%), as the increase registered in loans in foreign currency (in terms of AKZ) is due to the depreciation of the foreign exchange rate. Excluding the effect of the depreciation of the domestic currency would result in a 4.9% reduction in loans in foreign currency compared to 2014. Excluding the foreign exchange effect[22], private sector loans rose 9.9%.

Annual Evolution of Loans to the Private Sector



Source: BNA

Annual Evolution of Loans to the Private Sector



Source: BNA

With regard to deposits, and excluding the foreign exchange effect, a reduction in deposits made in foreign currency was registered at the close of the year, falling from USD 16,448.4 million in 2014 to USD 13,364 million in 2015.

More specifically, term deposits in foreign currency fell by 6.1%, while deposits with a greater level of liquidity registered a decrease of 31.2%. Deposits in domestic currency registered an increase of 13%, rising from AKZ 3,071.9 billion in 2014 to AKZ 3.47 billion at the end of 2015, where demand deposits rose 17.2% and term deposits 6.1% in this period. In total, a 2.3% increase in deposits was registered at the close of the year.

Banking System

Banking activity in 2015 was subject to the scenario of a shortage of currency on the foreign exchange market with consequences for liquidity in foreign currency. In terms of regulation, the implementation of the process for the full adoption of IAS/IFRS continued to be promoted by the regulator and, moreover, full attention was given to the issue of the prevention of money laundering and the fight against the financing of terrorism.

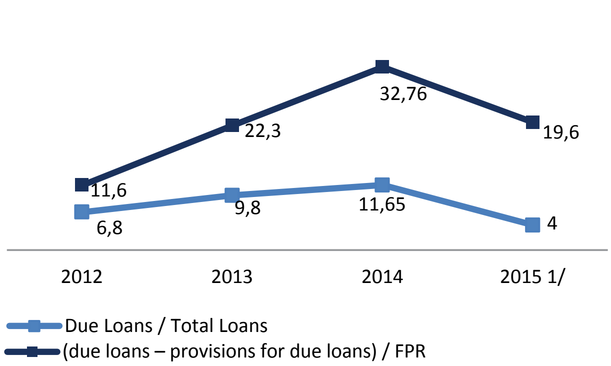
The risk associated with the system´s asset portfolio improved slightly in 2015, whereby the due loans to total loans ratio fell from 11.7% in December 2014 to 11.6% in late 2015. The debt service in foreign currency, both for corporate and individual entities, has become increasingly heavy due to the sharp depreciation of the currency. However, an analysis of the due loan coverage ratio net of regulatory equity provisions reveals that credit risk was accompanied by a strengthening of provisions, this indicator dropping from 32.7% to 19.6% in the period under analysis.

[21] Around 20% of the loans granted to the economy in 2015 involved the retail and wholesale commerce sector, which grew by around 26.5% compared to 2014. Moreover, loans for the production and distribution of electricity, gas and water sector registered the greatest growth (185.5%), thereby justifying the forecasts for the contribution of the same to the estimated growth of GDP for 2016. The granting of loans for the financial activity, insurance and pension fund, transport, storage and communications sectors registered falls of 69.2% and 10% respectively.

[22] The exclusion of the foreign exchange effect is conducted by adjusting the components in foreign currency to a fixed exchange rate, specifically using the 2006 rate.

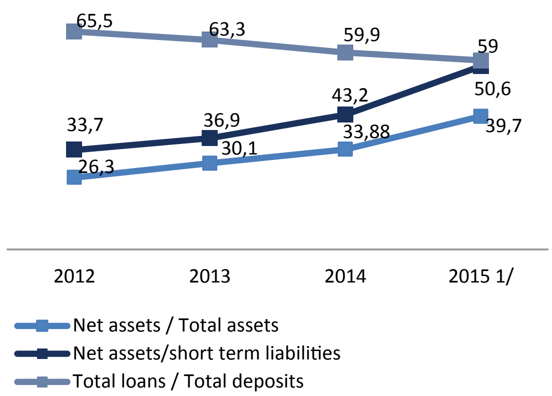
[23] By means of the implementation of a series of measures for the reinforced control of operations, an improvement in statistical reporting information, requirements of due diligence in knowing your client, among others.

Asset Quality
(%, end of the financial year)



Source: BNA

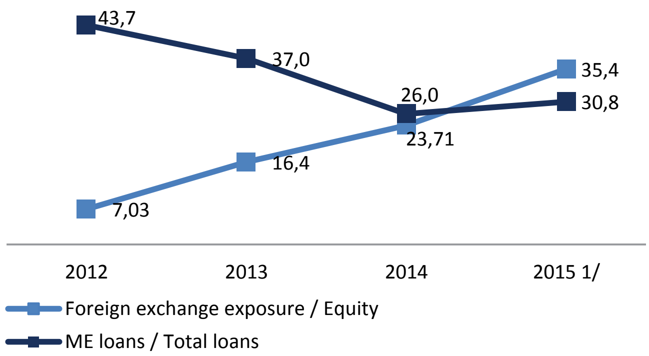
Liquidity Indicators
(%, end of the financial year)



Source: BNA

The foreign exchange exposure to equity ratio remained high, increasing from 23.7% in December 2014 to 34.4% in December 2015. At the same time, the proportion of foreign currency loans to total loans rose by 4.7 p.p. to 30.8%. An analysis of the evolution of loans in foreign currency reveals this diminishes considerably when analysed in terms of USD. As such, the variation in exposure to foreign exchange risk can be partly explained by the depreciation of the domestic currency, considering that the ratio consists of a numerator denominated or indexed in foreign currency expressed in domestic currency over a denominator essentially in kwanzas.

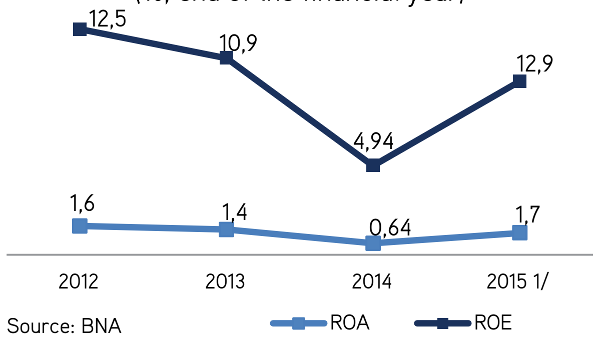
Foreign exchange risk exposure indicators
(%, end of the financial year)



Source: BNA

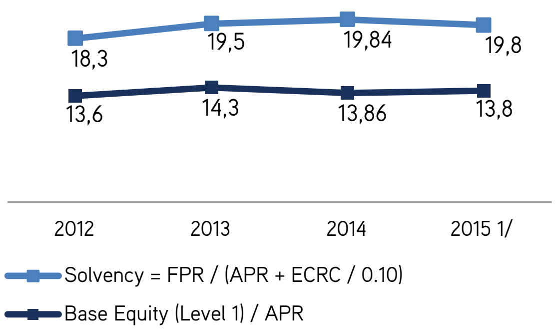
Return on equity (ROE), measured by the ratio between profit and equity, increased by 8 p.p. In turn, return on assets, measured by the ratio between net income and total average assets, increased from 0.6% in 2014 to 1.7% in 2015, due to the increase in net income being greater than the growth of assets in the period.

Profitability Indicators
(%, end of the financial year)



Source: BNA

Stability Indicators
(%, end of the financial year)



Source: BNA

Finally, the regulatory solvency ratio remained stable at 19.8%, which suggests that the system has comfortable capitalization levels in relation to the regulatory minimum limit (10%).

BNA activity in 2015

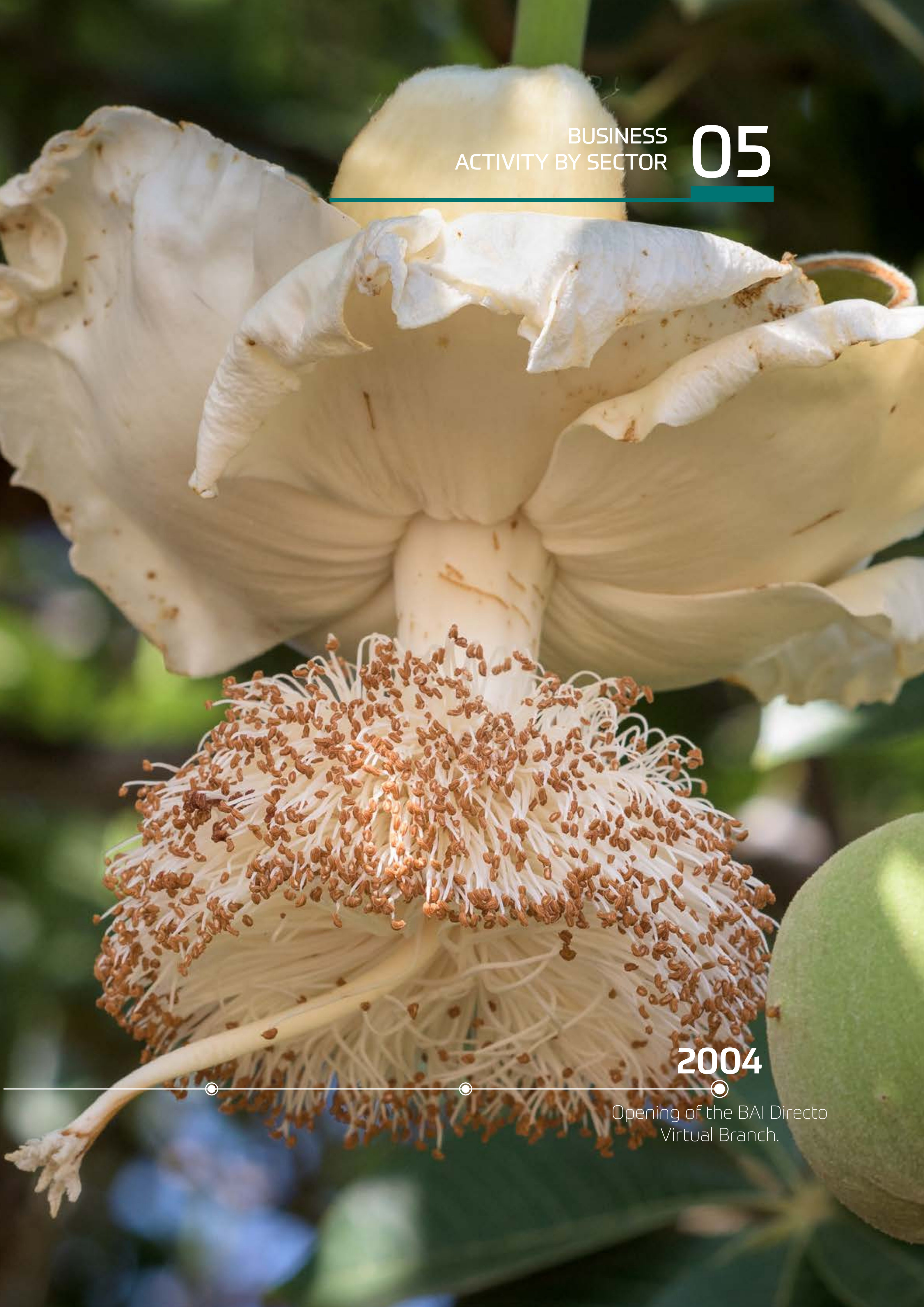
The economic scenario in 2015, boosted by the fall in the price of oil, resulted in the reduced availability of foreign exchange for settling transactions with foreign countries, both in relation to individuals and companies.

As explained previously, this fact had a significant impact on the existence of an imbalance in the foreign exchange market, creating considerable foreign exchange pressure in that market.

In addition, with the reduction of the Overnight Liquidity Facility (FAO) interest rate to 0% and the withdrawal of Open Market Operations (OMO) in February, a considerable increase in liquidity was registered in the banking system, which, ideally, should have been channelled into investment in public bonds, but which ended up placing even more pressure on the foreign exchange market.

In this manner, the aim of BNA was mainly to mitigate foreign exchange pressure and to control the excess liquidity in the economy. Additionally, there are still concerns on the control of the rate of growth of prices by the Central Bank and the need for financing by the Treasury Department. Thus, BNA used not only conventional monetary and foreign exchange policy instruments but also launched a series of regulations and instructions to meet the intentions of the monetary authorities. The table below contains the most important regulatory measures in the area of monetary and foreign exchange policy:

Standard	Description
Notice N° 1/2015 of 29 January	Authorisation for the import, export and re-export of foreign currency and traveller´s cheques without the prior authorisation of BNA.
Notice N° 1/2015 of 29 January	Definition of the limit of exposure of banks to foreign exchange and gold risk at 20% of regulatory equity funds, both in the long and short term, and the introduction of the calculation methodology.
Instruction N° 3/2015 of 23 February	Increase in the mandatory reserves in relation to liabilities in national currency compared to the private sector, which rose from 15% to 20%;
Instruction N° 7/2015 of 28 February	Changes in the operating rules for foreign exchange bureaus, allowing for the sale of foreign currency to residents for foreign Exchange purposes up to the amount of USD 5,000, as a means of promoting transparency in the foreign exchange market;
Instruction N° 8/2015 of 3 June	The option for banks to comply with 25% of mandatory reserves using Public Bonds issued as from January 2015 and financing agreements entered into between the Treasury Department and the banks, with weighted maturities.
Instruction N°10/2015 of 4 June	The obligation imposed on banks wishing to participate in BNA foreign currency auctions to create, beforehand, a specific reserve in domestic currency, of an amount corresponding to the equivalent of the foreign currency needs involved, whereby this specific reserve is not valid for the purpose of complying with the mandatory reserves.
Notice N° 10/2015 of 16 June	The definition of terms and conditions for the inflow and outflow of domestic and foreign currency in Angola, in the possession of individuals, residents and non-residents for foreign exchange purposes using the Santa Clara (Cunene-Angola) and Oshikango (Namibia) land borders.
Instruction N° 11/2015 of 18 June	The definition of operating rules to be complied with by the banks, within the scope of the Monetary Conversion Agreement entered into between BNA and the Bank of Namibia.
Instruction N° 12/2015 of 15 June	The regulation of procedures for foreign exchange transactions conducted by the banks, determining the creation, by clients intending to conduct foreign exchange transactions, of a deposit in domestic currency, to an amount equal to that of the transaction in question, this deposit being withheld until the execution of the respective transaction and which may be considered for the special reserve required in accordance with Instruction N° 10/2015.
Instruction N° 13/2015 of 01 July	Determines that the Development Banks, within the scope of their basic functions, may participate in the interbanking monetary market in order to transfer liquidity.
Instruction N° 16/2015 of 22 July	Changes in the rules for the creation of mandatory reserves, whose calculation and compliance changes from a monthly basis to a weekly basis as a means of ensuring a more flexible management of liquidity by the banks.
IInstruction N° 17/2015 of 20 August	Operating procedures to be complied with at auctions of foreign currency to foreign exchange bureaus.
Instruction N° 19/2015 of 15 December	In the case of mandatory reserves in foreign currency, 80% of the liability was converted in December 2015 into Treasury Bonds in foreign currency issued in 2015 with a 7-year maturity and a return of 5% per annum.
Notice N° 12/2015 of 29 December	The definition of new operating rules to be complied with by the banks and foreign exchange bureaus in relation to the inflow and outflow of domestic and foreign currency at the Santa Clara (Angola) land border, within the scope of the Monetary Conversion Agreement entered into between BNA and the Bank of Namibia.



BUSINESS ACTIVITY BY SECTOR 05

2004

Opening of the BAI Directo Virtual Branch.

BAI is a bank of a universal nature geared to serving all client sectors. Innovative products and services, a focus on quality of service and the strength of the brand, in particular the acknowledgment of the Bank in terms of fundamental attributes such as solidity, reliability and size, make BAI a benchmark organisation in both the domestic and international market.

BAI adopts a segmented market approach to ensure the provision of a wide range of products and services in accordance with the need of its clients. The front-office and direct customer services are provided through a specialised network of branches.

Companies	**A.** Corporate and Institutional Banking – Large companies, medium companies and institutions; **B.** Retail Banking – Companies.
Individuals	**C.** Premium Service Centres – Liberal professionals, entrepreneurs and Top Private; **D.** Retail Banking – Individuals - Affluent and mass market.

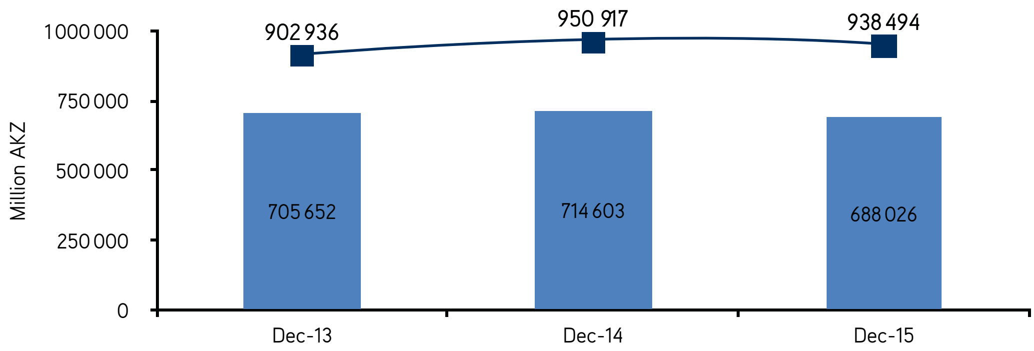
A. Corporate Banking

The corporate sector represented the greatest value to the Bank, accounting for over half the deposits effected and loans granted. In 2015, the Bank strengthened its corporate business network by opening 2 specialised corporate outlets in Luanda, bringing the total number of corporate customer service centres based strategically around the country to 11. The number of clients in this sector stands at 38,593, an increase of 7,996 (26%) in relation to the financial year 2014 (30,597 clients).

Loan portfolio

At the end of 2015, the volume of corporate sector deposits registered a drop, contrary to 2014. Deposits in this sector totalled AKZ 688,026 million, representing a reduction of 3.7% compared to 2014 (AKZ 714,603 million). Deposits accounted for 73% of the deposits portfolio.

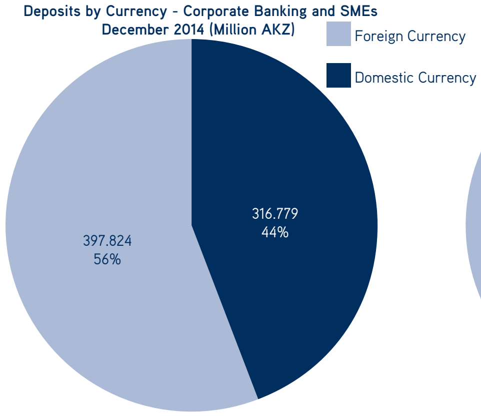
Breakdown of Corporate and SME Client Deposits



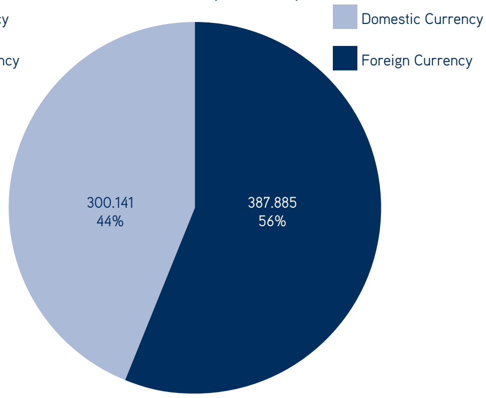
At the end of 2015, 61% of deposits in this segment were held at demand, registering a reduction of 11 percentage points compared to 2015. Term deposits in this segment amounted to AKZ 418.042 million due to the reduction in deposits in the i) non-financial private corporate sector (-21%), ii) non-financial public corporate sector (-21%) and iii) independent public funds and services (-59%).

Term deposits the corporate sector amounted to AKZ 269.984 million, registering an increase of AKZ 71.192 million over 2014. Term deposits in this segment accounted for 39% of total deposits, an increase of 11 (eleven) percentage points compared to the year 2014, due to the new issues of term deposits in the non-financial private corporate sector (+24%) at the close of 2015.4%) e ii) Fundos de Segurança Social (+24%) no final de 2015.

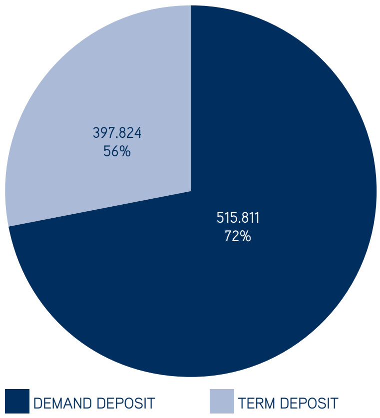
Deposits by Currency - Corporate Banking and SMEs
December 2014 (Million AKZ)



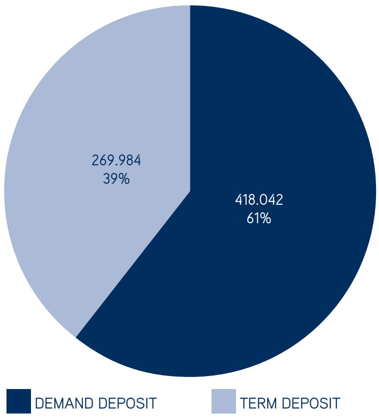
Deposits by Currency - Corporate Banking and SMEs
December 2015 (Million AKZ)



Deposits by Products - Corporate Banking and SMEs
December 2014 (Million AKZ)



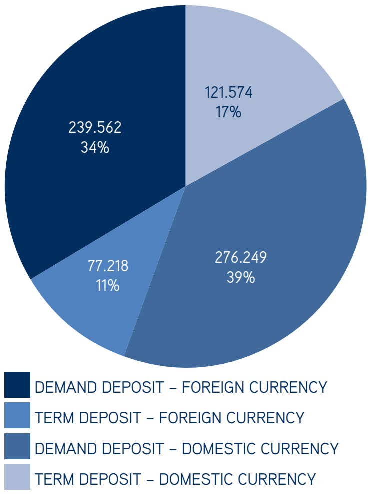
Deposits by Products - Corporate Banking and SMEs
December 2015 (Million AKZ)



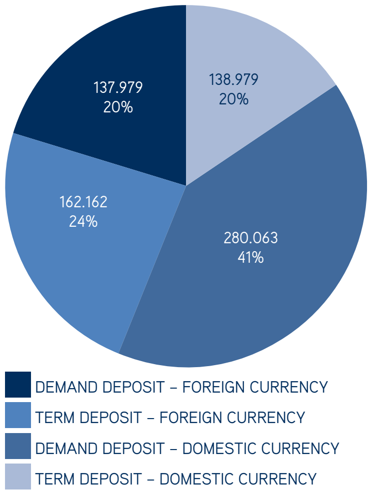
In relation to the composition of deposits by product and currency, demand deposits in foreign currency in this segment registered AKZ 137.979 million, or 13 percentage points down on the year 2014 (AKZ 276.249 million) and an increase of AKZ 84.944 million, or +13%, in term deposits in foreign currency, influenced by the i) non-financial private corporate sector (+117%) and ii) Social Security funds (+35%).

Demand deposits in this segment registered AKZ 280.062 million in domestic currency, an increase of 1 percentage point, while term deposits in domestic currency dropped by AKZ 13,752 million to AKZ 107.822 million compared to the year 2014 (AKZ 121.574 million).

Deposits by Currency and Products - Corporate Banking and SMEs
December 2014 (Million AKZ)



Deposits by Currency and Products - Corporate Banking and SMEs
December 2015 (Million AKZ)

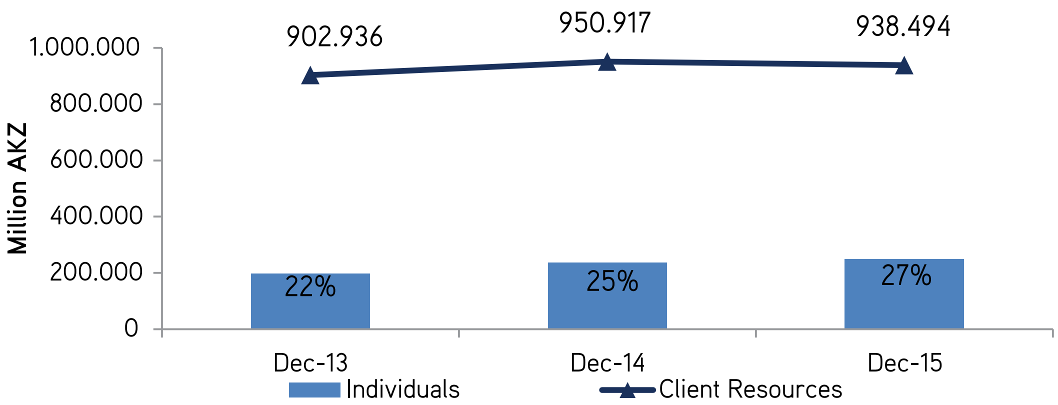


Loan Portfolio

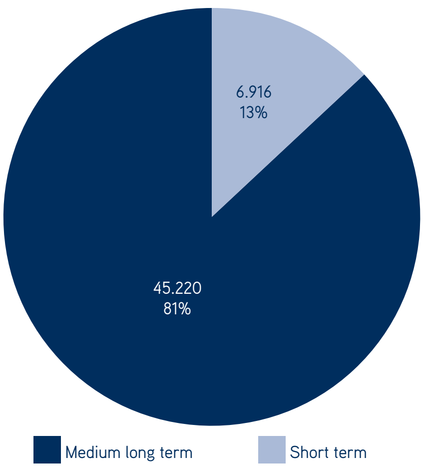
Loans granted to the corporate and SME segment stood at AKZ 338.390 million, compared to AKZ 354.193 million recorded in 2014, reflecting a reduction of 4% in the year. Loans granted to this segment represent 84% of total granted loans.

Medium and long-term loans with an average residual maturity of 6 years stood at AKZ 255.427 million, registering an increase of 4% over the previous year. On the other hand, short-term loans registered a 24% reduction in the year, amounting to AKZ 82.963 million. Hence, the weight of short-term loans dropped from 31% in 2014 to 25% in 2015, widening the gap between the enforceability of resources and the liquidity of short-term investments.

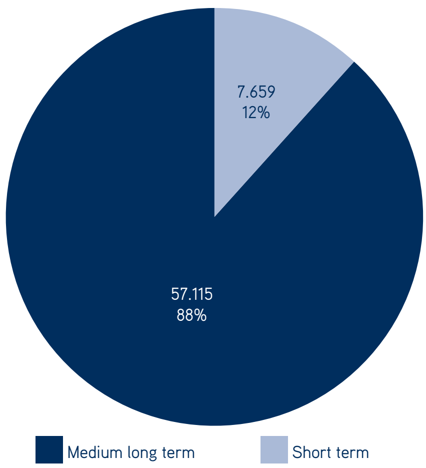
Individuals Deposits versus Deposit Portfolio



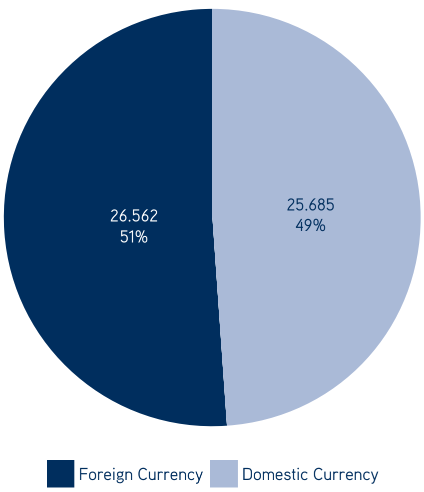
Loans by Term - Corporate Banking and SMEs
December 2014 (Million AKZ)



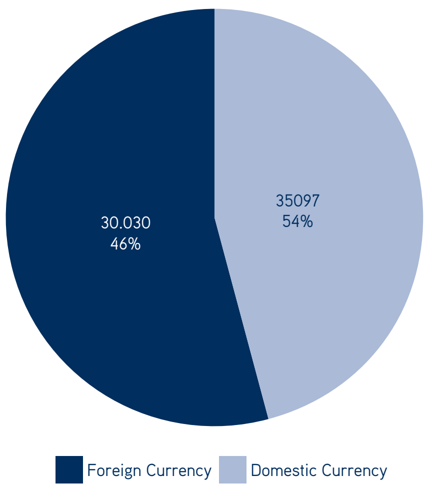
Loans by Term - Corporate Banking and SMEs
December 2015 (Million AKZ)



Loans by Currency - Corporate Banking and SMEs
December 2014 (Million AKZ)



Loans by Currency - Corporate Banking and SMEs
December 2015 (Million AKZ)

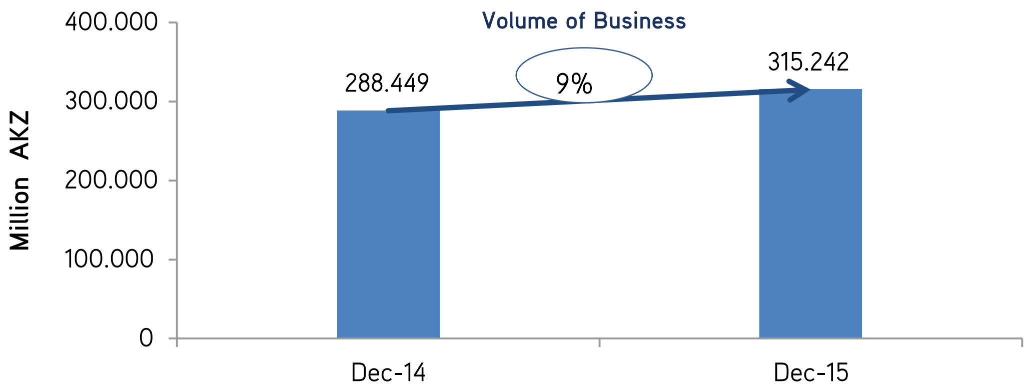


B. Individuals

BAI adopts a diversified and differentiated approach in relation to individual customers, in accordance with the financial needs of the customers in question. The creation of differentiated proposals of value is based both on the constant development of the products and services available and on the adoption of segmentation criteria geared to customers´ characteristics.

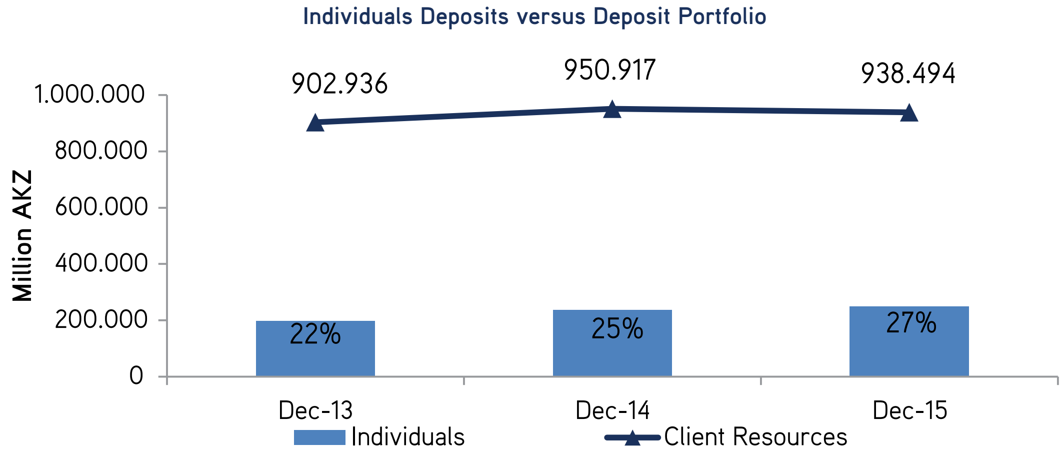
Hence, in recent years BAI has been creating innovative proposals of value for individual clients, more specifically for affluent clients ("BAI Loengo") and mass market clients ("Individuals from the retail network"). Individual clients are currently served by a network of 130 service points (a net increase of 5 units over the year), 73 of which are located in Luanda and 57 in other areas of the country.

Over the year, the number of individual clients, including those from the premium sector, increased by 63,586 (+13%) compared to 2014, now totaling 548,851 active individual clients. The volume of business in the individual sector, measured by the deposit and loan portfolios, rose by 9% to the amount of AKZ 315.242 million, in comparison with the AKZ 288.449 million registered in 2014. This increase is a reflection of the reinforcement of the Bank´s positioning in relation to the supply of products and services adapted to groups of individual clients.

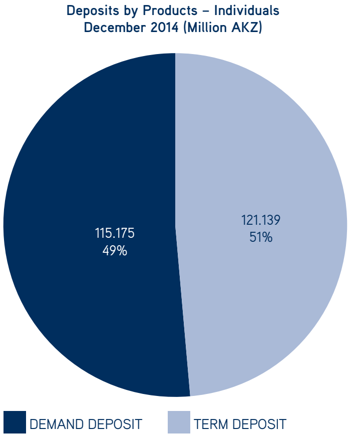


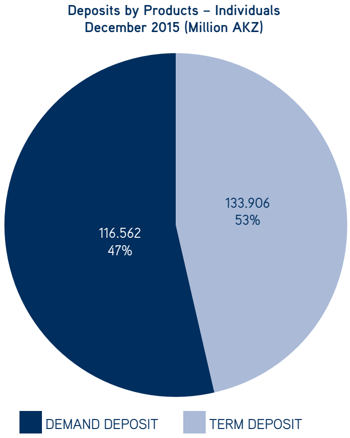
Deposit Portfolio

At the close of 2015, the Individual sector deposit portfolio stood at AKZ 250,468 million, representing 27% of the Bank's total deposits. (2014: 25%). This value was above that recorded in 2014 (236,314 million), highlighting the importance of the individual sector segment in the strategy for the diversification of the deposit portfolio.

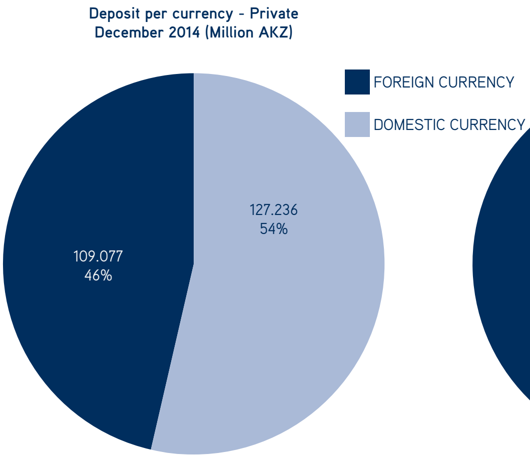


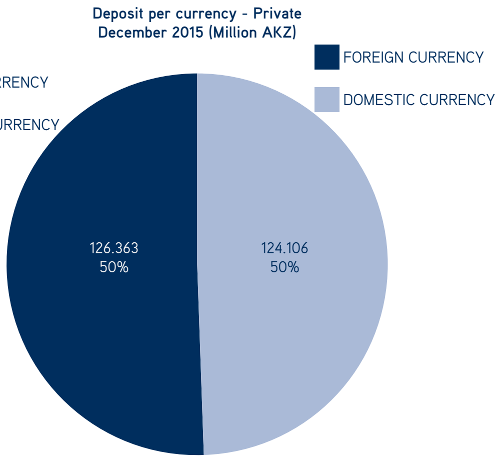
The individual retail banking demand deposit portfolio stood at AKZ 133,906 million, representing an increase of 11% over that registered in 2014 (AKZ 121,139 million). Term deposits represented 47% of total deposits in this segment, amounting to AKZ 116,562 million, representing an increase of 1% in comparison with the previous year, due to the increase in interest rates.

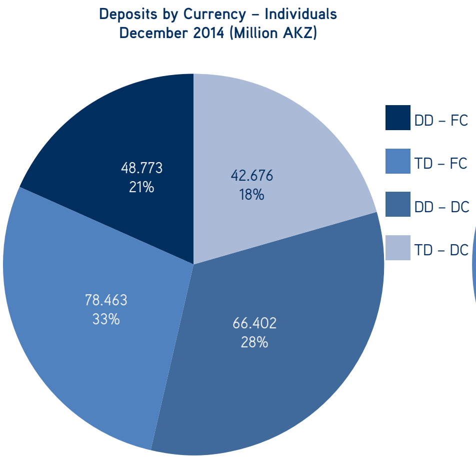


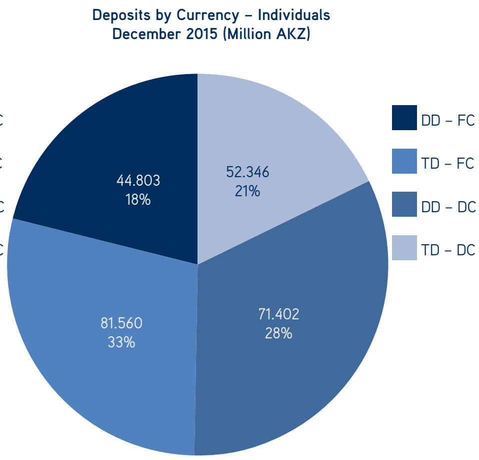


Deposits in domestic currency represented 50% of the deposits of individual customers, amounting to AKZ 126,363 million. This value reflects a growth of 1% compared to that registered in 2014 (AKZ 127,236 million). Foreign currency deposits stood at AKZ 124,106 million (50% of the total),representing a decrease of 14% relative to that registered at the close of 2014 (AKZ 109,077 million), arising largely from the devaluation of the Kwanza (32%).





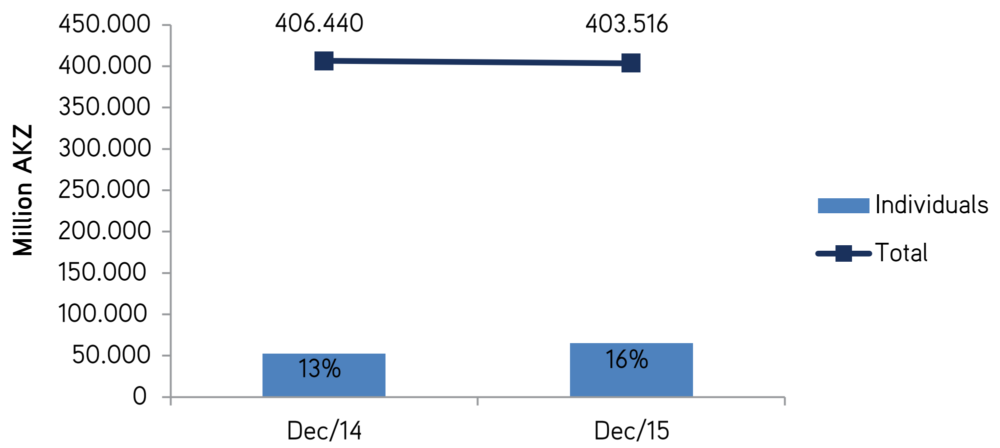




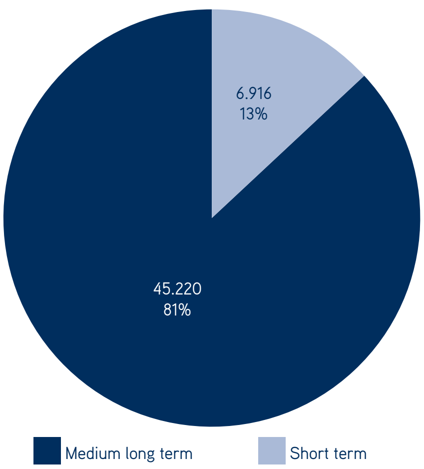
Loan Portfolio

The individual client loan portfolio stood at AKZ 64.773 million, an increase of 24% compared to that of late 2014 (AKZ 52.137 million). In 2015, the individual client loan portfolio accounted for 16% of the total portfolio of loans granted by the Bank, reducing its weight by 3 percentage points in comparison with the previous financial year, due to demand and the volume effect in the portfolio.

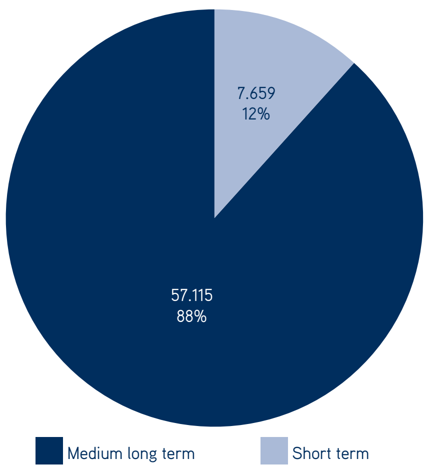
Loans – Individuals



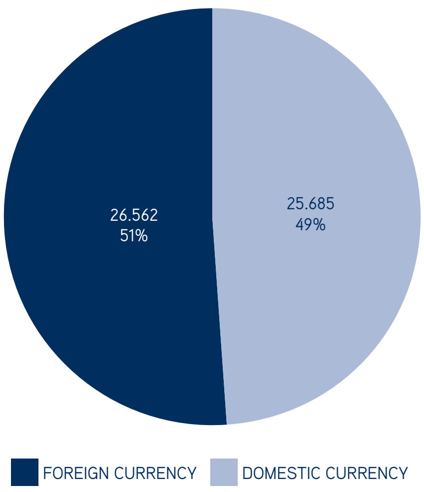
Loans by Term – Individuals December 2014 (Million AKZ)



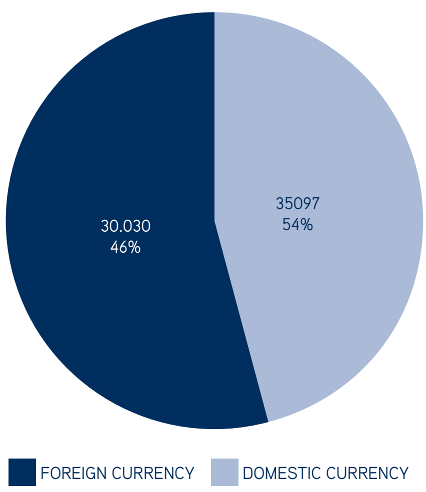
Loans by Term – Individuals December 2015 (Million AKZ)



Loans by Currency – Individuals December 2014 (Million AKZ)



Loans by Currency – Individuals December 2015 (Million AKZ)

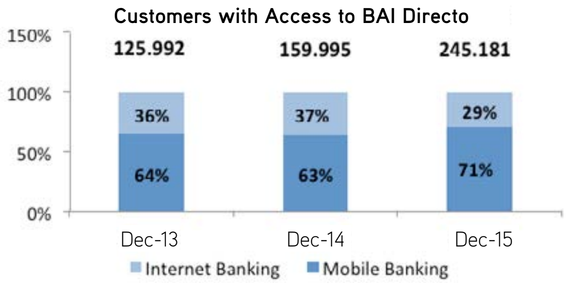


C. Electronic Banking

The year 2015 saw the continuous efforts of the Bank in the search for new electronic solutions geared to providing greater satisfaction with regard to the services provided to customers, through the creation of attractive and convenient products and channels for all sectors. One of the highlights in this area is the 24/7 BAI hotline.

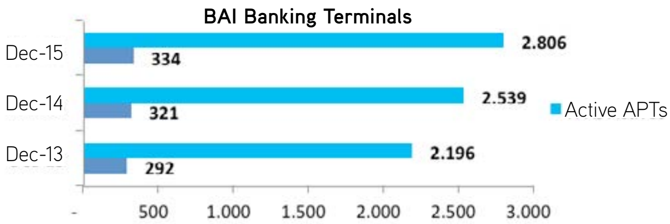
BAI Direct

The BAI Directo services feature a series of solutions provided to clients via the mobile phone and Internet, known as Mobile Banking and Internet Banking. There is still a preference for Mobile Banking in this area. The portfolio of customers adhering to the services in 2015 increased by 85,186 customers, 53% more in comparison with 2014.



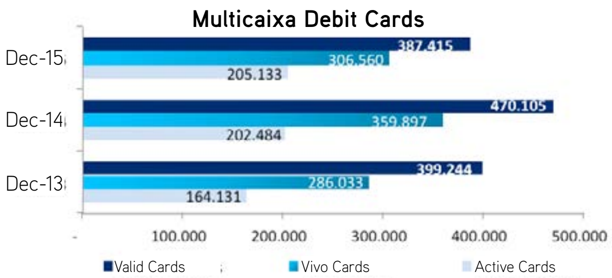
Banking Terminals

Throughout the year 2015, BAI expanded its Automatic Teller Machine (ATM) and Automatic Payment Terminal (APT) network. There are currently 334 ATMs and 2,806 TPAs in operation, compared to 321 ATMs and 2,539 TPAs in 2014, representing a growth of 4% and 11% respectively, due to the increase in the number of outlets.

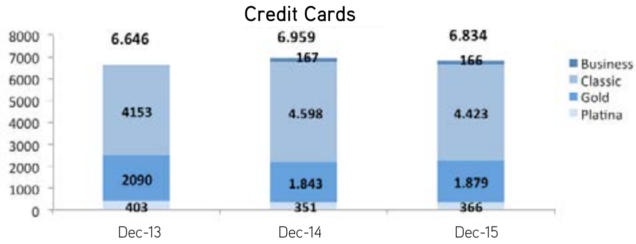


Payment Cards

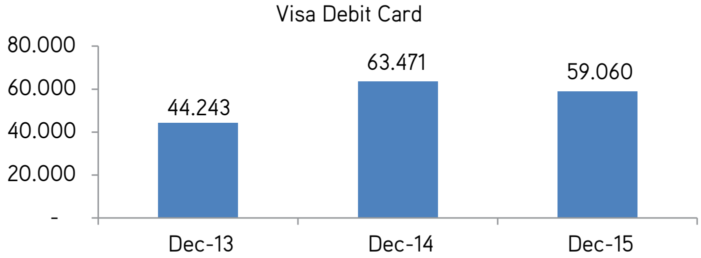
Active cards registered an increase of 1% in comparison with 2014, totaling 205,133 cards, while Vivo and valid cards registered a total reduction of 136,026 cards (-15%), impacted by the reduction in the number of debit cards issued, accounts closed and expired cards. In 2015, BAI achieved an operating ratio of 52.95%, 9.88% more than in the previous year, and gaining a market share of 10%.



With regard to VISA credit cards, there was a 2% decrease in the number of users, corresponding to 6,834 valid credit cards compared to 6,959 in 2014, due to the implementation of limits on the purchase of foreign currency by BNA and the policy adopted by the bank in relation to the distribution of currencies through the Bank´s different business. Given the Bank's competitive position in this segment, we intend to continue to improve the product, the loyalty of our customers through new financial solutions, offering a differentiated service in the customer contact and banking through BAI Direct.



The prepaid Visa (Kamba) debit card has been a product much in demand due to the characteristic of equity and payments being linked to customers´ current accounts. The shortage of currency on the market led BAI to issue less Kamba cards due to the low supply of foreign currency. As such, the Bank registered 59,060 active cards, a 7% reduction in relation to 2014 (63,471).



FINANCIAL HOLDINGS 06

The creation of a reference financial group, the diversification of the group's activity and the internationalisation of the same are important aspects of the Bank's strategy.

As at 31 December 2015, BAI had three subsidiaries in the financial banking sector, namely BAI Europa S.A. (BAIE), BAI Micro Financas S.A. (BMF) and BAI Cabo Verde (BAI CV), as well as minority stakes in Banco Internacional de Sao Tome e Principe (BISTP). In the non-banking financial sector, the Bank has control over the company Nova Sociedade de Seguros de Angola (NOSSA Seguros), over SAESP (Sociedade Angolana de Ensino Superior Privado) and Fundacao BAI.The holdings are detailed in note 9 of the appendix to the Financial Statements.

BAI Europe

2015 continued to register a reduction in assets due to liquidity demands (Liquidity Coverage Ratio – LCR) and a reduction in the limits of interbanking exposure to which the Bank is subject. The client loan portfolio increased 17%, registering EUR 109.9 million (AKZ 16.254 million). The quality of the loan portfolio remained stable with a reduced risk. Activity generated net income of EUR 3.2 million (AKZ 476 million), 12% less than in 2014, explained by the combination of the following factors:

- A decrease in net interest income of 9.5% (EUR 0.7 million less), reflecting the process of deleveraging the balance sheet;
- A reduction in income from financial transactions of EUR 0.083 million (AKZ 12.3 million) arising from the 31% reduction in the volume of payment orders processed.

BAI Europa - A summary of indicators

Amounts expressed in million Euros except when specified otherwise	Dec-13 (audited)	Dec-14 (audited)	Dec-15 (audited)	Variation Dec-14/15	
				Abs	%
Total Assets	859	699	437	-262	-38%
Customer Loans	118	94	110	16	17%
Customer Deposits	68	67	59	-8	-12%
Equity	62	65	67	2	4%
Net Income for the Financial Year	3,5	3,7	3,2	0	-12%
Ratios					
ROAE	5,7%	5,6%	4,7%	-1	-16%
Cost-to-income	37%	39%	42%	4	10%
Non-performing loans	2,5%	3,0%	0,9%	-2	-71%
Solvency ratio (BdP)	23,2%	18,5%	29,2%	11	58%
Operation					
Number of branches	1	1	1	0	0%
Number of employees	26	27	26	-1	-4%

BAI Microfinance

Banco BAI Micro Financas, S.A. (BMF), headquartered in Luanda, was incorporated on 19 February 2004 and commenced operations on 20 August 2004. The business purpose of BMF is the exercise of banking activity under the terms and within the limits defined by BNA. BAI has shareholder control and manages the Bank with a 96.79% stake of share capital.

In recent years, BMF has registered a consecutive negative performance and is currently in default with regard to the minimum regulatory capital requirements. In this context, BAI has supported the activity of this Bank by implementing capital increases and recognising impairments in the entity´s individual accounts, and the analysis of measures to resolve the situation is underway.

BAI Cabo Verde

BAI Cape Verde Bank (BAI CV), based in Praia, was inaugurated on 21 November 2008 with a registered capital of 2,331 million Cape Verde escudos (CVE), a partnership between the BAI SA, the Sonangol group and SOGEI. Besides the city of Praia, the Bank is also present on the islands Sal and Sao Vicente, with a total of six branches. In December 2015 the net assets reached CVE 13,988 million (AKZ 18,754 million), a decrease of 7% compared to December 2014. This decrease derives mainly from the decrease in customer deposits by 20%, standing at CVE 6,453 million (AKZ 8,651 million) at the end of the year. The loan portfolio increased by 37% (CVE 1,746 million / AKZ 2,341 million). The transformation rate went up 58% in 2014 to 100% in December 2015 due to the reduction of deposits and credit growth.

BAICV - A summary of indicators

Amounts expressed in million Euros except when specified otherwise	Dec-13 (audited)	Dec-14 (audited)	Dec-15 (audited)	Variation Dec-14/15	
				Abs	%
Total Assets	11.395	15.104	13.988	-1.116	-7%
Customer Loans	4.869	4.664	6.410	1.746	37%
Customer Deposits	4.286	8.047	6.453	-1.594	20%
Equity	1.002	1.016	1.034	18	2%
Net Income for the Financial Year	-139	13,4	17,9	4	33%
Ratios				-1	
ROAE	-14,0%	1,3%	1,7%	0	31%
Cost-to-income	91,9%	79,0%	79,8%	1	1%
Non-performing loans	13,5%	10,9%	12,2%	1	12%
Solvency ratio (BCV)	21,9%	17,1%	14,0%	-3	-18%
Operation					
Number of branches	5	5	6	1	20%
Number of employees	72	72	79	7	10%

The Bank registered a net profit of 18 million (AKZ 24 million) in December 2015, a 33% increase compared to 2014.

BISTP - Banco Internacional de São Tomé e Príncipe

The presence of BAI in the archipelago of Sao Tome and Principe is maintained through the Bank´s stake in Banco Internacional de Sao Tome e Principe (BISTP) since 2004 with a 25% stake in share capital. The Bank's head office is in the city of Sao Tome and its shareholders are the Government of São Tome e Principe with 48% and Caixa Geral de Depositos de Portugal, with 27%.

BISTP registered net income of STD 28.715 million (AKZ 173 million) in December 2015, representing a drop of 10% compared to the previous year. Net operating income fell by 2.4% over the previous year, registering STD 189.582 million (AKZ 1,144 million) in 2015. This performance reflects the reduction in the financial margin, which dropped 18.6% in relation to 2014 to STD 98.696 million (AKZ 596 million), despite the considerable increase in the additional margin of 24.5%, amounting to STD 90.886 million (AKZ 548 million).

BISTP - Summary of Indicators

Amounts expressed in million Euros except when specified otherwise	Dec-13 (audited)	Dec-14 (audited)	Dec-15 (audited)	Variation Dec-14/15	
				Abs	%
Balance Sheet					
Total Assets	1.859.627	2.263.674	2.445.216	181.542	8%
Customer Loans	692.311	695.944	637.948	-57.997	-8%
Customer Deposits	1.471.385	1.734.728	1.907.046	172.318	10%
Equity	283.745	299.323	308.906	9.583	3%
Net Income for the Financial Year	30.373	31.897	28.715	-3.182	-10%
Ratios					
ROAE	10,0%	9,9%	8,6%	-1	-13%
Cost-to-income	63,2%	67,7%	72,5%	5	7%
Non-performing loans	7,0%	17,0%	19,6%	3	15%
Operation	11	12	12	0	0%
Number of branches	14	15	168	16	11
Number of employees	14	27	26	-1	-4%

Net assets stood at STD 2,445 billion (AKZ 14.754 million), 8% higher than the previous year. The deposit portfolio registered an increase of 9.9%, standing at STD 1,907 billion (AKZ 11.

507 million). Impairment registered an increase of 17.5%, rising to STD 138.485 million (AKZ 836 million) at the end of the financial year 2015. Loans to customers decreased by 8.3%, registering STD 637.948 million (AKZ 3.849 million), giving the Bank a loan-to-deposit rate of 33.4% (2014: 40.1%).

NOSSA Seguros

Nova Sociedade de Seguros de Angola, S.A. (NOSSA Seguros) was incorporated on 17 August 2004, the exclusive business purpose of which is the exercise of the activity of direct insurance and reinsurance in the life and non-life sectors, to the extent permitted by law.

In 2015 NOSSA underwent the financial rating process by Fitch Ratings, being awarded an Insurance Financial Strength (ISF) rating of "B+", with a stable outlook, in line with the ratings of the Angolan State and BAI. The most noteworthy activity conducted over the year included the launch of the health insurance product and the opening of 3 new branches, increasing the total number of points of sale to 24.

NOSSA Seguros - Summary of Indicators

Amounts expressed in million Euros except when specified otherwise	Dec-13 (audited)	Dec-14 (audited)	Dec-15 (audited)	Variation Dec-14/15	
				Abs	%
Total assets	**8.036**	**9.466**	**11.028**	**1.562**	**17%**
Equity	1.469	1.803	2.177	374	21%
Net income for the financial year	162	297	340	43	14%
Direct insurance premiums	4.230	5.384	5.544	160	3%
Ratios					
Occurrence ratio	34%	28%	45%	17	61%
ROE	12%	18%	17%	-1	-6%
Operation					
Number of employees	99	137	139	2	1%
Nº of branches	17	21	24	3	14%

Net income registered AKZ 340 million in 2015, an increase of 14% over 2014, due to: i) a 19% increase in technical income; ii) a 95% increase in financial income; iii) the reinforcement of the provision for poor-performing loans in relation to the reinsurance of the previous health product.

Net assets stood at AKZ 11.678 million at the end of the year, representing a growth of 35% compared to the previous year. The greatest variation in assets is reflected in the investment account, which rose from AKZ 4.631 million in 2014 to AKZ 5.735 million in 2015.

Angolan Private Investment Fund

The Angolan Private Investment Fund (FIPA) is the first venture capital fund (private equity) exclusively dedicated to investment in Angola. FIPA ensures a good governance model and its compliance with the best international practices.

The Fund is a corporate partnership, limited by shares, constituted under the laws of the Grand Duchy of Luxembourg as a unit trust ("société d'investissement à capital variable") - specialised investment fund.

Its investment strategy targets individual investments up to USD 8 million in equity or other long-term financing instruments, in small and medium-sized companies in Angola, including expansion projects, management buyout, management buy-in, privatization and startups.

FIPA raised USD 39 million of committed capital with a 10-year maturity, with the possibility of extending it for two years. Its investors include BAI, Norfund, the European Investment Bank, the Spanish Ministry of Foreign Affairs, the Danish Industrialization Fund for Developing Countries and Banco Atlantico.

After a period of investment from 2010-2015, the Fund is now in going through a divestment phase, which is expected to last for 5 years. Furthermore, FIPA II is in the start-up phase, thereby providing continuity to the development of business in Angola.

FIPA - Summary of Indicators
(Millions USD)

Investors	Holding %	Commitment undertaken	Accrued contributions	Accrued gains or losses	Fair value Dec 15	Pending contributions
BAI	25,6%	10	8	-2	15	2
Banco Atlântico	5,1%	2	2	0	3	0
Norfund	25,6%	10	8	-2	15	2
European Invest-ment Bank	15,4%	6	5	-1	9	1
IFU (Danish	12,8%	5	4	-1	7	1
Investment Fund)	15,4%	6	5	-1	9	1
MAEC Spain	100,0%	39	32	-7	58	7
Total						

Sociedade Angolana de Ensino Superior Privado (SAESP)

SAESP was founded on 24 April 2012. The majority shareholder of the company is BAI with 80% of share capital. SAESP is how BAI invests in the field of education, and consists of Vocational Education Centre and a Culture Centre. The aim is to develop personnel, improve their skills and provide specialised training, specifically in the areas of finance, management and technology.

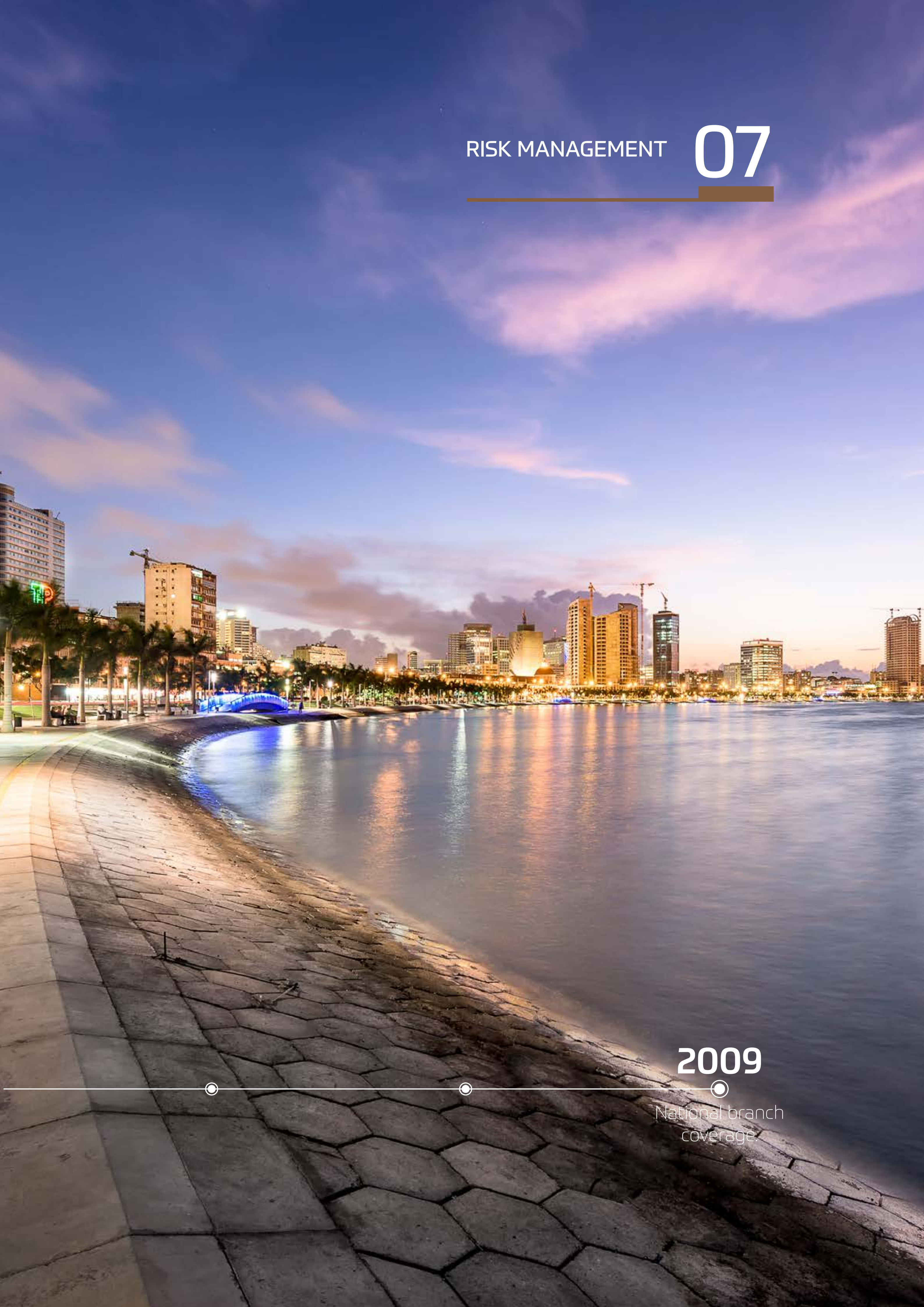
SAESP - Summary of Indicators

Amounts expressed in million Euros except when specified otherwise	Dec-13 (audited)	Dec-14 (audited)	Dec-15 (audited)	Variation Dec-14/15	
				Abs	%
Net assets	7.452	7.297	7.144	-153	-2%
Equity	7.339	7.042	6.924	-118	-2%
EBITDA	-73	-36	93	129	-358%
Net Income for the Financial Year	-277	-298	-118	180	-60%
ROAE	-3,77%	-4,23%	-1,70%	3	-60%
ROAA	-3,71%	-4,08%	-1,65%	2	-60

SAESP registered a net loss of AKZ 118 million in 2015, a 60% improvement over the previous year. Earnings before tax, depreciation and amortisation (EBTDA) rose from a loss of AKZ 36 million in 2014 to a profit of AKZ 93 million in 2015, a result of the 5% reduction in structural costs and the 1% increase in the volume of business.

Net assets amounted to AKZ 7.144 million, a 2% drop compared to 2014, while share capital registered AKZ 6.924 million, a 2% negative variation in relation to the previous financial year. In terms of profitability, ROAE increased by around 2.5 percentage points, amounting to minus 1.7% (minus 4.2% in 2014), while ROAA rose 2.4 percentage points to minus 1.7% (minus 4.1% in 2014).

RISK MANAGEMENT 07



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National branch coverage.

Main developments in 2015:

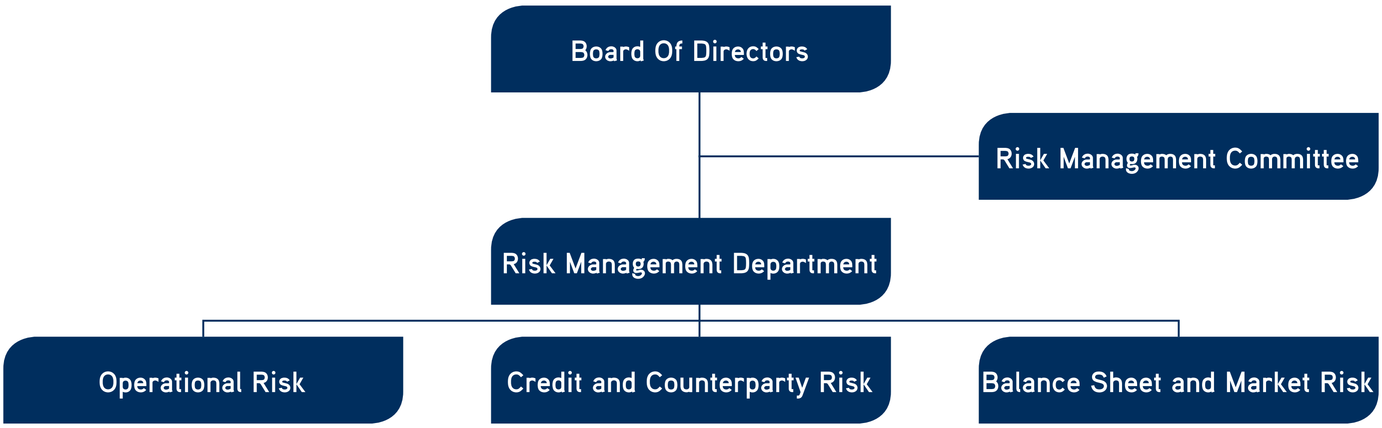
- The alteration of the organisational structure of the risk management system;
- The preparation of a risk management policy;
- A review of the loan decision matrix;
- The implementation of a system to calculate loan portfolio impairment;
- The creation of a database for fraud records;
- The definition of procedures applicable to identifying and reporting suspicious transactions;
- The definition of procedures applicable to identifying and reporting entities on blacklists;
- The updating of the loan policy;
- The updating of the information security policy.

Risk management is a central element in the management of BAI's strategy, through which it identifies, assesses, monitors and systematically controls the risks inherent to the business, in order to ensure legal compliance, financial stability, the trust of depositors, partners and other stakeholders, in accordance with the best market practices and the recommendations put forward by regulators and supervisors.

A. Risk Management Governance

Risk management was conducted in an integrated manner in the period covered by this report, led by the Executive Committee and involving the Assets and Liabilities Committee (ALCO) and all the areas involved in operating risk, specifically the Operational Risk Office (now the Risk management Department (DGR)), the Integrated Security Office (GSI), the Compliance Office (GCL) and the Internal Audit Department (DAI).

The organisational structure of the risk management system was altered as from November 2015, and now features a new autonomous and independent body – the Risk Management Department (DGR) –, with no direct responsibility over any risk-taking function, which depends hierarchically and functionally on the Board of Directors, and is supervised by the Risk Management Committee:



The entities involved in the risk management system and their respective duties are the following: The Board of Directors – responsible for defining, approving and implementing a risk management system which allows for the identification, assessment, control and monitoring of all the material risks to which the Bank is exposed, as a means of guaranteeing such risks remain at the predefined level and have no significant effect on the Bank´s financial situation.

The Board of Directors is also responsible for:
Approving the operating regulations of the Risk Management Committee;

- Guaranteeing the material and human resources geared to the execution of risk management duties;
- Ensuring risk management activities have sufficient independence, status and visibility and are subject to regular reviews;
- Approving the limits of exposure to the different material risks to which the bank is exposed;
- Defining the general guidelines for the risk management system and defining the Bank´s risk profile, set forth in the risk management policy.

Risk Management Committee (CGR) – responsible for assessing the efficacy of the risk management system, in addition to:

- Advising the Board of Directors on risk strategy;
- Supervising and implementing the risk strategy;
- Supervising the activity of the Risk Management Department.

Executive Committee (CE) – responsible for defining and approving:

- The limits of exposure to financial institutions;
- The limits of delegation of powers to lower-ranked entities;
- The processes and procedures for the implementation of the risk management system in accordance with the policy drawn up by the Board of Directors.

Internal Audit Department (DAI) – responsible for:

- Preparing and updating a audit plan to examine and assess the suitability and efficacy of the different components of the Bank´s internal control system, as well as the internal control system as a whole;
- Issuing recommendations based on the results of the assessments conducted and compliance with the same; and
- Preparing and submitting regular reports on audit issues to the different bodies to which it reports (Board of Directors and Internal Control Committee), with a summary of the main shortcomings detected in the control activities, which, even if immaterial when considered separately, may reveal trends of faults in the internal control system, in addition to indicating and identifying the recommendations followed.

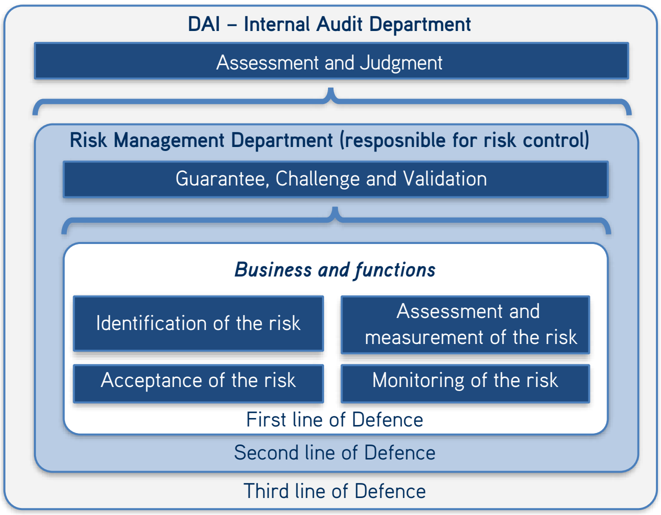
Risk Management Department (DGR) – responsible for identifying, assessing and monitoring risk which are materially relevant to the Bank, as well as monitoring the suitability and efficacy of the measures taken to correct any shortcomings in the risk management system.

Integrated Security Office (GSI) – responsible for defining policies, rules and controls to guarantee the appropriate management and monitoring of the security of the computer and electronic systems and equipment, in addition to guaranteeing the implementation of the same.

Bank Structural Units: responsible for the effective control of risks and compliance with the internal procedures manual defined by the Executive Committee.

Risk Management Responsibilities Model

Risk management at BAI is composed of a framework of internal controls and assessments which make up the three lines of defence model:



The first line of defence is composed of the areas involved in risk, which should guarantee the effective management of the risk within the scope of their direct responsibilities at the organisation. The first risk management responsibilities of all employees in relation to their organisational duties are:

- To inform: to ensure all material risks are identified, assessed, mitigated, monitored and reported;
- To control: to guarantee the implementation and compliance with all the applicable policies, procedures, limits and other risk management requirements, as well as proposing improvements in the controls to ensure all risks identified are controlled within acceptable boundaries and consistent with standards;
- Planning and optimising: aligning the strategies in the business areas or support functions with risk appetite and striving to maximise the return risk profile.

The second line of defence consists of the independent review process conducted by the Risk Management Department, responsibilities in relation to the activities to be examined. This duty involves an independent analysis of the risk management of its own activities (the first line of defence) and of the processes involved in the risk management duties (the second line of defence). The Risk Management Department guarantees the full efficacy of the internal control system.

The internal audit is the third and last line of defence at BAI and involves the assessment of the policies, methodologies and procedures on a regular basis as a means of guaranteeing they are appropriate and are being implemented in an effective manner.

The process for the documentation of the risk management system, or in other words, the manner in which the risk policies and procedures are reported and disclosed to the Bank´s entire structure, may be presented in the form illustrated below:

Definition of the Risk Profile and Level of Tolerance with regard to Risk

The global objective defined by the Board of Directors consisted of a conservative risk profile for all material risks assumed by the Bank, and consequently, a level of tolerance with regard to low risk, there by guaranteeing the continuity of business in terms of profitability and solvency in all situations. This profile was determined based on the predefined business strategy and the macroeconomic framework in which the Bank operates, among others.

Entity	Function	Formalisation
Board of Directors	General guidelines for the risk management system and defining the Bank's risk profile	Risk Management Policy
Risk Management Committee	Assessment of the effectiveness of the Risk Management System and supervision of the risk management function	
Risk Management Function	Identification, evaluation and monitoring of risks. Recommendations on risk policies, procedures and limits	Balance sheet, market and operational risk management standards
Functional Areas	Effective control of risk	Internal Procedures Manuals

Identification and assessment of the major risk categories

B. Balance Sheet and Market Risk

Balance sheet risk measures the Bank´s capacity to meet its liabilities with regard to the asset structure available in its balance sheet. It is subject to two types of risk: i) balance sheet interest rate risk, arising from assets and liabilities which are sensitive to interest rate variations; ii) foreign exchange rate risk; and iii) liquidity risk, both in relation to the negotiability of the different assets, as well as the ability to fulfill its financial obligations.

The different types of risk mentioned are monitored on a daily basis by the Financial Markets Department (DMF) in the form of reports, which are always sent to the members of the Executive Committee who are on the Assets and

Liabilities Committee (ALCO). A monthly assets and liabilities management report is published which serves as a basis for ALCO analysis.

BAI uses the following parameters to assess these risks:

Risk	Parameters
Liquidity	Liquidity gaps; Evolution of liquidity ratios; Concentration of the biggest depositors; Simulations
Interest rate	Interest rate gaps; Evolution of profitability ratios; Simulations; Analysis of the monthly interest rates and the portfolio; Earning at Risk.
Foreign exchange	Value at Risk model; Simulations; Scenario analyses; Assessment of foreign exchange exposure limits

The Bank controls the financial risks by means of limits established by the Executive Committee and BNA (where applicable). The principal limits (internal and external) are the following:

Indicator	Defined by	Monitored by
Cost to income ratio	Board of Directors	Board of Directors and ALCO
Liquidity gap	ALCO	ALCO
Regulatory solvency ratio (RSR)	BNA	ALCO
Foreign exchange exposure limit	BNA	ALCO

Accrued liquidity gaps (domestic currency and foreign currency) as at 31 December 2015

Thousand AKZ	2D	2S	1M	2M	3M	6M	1A	2A	5A	5A+	TOTAL
Available funds	88.542	7.842	1.197	2.616	3.874	14.186	10.654	55.375	0	0	184.284
Liquidity investments	0	23.617	2.431	3.609	4.749	3.718	7.763	0	0	2.085	47.971
Securities	0	0	0	37.914	39.671	36.936	33.343	141.499	28.201	97.512	415.076
Loans	3.680	9	69	3.711	2.553	30.011	50.590	9.112	68.738	235.043	403.516
Other assets (T)	7.321	0	0	0	0	0	13.994	9.007	0	66.274	96.590
TOTAL ASSETS	**99.543**	**31.468**	**3.696**	**47.849**	**50.846**	**84.849**	**116.345**	**214.993**	**96.939**	**400.914**	**1.147.442**
Demand deposits	-534	-3.474	-4.008	-7.444	-8.551	-26.258	-53.654	-448.02	4 0	0	-551.948
Term deposits	-8.639	-78.369	-21.313	-27.093	-39.387	-96.541	- 43.451	-67.278	-735	-3.738	-386.546
Liquidity funding	0	0	0	0	-13.532	0	0	0	0	0	-13.532
Other liabilities (T)	-2.285	-308	-3.563	-5.069	0	-7	-2.275	-6.814	0	-108	-20.429
TOTAL LIABILITIES	**-11.458**	**-82.151**	**-28.884**	**-39.606**	**-61.470**	**-122.807**	**-99.380**	**-522.117**	**-736**	**-3.846**	**-972.455**
GAP	88.084	-50.683	-25.188	8.243	-10.623	-37.958	16.965	-307.123	96.203	397.068	174.987
ACCUM. GAP	88.084	37.401	12.213	20.456	9.832	-28.125	-11.160	-318.284	-222.080	174.987	

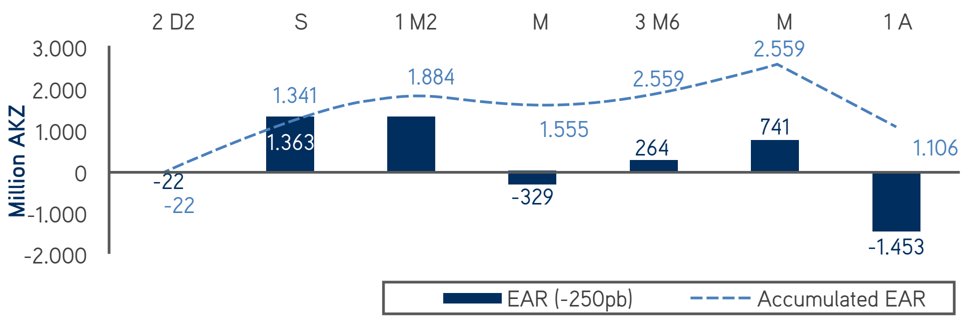
The accrued liquidity gap as at 31 December 2015 was positive for maturities of up to 3 months, meaning the Bank has assets with which to settle its liabilities when they mature without the need to resort to other forms of financing. Moreover, part of the Bank´s ALM strategy consists of a significant portfolio of liquid assets with regard to the nature and composition of deposits. From a global perspective, more liquid assets (cash and cash equivalents and liquidity investments) accounted for around 21% of net assets (2014: 38%). The reduction in net assets was influenced by the conversion of 80% of mandatory reserves in foreign currency into treasury bonds in foreign currency, accounting for 6% of assets, and by the reduction the demand for liquidity in the interbanking market.

Accrued interest rate gaps (domestic currency and foreign currency) as at 31 December 2015

Thousand de AKZ	2D	2S	1M	2M	3M	6M	1A	2A	5A	5A+	TOTAL
Available funds	-	23.617	2.431	3.609	4.749	3.718	7.763	-	-	2.085	47.971
Liquidity investments	-	-	-	37.914	39.671	36.936	33.343	141.499	28.201	97.512	415.075
Securities	3.680	9	69	3.711	2.553	30.011	50.590	9.112	68.738	235.043	403.516
Loans	**3.680**	**23.625**	**2.499**	**45.234**	**46.972**	**70.664**	**91.697**	**150.611**	**96.939**	**334.640**	**866.562**
Demand deposits	-8.639	-78.369	-21.313	-27.093	-39.387	-96.541	-43.451	-67.278	-735	-3.738	-386.546
Liquidity funding	0	0	0	0	-13.532	0	0	0	0	0	-13.532
TOTAL LIABILITIES	**-8.639**	**-78.369**	**-21.313**	**-27.093**	**-52.919**	**-96.541**	**-43.451**	**-67.278**	**-735**	**-3.738**	**-400.777**
GAP	-4.959	-54.744	-18.814	18.140	-5.946	-25.877	48.246	83.333	96.204	330.902	466.485
ACCUM. GAP	-4.959	-59.702	-78.516	-60.376	-66.322	-92.200	-43.953	39.380	135.583	466.485	

With regard to the accrued interest rate gap, it should be pointed out that the Bank was prepared for a general decrease in the interest rate for maturities of up to 1 year. This is due to the fact that 78% of loans and 64% of bonds and securities feature maturities of over 1 year, while only 19% of deposits feature these maturities.

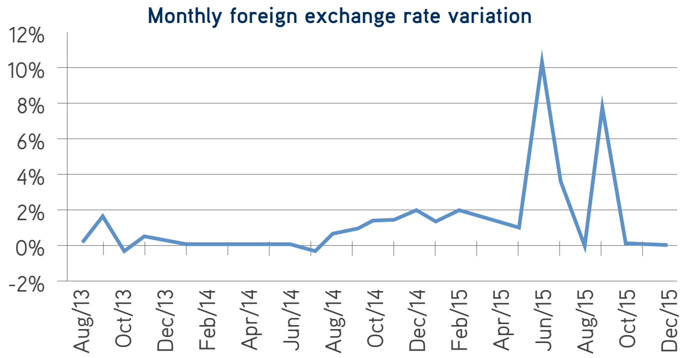
Earning at risk with a reduction in the interest rate (-250 bp)



EaR represents the forecast variations in the Bank´s net interest income, arising from changes in the interest rate level on the balance of resources and investments. The Bank often uses interest rate gaps to quantify the impact on the Bank´s net interest income in the event of an adverse change in the interest rate.

Hence, based on the equity situation in late December 2015, and simulating a 250 base point drop (2.5%) in the interest rates, the Bank was able to reduce net interest income by AKZ 1.106 million in the period of one year. The Bank thoroughly monitors variations in interest rates, and as a means of mitigating the negative impact of such variations conveniently reallocates its assets and liabilities in order to create a positive impact on the gaps in the different residual maturity periods.

The perception of foreign exchange risk increased considerably in 2015. The variations in the USD/AKZ exchange rate were the biggest in the last three years, particularly those registered in the second six months of the year, impacted by the fall in the price of oil, and June 2015 saw the biggest monthly variation (10.04%) in the last 42 months.



The Bank uses the monthly foreign exchange rate Value at Risk (VaR) to manage this risk

- The foreign exchange rate VaR represents the maximum potential loss, with a confidence level of 99%, arising from the negative performance of the exchange rate over a month, in the reassessment of foreign exchange risk.
- tThe definition of the value at risk arising from variations in the exchange rate for the United States dollar (the most representative foreign currency on the balance sheet) in terms of domestic currency is conducted based on the historic and normal or parametric methods.

Taking into account foreign exchange exposure as at 31 December 2015, the VaR (at 30 days with 99% confidence) calculated using the historic method is AKZ 2.582 million and the value at risk calculated using the normal or parametric method is AKZ 1.360 million, or in other words the Bank would lose a maximum of AKZ 2.582 million if the risk were to materialize.

C. Credit and Counterparty Risk

RCredit risk is the likelihood of the occurrence of negative impacts on profit or capital due to the failure of a counterparty to meet its financial commitments with the institution, including potential restrictions on the transfer of payments from abroad.

The importance of credit risk to the Bank´s activity demands the existence of an effective credit risk management system with the aim of ensuring an efficient and profitable performance in the medium and long term, thereby guaranteeing the continuity of business and the very survival of the institution.

A series of activities were implemented in 2015 with a view to increasing the efficiency of credit risk management, the most noteworthy of which were the following:

- The updating of the credit policy;
- A review of the credit decision-making matrix;
- The implementation of a system to calculate loan portfolio impairment.

Credit Concession Process

Once the mandatory information has been gathered in the concession phase, the commercial department should draw up a report on the operation. Depending on the type of loan and the amount requested, the need for the process to be passed on to the Credit Analysis Department (DAC) is analysed, in order to conduct a risk analysis to be submitted to the pertinent level for approval in accordance with the delegation of powers involved.

The Bank has its own rating and scoring models for classifying the credit risk of companies and individuals respectively.

In the case of companies, a rating is awarded subsequent to the assessment of (i) the company´s management capacity, (ii) the economic-financial situation, (iii) the banking records, (iv) the quality of guarantees (v) the sector of activity. Weightings are established for each of these parameters and give the respective score when multiplied by the classification awarded. The sum of the scores of the 5 parameters is equal to the company´s risk factor or rating (see the table below).

In the case of individuals, the scoring model assesses (i) the business involvement, (ii) social stability, (iii) professional status, and (iv) the client´s economic-financial situation. Weightings are established for each of these parameters and give the respective score when multiplied by the classification awarded. The sum of the scores of the 4 parameters is equal to the client´s score or rating (see the table below).

Credit Rating

	Risk	Risk Factor (Score)
A	Zero	[6.5 – 7]
B	Very low	[5.5 – 6.4]
C	Low	[4.5 – 5.4]
D	Moderate	[3.5 – 4.4]
E	High	[2.5 – 3.4]
F	Very high	[1.5 – 2.4]
G	Loss	[0 – 1.4]

The Bank also possesses tools to assess a client´s credit status both at home and abroad. BAI uses the BNA Credit Risk Information Centre (CIRC) to assess client exposure in the domestic market. The Bank has a financial information platform on companies operating in the European market to assess the credit status of companies and economic groups with exposure in other markets.

The Credit Committee is a collegiate entity entrusted with promoting the alignment of policies and rules for granting loans, analysing and approving loan transactions in accordance with the policies and limits defined by the Executive Committee, as well as the monitoring of the non-performing loan portfolio. All the decisions made involve the participation and viewpoint of the members of the committee, or in other words, individual decision-making powers do not exist.

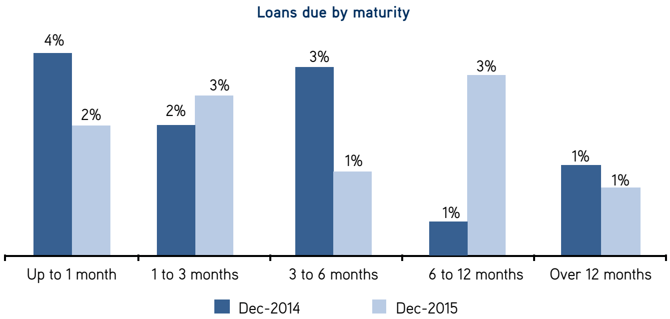
Within the scope of the credit matrix, the Bank also has several credit sub-committees which convene once a week to address the aforementioned issues. The decision-making matrix is only applicable to clients with an A to C risk level awarded by the BAI scoring or rating model. All transactions with a risk rating greater than C are decided upon at echelon level 4, with the exception of renegotiation or restructuring operations, the risk of which arises from default.

Credit Decision-Making Matrix

Level	Decision-making entity
1	Manager + Area Coordinator + Regional Director
2	DAC Deputy Executive Manager + Regional Executive Manager + DEI Deputy Executive Manager + DRC Deputy Executive Manager
3	1 Director + DBR Executive Manager + DEI Executive Manager
4	3 Directors + DBR Executive Manager + DEI Executive Manager
5	Executive Committee
6	Board of Directors

As a means of ensuring the appropriate control of the quality of the loan portfolio, the Credit Recovery Department (DRC) is entrusted with the specific duty of monitoring due portfolios up to 30 days, allowing for the provision of alerts in relation to incidents which might occur in the development of the risk, with the aim of taking action geared to mitigating such risks. Recovery activity is structured in accordance with the commercial segmentation of clients: Individual and Companies, with specific management models. The management of recoveries is also conducted in line with the different phases of management: preventive management and the management of irregularities. All this activity is shared with business areas.

Non-performing loans due to residual maturity, as at December 2015, showed mixed behaviour compared to December 2014, highlighted by the increase registered in the period of 6 to 12 months and the reduction in the period of up to 1 month.



Despite the continuous deterioration in the quality of the loan portfolio, the due loan ratio stood at 9.81%, representing a reduction of 1.67% compared to the previous financial year. Higher risk level loans (D to G) accounted for 23% of total loans in December 2015, an increase of 6 percentage points in comparison with December 2014 (18%). On the other hand, lower risk level loans (A to C) accounted for 77%, a reduction of 6 percentage points in comparison with December 2014.

Loans granted by class				Provisions of total loans
Class	Dec 13	Dec 14	Dec 15	
A	6%	34%	27%	0%
B	18%	15%	13%	2%
C	61%	34%	37%	8%
D	4%	5%	10%	9%
E	4%	8%	3%	32%
F	3%	1%	7%	54%
G	4%	3%	3%	100%
Total	100%	100%	100%	

The analysis and assessment of risk is conducted by the Executive Committee and the Board of Directors, whereby the analyses are prepared by the departments involved in the management of the portfolio (DCE, DAC and DRC), based on the following factors:

- Evolution of levels of default and provisions in relation to the portfolio as a whole;
- The type of client credit exposure;
- Warning signs detected in a client´s behavioral profile in relations with the Bank and the financial system in general.

The following limits apply to credit risk:

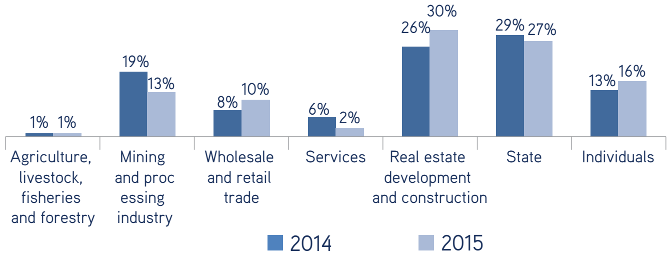
Indicator	Limit	Defined by	Monitored by
Maximum exposure limit per client	25% of Regulatory Equity	BNA	Board of Directors
Risk exposure limit of the 20 biggest debtors	300% of Regulatory Equity	BNA	Board of Directors

FPR – Fundos próprios regulamentares

In relation to the breakdown of loans by sector of economic activity, and although the portfolio has diversified, certain sectors feature a considerable weight, specifically those of real estate development and construction and the State. The fastest growing sectors in the financial years 2014 and 2015, in terms of percentage, were the following: Real estate development and construction (4 percentage points) and individuals (3 percentage points).

The worst performing sectors in the financial years 2014 and 2015, in terms of percentage, were the following: The mining and processing industries (6 percentage points) and services (4 percentage points). Loans to the State dropped by only 2 percentage points due to the effect of the devaluation of the currency on loans in foreign currency, which offset the effect of the conversion of AKZ 52.600 million in June 2015 in relation to a direct loan transaction in public debt bonds involving a banking syndicate.

Loans by sector of activity



The Bank is currently in the phase for the implementation of the methodology for the calculation of impairment in the loan portfolio within the scope of the plan to adopt IAS/IFRS (see Note Nº 36 – Subsequent events).

Counterparty risk is based on the possibility that a certain counterparty fails to comply with its obligations relating to the settlement of operations within money, capital and foreign exchange markets.

Within the management of counterparty risks, the Bank uses maximum exposure limits for counterparties related to a global analysis of their situation and the use of an internal model with financial and economic variables which produce a score.

The Financial Markets Department is responsible for monitoring the Bank´s global risk positions involving Angolan and foreign counterparties and for exercising the necessary supervision and control to ensure credit limits are not surpassed.

The Executive Committee is exclusively responsible for authorising limits and excesses, with the delegation of powers up to a certain percentage of excess, in accordance with the following hierarchical levels:

- To the Head of the Financial Markets Department up to a maximum of 10% of the limit;
- To the Director of Financial Markets Department duties up to a maximum of 25% of the limit;
- To the Executive Committee (at least two directors) over 25% of the limit.

The Bank may increase its exposure to a certain counterparty beyond the limit calculated using the scoring model, provided the counterparty submits collateral deemed as acceptable by the Bank, to guarantee the transaction.

The counterparty credit limits are managed by the Financial Markets Department within the scope of balance sheet risks, and supervised by the Executive Committee and ALCO.

The Financial Markets Department complies with the following limits in relation to monetary, foreign exchange and secondary bonds and securities market operations:

i. Trading Limits – related to risks arising from maintaining open positions in foreign currency, resulting from mismatches between the maturity periods of receivables and payables, as well as from overtrading.
ii. Credit Limits – concerning risks related to the ability and willingness of the counterparty to fully comply with the agreements entered into. The Trading Room is responsible for monitoring the Bank's overall foreign exchange risk positions, with domestic and foreign entities, and conducting the necessary supervision and control to ensure credit limits are not surpassed. The Executive Committee is exclusively responsible for authorising any excess of these limits, delegating such powers up to a certain percentage of excess in accordance with the hierarchical levels established.

D. Capital Adequacy

Capital adequacy is monitored through the Regulatory Solvency Ratio (RSR) which represents the minimum percentage of capital, set at 10% for prudential purposes, the Bank should possess in order to meet any losses arising from credit and foreign exchange risk, calculated using the following equation (BNA Notice N° 05/07 of 12 September):

$$RSR = \left(\frac{FPR}{APR + (CRCO/10\%} \right) * 100$$

On 31 December 2015, the Regulatory Solvency Ratio (RSR) stood at 19.8%, an increase of 2.38 percentage points compared to 2014, having been influenced positively in the year by (i) the increase in regulatory equity and (ii) the reduction in the balance sheet with an influence on a reduction in risk-weighted assets, and (iii) by the deduction of AKZ 1.014,000 from regulatory equity due to the 0.99% excess of the second biggest debtor over the 25% limit defined in BNA Notice 8/07 of 12 September.

Regulatory Capital

The calculation of regulatory capital is defined in Notice N° 05/07 of 12 September and Instruction N° 03/2011 of 08 June. In 2015, regulatory capital stood at AKZ 101.702 million, reflecting an increase of 14% compared to 2014, largely explained by an increase in profits for the year and the payout of dividends from the financial year 2014.

Amounts in million AKZ	Dec 13	Dec 14	Dec 15
Base Equity (Level 1)	81.970	88.542	101.480
Additional Equity (Level 2)	840	335	221
Regulatory Equity (FPR)	82.810	88.877	101.702
Risk Weighted Assets (APR)	437.094	428.190	419.465
Capital for Foreign Exchange and Gold Risk / Minimum Ratio	38.020	83.072	94.998
Regulatory Solvency Ratio	17.4%	17.4%	19.8%

Regulatory Capital levels revealed a capacity for absorbing losses arising from credit and market risks. As at 31 December 2015, regulatory capital accounted for 24% of due loans, 108% of foreign exchange risk and gold capital (CRCO) and 9% of assets.

Capital Ratios	Dec 13	Dec 14	Dec 15
Regulatory Equity / (APR)	19%	20.8%	24.3%
Base Equity (Level 1) / (APR)	18.8%	207%	24.2%
Base Equity (Level 1) / Non-performing loans	371.1%	206.7%	256%
Base Equity (Level 1) / CRCO	215.6%	106.6%	106.8%
Base Equity (Level 1) / Total Assets	7.9%	8%	9.3%

Risk-Weighted Assets (RWA)

Risk-weighted assets represent credit risk for the purpose of the calculation of the regulatory solvency ratio, or in other words, each item of the Bank's assets is given a specific weight in accordance with the type of operation, currency and institutional sector, whereby assets in foreign currency require more regulatory capital.

In 2015, there was a decrease of RWA to AKZ 8.724 million compared to 2014, influenced by the reduction in the foreign currency balance sheet (deposits).

Capital Requirement for Foreign Exchange Risk

Capital for Foreign Exchange Rate Risk and Gold (CRCO) represents the level of capital the Bank needs to possess to meet risks related to exchange rates and the deterioration of assets denominated in gold. This indicator is included in the denominator of the regulatory solvency ratio and is determined based on foreign exchange exposure, the limit of which is established at 20% for both short and long foreign exchange positions and, applying the equation, corresponds to the sum of 13% of the absolute value between the sum of the two positions and 7% of the highest absolute value between the two positions, as well as 20% of the net position in gold.

In 2015, CRCO stood at AKZ 94,998 million, reflecting an increase of AKZ 11,927 million (14%) compared to 2014, largely due to the increase in the value of treasury securities indexed to the United States dollar measured in terms of kwanzas, (USD 94 million), increasing long exposure in foreign currency [26].

E. Operational Risk

Description

The operational risk structure was developed to minimise the risk of incurring significant financial losses resulting from inadequate controls in the different areas of the Bank. The operational risk department is responsible for identifying the main events and sources of operational risk, as well as registering and proposing measures to deal with and eliminate the causes of the same.

The Bank defines operational risk as the likelihood of incurring financial losses resulting from the impairment or failures in analysis, processing or settlement of transactions, internal or external fraud, the use of subcontracted resources, ineffective internal decision-making processes, insufficient human resources and idle infrastructure.

Operational Risk Management Principles

- **Independence:** the operational risk management duties are independent in relation to the other functions;
- **Skills:** operational risk management duties are exercised by personnel with adequate technical skills in relation to management issues;
- **Duty of information:** the information obtained in the risk management process is disclosed in a timely manner by those entrusted with this task;
- **Confidentiality:** the internal and external disclosure of information is based on criteria of confidentiality of the data and the responsibilities and duties of those receiving the information;
- **Materiality:** this duty is subject to the relative importance of the issues under analysis taking objective criteria into account;
- **Objectivity:** all operational analyses and proposals are based on desirably quantifiable facts, without prejudice to the existence of professional judgment.

Operational Risk Management

The operational risk management process is composed of the following phases:

1. **Identification:** through the analysis of processes, the reporting of events and losses and questionnaires;
2. **Assessment:** Conducted together with the manager in relation to the likelihood of an occurrence and the consequences of the exposure to risk of an operational risk event of an internal or external origin. The result of this assessment is reported via the Integrated Operational Risk Matrix - "MIRO". This phase highlights the importance of the analysis of the controls for medium and high-level risks, always with a view to reducing exposure and based on a plan of action.
3. **Monitoring and Control:** conducted by means of the analysis of the evolution of indicators – key risk factors; the analysis of the evolution of loss; the analysis of the answers to the self-assessment questionnaires (comparing the previous and latest versions);
4. **Reporting Information:** The assessment is then submitted to the Board of Directors and the Risk Management Committee (CGR).

[26] Foreign exchange exposure is said to be long (short) when the value of the assets in a foreign currency or indexed to a foreign currency is greater (less) than the value of the liabilities in a foreign currency or indexed to a foreign currency.

Operational Risk Management

Operational risk events are categorised in accordance with the Basel II Accord, as illustrated in the table below:

Risk Category	Description
Internal fraud	Loss arising from intentional acts involving fraud, the undue appropriation of assets or aimed at sidestepping legislation, regulations or policies, with the exception of acts in relation to differentiation / discrimination, involving at leat one internal party from the Bank.
External fraud	Loss arising from intentional acts involving fraud, the undue appropriation of assets or aimed at sidestepping legislation by a third party.
Practices with regard to employment and safety in the workplace	Loss arising from acts which fail to comply with the law or employment, health or safety agreements, in addition to the payment of personal injury or acts involving differentiation / discrimination.
Clients, products and business practices	Loss arising from intentional non-compliance or negligence in relation to a professional obligation involving specific clients (including fiduciary and suitability requirements) or from the nature or conception of a product.
Damage caused to physical assets	Loss arising from damage caused to physical assets by natural disasters or other events.
Disruption of business activity and faults in the system	Loss arising from the disruption of business activities or faults in the system.
Execution, delivery and management of processes	Loss arising from faults in the processing of operations or the management of processes, in addition to relations with business counterparties and salespersons.

The analysis of shortcomings in internal controls:

The priority work conducted at Operational Risk Department (RROP) has been:

1. The analysis of processes;
2. The production of operational risk matrices, detailing the levels and types of risks which may occur in the different internal procedures; the creation of a fraud database.

The table below illustrates the matrix used to classify exposure levels (Integrated Operational Risk Matrix):

Risk Exposure Level		Impacto				
		Low	Low-medium	Medium	Medium-high	High
Likelihood of Occurrence	Low	RB	RB	RBM	RM	RA
	Low-medium	RB	RB	RM	RMA	RA
	Medium	RB	RBM	RM	RMA	RA
	Medium-high	RBM	RM	RMA	RA	RA
	High	RM	RM	RMA	RA	RA

Legend: LR – Low Risk; LMR – Low-Medium Risk; MR – Medium Risk; MHR – Medium-High Risk; and HR – High Risk

Electronic and computer security

In 2015, the Integrated Security Office (GSI) was involved in the preparation of a continued business plan geared to structuring and systemising the Bank´s response to situations involving the unavailability of its branches, as a means of recovering the operability of the critical processes conducted by the same.

F. Compliance Risk

The main developments in 2015:

- The approval of new forms for opening accounts;
- The implementation of a system for monitoring transversal transactions;
- Risk matrix - Adaptation of the computer system for registering risk levels;
- FATCA – Adaptation of the computer system for registering and reporting information;
- Training:
  - Knowing your Client (CSC) and FATCA manual – training for business areas covering all the provinces in the country;
  - The implementation of an e-learning system on the prevention of money laundering and the financing of terrorism.
- Implementação de um sistema de *e-learning* sobre prevenção do branqueamento de capitais e financiamento ao terrorismo (BCFT).

The management of compliance risk is ensured by the Compliance Office (GCL), whose mission is to (i) supervise and ensure compliance and the correct implementation of the legal, regulatory and ethical provisions and the recommendations issued by the regulatory and supervisory entities (ii) the implementation of measures to mitigate the risk of money laundering and the financing of terrorism and (iii) reporting suspicious operations to the pertinent authorities.

Compliance risk management places a special focus on the laws and regulations for the prevention of money laundering and the financing of terrorism (BCFT). Moreover, as a means of ensuring the correct implementation of the legal provisions applicable to the Bank´s activity, as well as ensuring all personnel are familiar with and comply with the same, the Compliance Office is responsible for guaranteeing the due availability and updating of the regulations and legislation on the intranet. The Compliance Office submits the following reports:

- A monthly report on the submission of reports for BNA and UIF;
- A daily report on compliance with procedures in relation to cash account activity;
- A quarterly report on compliance with procedures in relation to opening accounts;
- A quarterly report on the activity conducted;
- An annual report on Compliance Function.

The following tools are used:

- **Auditbank –** event alerts in the Banking system;
- **Voyager –** the monitoring of Western Union transactions;
- **BaiWest –** reporting operations to UIF;
- **C–Link –** the screening of payments;
- **ARGUS –** the monitoring of transactions..

The adoption of measures geared to the prevention of money laundering and the financing of terrorism, in addition to compliance with penalties decreed by governments, international and supranational organisations are vital to trust in the financial system, whereby the Bank promotes the development of skills and the implementation of rigorous controls with regard to these issues, demanding the comprehensive compliance of all personnel with the internal procedures enforced as a means of preventing the Bank´s services for illegal purposes or failure to comply with penalties.

To this end, the Bank has a policy for the prevention and detection of money laundering and the financing of terrorism and compliance with penalties. This policy applies to all BAI personnel. The Bank´s affiliate and subsidiary entities are required to comply with the laws and regulations in force in the country in which they operate or the Bank´s policy, whichever is stricter. The policy is based on the implementation of the following fundamental principles:

a. Verification of a client´s identity:
   - At the onset of the business relationship;
   - By the constant and systematic maintenance of account information;
   - Prior to the execution of cash transactions.
b. The gathering of appropriate information in order to acquire details on the origin and destination of funds, as well as the purpose of the relationship to be created with the Bank;
c. Knowledge of the client´s shareholder structure (corporate entities) as a means of ensuring the identification of the beneficiary/ies;
d. The adoption of a classification system in accordance with the level of risk and the monitoring of operations in accordance with the respective client profile, as a means of detecting suspicious transactions in a timely manner;
e. Checking clients (when opening accounts, and databases on a regular basis), beneficiaries and originators of all transfers issued and received respectively, prior to processing, with the different lists of penalties issued by domestic and international entities;
f. Knowledge of the corresponding banks, their procedures and controls with regard to the prevention of money laundering and the financing of terrorism;
g. A ban on the execution of transactions with shell banks;
h. Immediate notification of the Compliance Office for analysis and decision on blocking accounts and transfers, where applicable, and subsequent notification of the pertinent authorities when the following situations are detected:
   - Suspicious clients or transactions;
   - Clients, originators and beneficiaries on blacklists.
   - The recruitment of personnel preceded by the approval of the Executive Committee and a prior investigation into the applicant´s background, curriculum and reputation;
i. The continuous monitoring of internal control measures as a means of ascertaining the efficacy and security of the procedures implemented internally;
j. The awareness of all personnel on the importance of the prevention of money laundering and the financing of terrorism, and compliance with the penalties applicable to the financial system, investing in the training and development of internal resources.

An organisational and functional model implemented for the prevention of money laundering and the financing of terrorism.

The Board of Directors defines risk policies and guidelines for the operations conducted by the GCL.

The Executive Committee is the management entity at the Bank responsible for, in accordance with its powers, authorising the opening of accounts when the Compliance risk is high, as well as for the monitoring of business activity.

The Office implements and monitors the processes for the prevention of money laundering and the financing of terrorism Supervises compliance with the correct implementation of the legal, regulatory, statutory and ethical provisions, recommendations and guidelines issued by the pertinent supervisory entities.

08 HUMAN RESOURCES

2010

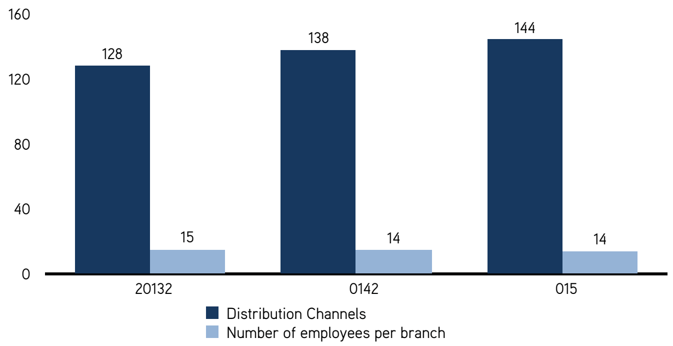
Creation of the Compliance Office.

Main developments in 2015:

- External benchmark for the improvement of the quality of the human resources department;
- The preparation of the Human Resources Department Strategic Plan for the period 2016 to 2021;
- A change in the administrative entity for health insurance and occupational accidents;
- Computerization of the performance assessment and management system;
- The reinforcement of internal mobility through an increase in internal recruitment;
- The preparation of an internal equity study and the review of the career development model, with a view to increasing employee satisfaction in relation to remuneration;
- The continuation of the internal competition for the Business Network Talent Bank;
- The holding of a Staff Event.
- Awareness campaigns in relation to occupational health, hygiene and safety.

In 2015, BAI registered a total workforce of 2,004 employees corresponding to a net increase of 4 employees (67 joining and 63 leaving) in comparison to 2014, and a turnover rate [27] of 3.2%, 4 percentage points down on 2014 (7%). The lowest increase in the number of employees since 2014 is a reflection of the streamlining of the organisational structure with a view to improving the Bank´s efficiency.

Number of employees per branch and distribution channels



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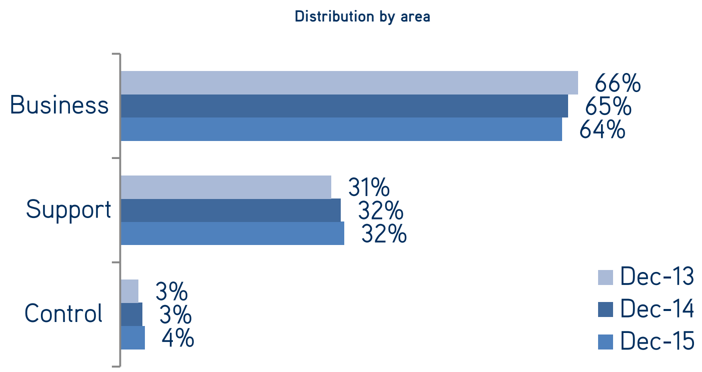
[27] *The turnover rate refers to the relation between admissions and dismissals or the rate of the replacement of old employees with new employees.*

As at 31 December 2015, the distribution of employees by department and functional area was as follows:

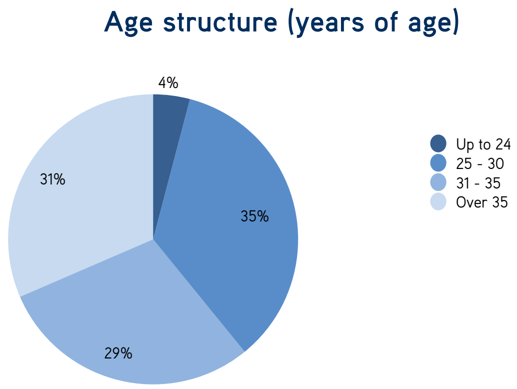
Department	Acronym in Port.	Head	Category	Board	Control	Support	Business	Total
Board of Directors	CA		Chairman of the Board	13		9		22
Supervisory Board	CF	Júlio Sampaio	President of the Supervisory Board	15				5
Integrated Security Office	GSI	N'vunda Ferreira	Executive Manager		14			14
Compliance Office	GCL	Ulanga Martins	Executive Manager		7			7
Planning and Control Department	GPC	Francisco Figueira	Executive Manager		7			7
Risk Management Department	DGR	Antonio Buta	Executive Manager		7			7
Internal Audit Department	DAI	Luís Fernandes	Executive Manager		18			18
Retail Banking Department	DBR	Raquel Gourgel	Executive Manager Coordinator			39	1153	192
Companies and Institutions Department	DEI	Makanjila Almeida	Executive Manager			19	114	133
Premium Services Department	GSP	Nzola Rangel	Executive Manager			2	16	18
Economic and Financial Analysis Department	GEF	Juvelino Domingos	Executive Manager			1		1
Electronic Banking Department	DBE	Antonia Cardoso	Executive Manager			69		69
Special Loans Department	DCE	João Lourenço	Executive Manager			11		11
Financial Markets Department	DMF	Irisolange Verdades	Executive Manager			16		16
Operations Department	DOP	Paulo Assis	Executive Manager			73		73
Credit Analysis Department	DAC	Gisela Fonseca	Executive Manager			23		23
Credit Recovery Department	DRC	Paula Lelis	Executive Manager			28		28
Human Resources Department	DRH	José Lima	Executive Manager			34		34
General Services Department	DSG	Lucamba Magalhães	Executive Manager			142		142
Accounting and Finance Department	DCF	Rita Cravino	Executive Manager			18		18
Information Technology Department	DTI	Luís Rodrigues	Executive Manager			53		53
Marketing and Communication Department	DMC	Fábio Correia	Executive Manager			17		17
Systems Org. and Dev. Department	DCF	Nuno Veiga	Executive Manager			25		25
Legal and Litigation Department	DTI	Alexandre Morgado	Executive Manager			9		9
Central Treasury Department	DTC	Eduardo Rodrigues	Executive Manager			37		37
Executive Administrative Department	SCE	Sandra Santos	Head of the Executive Administrative Department			10		10
Other (BAI Associates)						15		15
(1) Total December 2015				**18**	**53**	**650**	**1.283**	**2.004**
(2) Total December 2014				**11**	**53**	**639**	**1.297**	**2.000**
(3) Total December 2013				**11**	**49**	**571**	**1.239**	**1.870**
Net Change (Dec 15 and Dec 14)				**7**	**0**	**11**	**-14**	**4**

With regard to distribution by area, most employees work in the business areas, accounting for 64% of the total, followed by the areas of support and control with 32% and 4% of the total respectively.

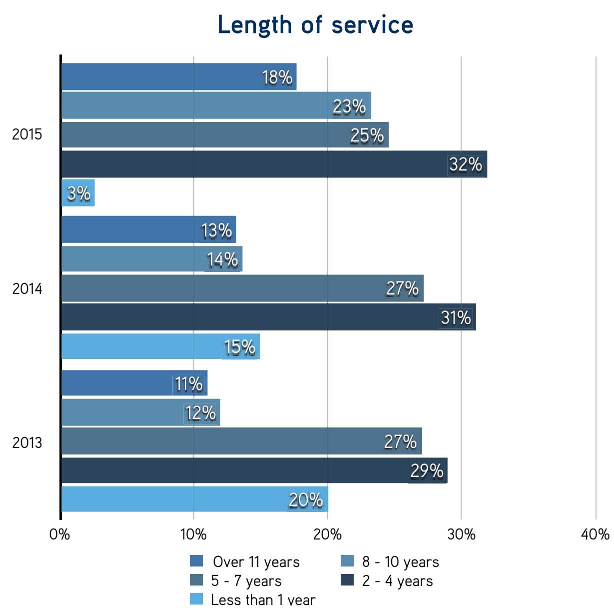


The importance given to the recognition of the merit and individual contribution of employees is reflected in the promotion of 180 members of staff (60 less than in 2014), 105 of which work in business and 75 in support areas.

At as 31 December 2015 the Bank's age structure consisted mainly of employees aged between 25 and 30 years of age, representing 35% of the total. The average age is 34 (33.5 in 2004). Distribution in terms of gender registered a total of 1,149 (57%) male and 855 (43%) female employees.

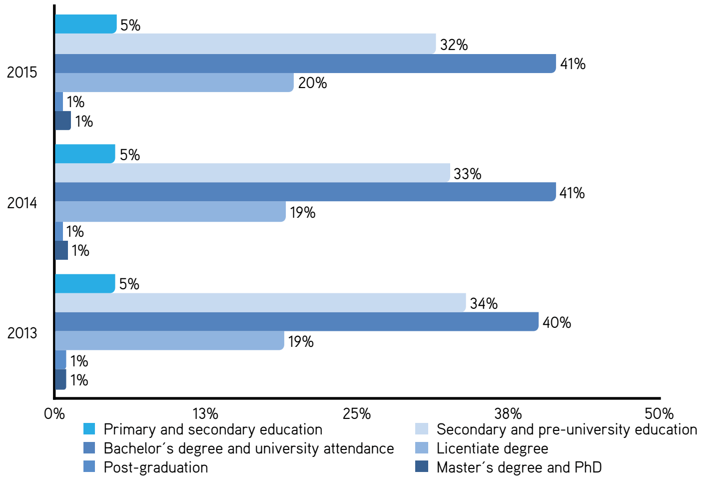


With regard to length of service, in 2015, 35% of the workforce had been at the Bank for a period of 4 years or less, while 41% had been at the company for more than 7 years.



In 2015, 20% of the Bank´s employees held a Licentiate degree, 41% held a Bachelor's degree or had attended university, and 33% had concluded secondary or pre-university education.

Academic qualifications



The Bank to continued its personnel development programme by providing specialised training activities in partnership with the BAI Academy, with the aim of reinforcing technical, behavioral and management skills.

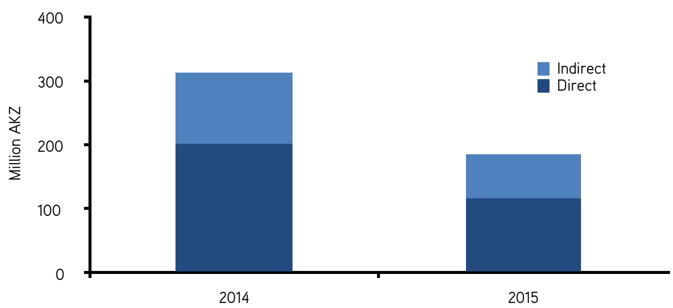
Participants and number of training hours by area

Department Training Area	2015 Number of hours	2015 Number of participants	2014 Number of hours	2014 Number of participants
Welcoming New Employees	827	71	2 484	148
Audit	19	4	584	39
Money Laundering and Fraud Prevention	5 119	556	2562	264
Accounting and Business Analysis	5 005	345	2 194	113
Banking Ethics	379	99	867	248
Management of Commercial Activity	0	0	784	195
Managing Processes	0	0	520	8
Human Resources Management	8 849	1 423	1540	557
Risk Management	4 540	195	5 429	173
Property Management	0	0	198	14
Tax Legislation	594	75	352	17
Leadership and Team Management	1 295	37	2 380	173
Languages	6 600	167	6 312	211
Financial Markets	6 701	248	4 024	118
Banking Operations and Techniques	21 788	664	59 255	1 572
Critical Thinking: Logical and Numerical Reasoning	10 760	307	21852	602
Post-Graduation - Banking Management	365	1	259	1
Banking Products and Services	1 448	276	632	35
Customer Care Quality - Service	3 430 204		18 632	1 017
Computer Systems	4 850	174	6 784	313
Grand Total, of which (per areas):	82 568	4 846	137 644	5818
Commercial			3 529	4 860
Support			916	865
Control			401	93

290 training activities were conducted in 2015, 98% in Angola and 2% abroad. 82,568 hours of training were administered (40% less than in 2014) to 4,846 participants (17% less than in 2014), whereby each employee attended an average of two training activities in the year. The control departments registered the biggest increase in terms of hours of training, with the aim of strengthening their skills due to greater legal and regulatory requirements.

Training costs, including indirect costs (in relation to accommodation, food and others), amounted to AKZ 185 million, 41% less than the previous year.

Training Costs



Investment in self-training incentives amounted to AKZ 2.8 million in 2015, representing an increase of 43% compared to 2014, with 13 employees benefiting from the incentive (0 more than in the previous year).

Self-training	2013	2014	2015	Δ%	
				2013/14	2014/15
N° of beneficiaries, of which:	19	4	13	-79%	225%
Business Network	9	4	7	-56%	75%
Central Services	10	0	6	-100%	NA
Investment (thousand AKZ)	**3 348**	**1 981**	**2 827**	**-41%**	**43%**

As a means of mitigating employees´ difficulties in relation to travel (distance, times and parking), BAI has been providing a collective transport service for its personnel since 2014, currently used by 80 employees resident in the province of Luanda.

All employees have health insurance, the coverage of which extends to the immediate family in accordance with predefined criteria. BAI transferred its health and occupational accident insurance policies to Nossa Seguros in 2015. In addition to health insurance, the Bank also has a health clinic for its employees.

FINANCIAL REVIEW 09

2011

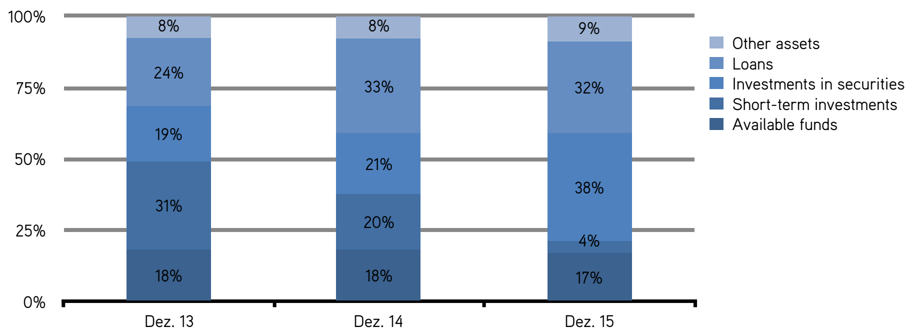
Change of name to Banco Angolano de Investimentos.

A. Balance Sheet

Net assets had increased by AKZ 1,097,612 million at the end of 2015, 0.3% less than the previous year, largely due to a 1.3% reduction in deposits. The asset structure was significantly altered by the increase in investments in securities, which registered an increase from 21% of total assets in 2014 to 38% in 2015 due to the reduction in short-term investments, whose share of total assets dropped from 20% to 4%, and in deposits in US dollars in BNA for the purpose of compliance with mandatory reserves in deposits in foreign currency. The alteration of the structure led to the exposure of the Bank´s balance sheet to the Angolan State (MINFIN and BNA) rising from 31% in 2014 to 47% in 2015.

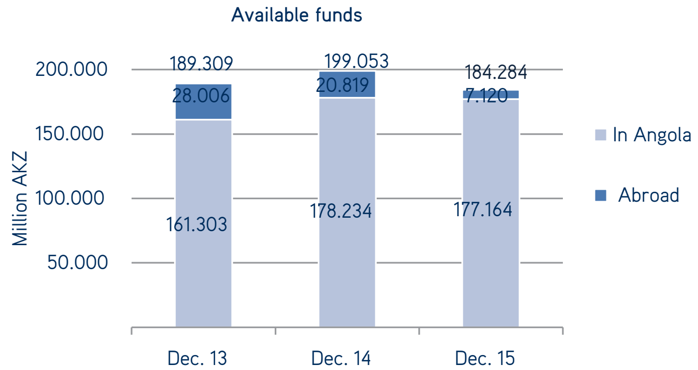
(Amounts expressed in thousand Angolan Kwanzas – AKZ and thousand United States Dollars - USD)	**Dec-13**	**Dec-14**	**Dec-15**	**Δ%**	
				2013/14	**2014/15**
Available funds	189.309	199.053	184.284	5,1%	-7,4%
Short-term Investments	322.647	216.738	47.971	-32,8%	-77,9%
Securities	199.900	232.153	415.075	16,1%	78,8%
Loans	245.708	365.461	353.686	48,7%	-3,2%
Financial Holdings	16.675	19.755	18.144	18,5%	-8,2%
Tangible and Intangible Fixed Assets	41.292	46.463	50.229	12,5%	8,1%
Other Assets	24.161	21.450	28.223	-11,2%	31,6%
Total Assets	**1.039.693**	**1.101.072**	**1.097.612**	**5,9%**	**-0,3%**
Deposits	902.936	950.917	938.494	5,3%	-1,3%
Money Market Liabilities	9.762	10.287	13.532	5,4%	31,5%
Other Liabilities	17.312	17.059	13.684	-1,5%	-19,8%
Provisions for Risks and Costs	5.253	9.154	6.745	74,3%	-26,3%
Total Equity	104.430	113.654	125.158	8,8%	10,1%
Total Liabilities and Equity	**1.039.693**	**1.101.072**	**1.097.612**	**5,9%**	**-0,3%**

Asset Structure

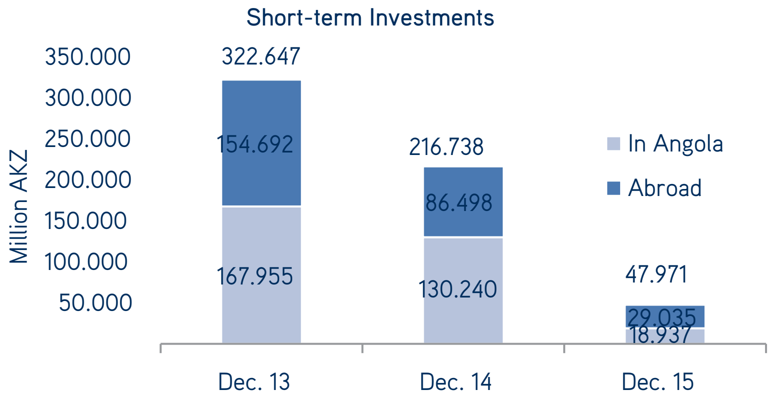


Short-Term Investments and Available Funds

Short-term investments registered AKZ 184.284 million, a reduction of AKZ 14.769 million (-7%) in relation to 2014, largely explained by the reduction in available funds in foreign currency at BNA to the amount of AKZ 44.096 million, arising mainly from the December 2015 requirement for compliance with the resource of treasury bonds issued in foreign currency issued in 2015 to the amount of AKZ 66.459 million (USD 491 million).



Available funds registered a reduction of 78%, amounting to AKZ 47.971 million (2014: AKZ 216.738 million). This drop was particularly evident in investments in domestic currency, a result of the purchase of treasury bills. The fall in investments in foreign currency was largely explained by the reduction in deposits and the increase in the import of foreign notes.

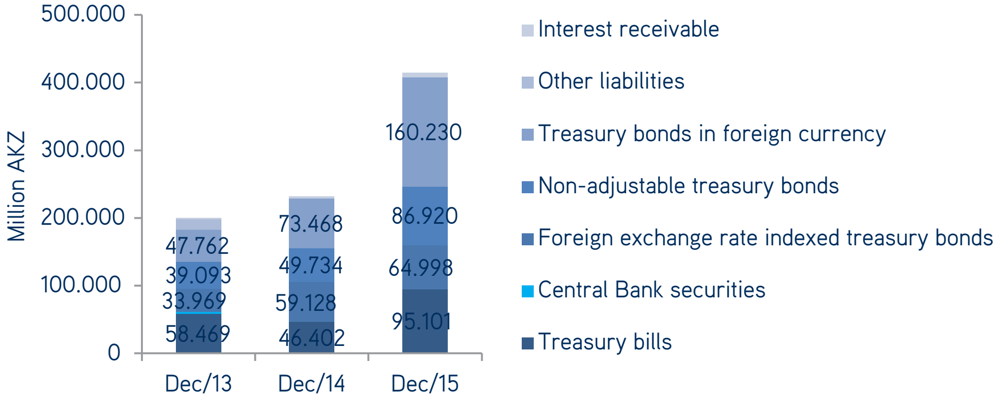


Securities

The securities portfolio stood at AKZ 415,075 million in late 2015, an increase of 79% compared to 2014, influenced by (i) the conversion of the bridge funding granted to the State in July 2014 in non-adjustable treasury bonds (AKZ 52.600 million), (ii) the acquisition of treasury bonds in foreign currency to the amount of AKZ 66.459 million, with a maturity of 7 years and a 5% interest rate for the purpose of compliance with mandatory reserves in deposits in foreign currency[28], (iii) the increase in investments in treasury bills of AKZ 48.699 million and (iv) the effect of the revaluation of the foreign exchange rate-indexed treasury bond portfolio, due to the fact the balance of the same fell in terms of USD, from USD 575 million in 2014 to USD 480 million in 2015.

[28] The acquisition was a result of the mandatory conversion of 80% of the balance in US dollars deposited with BNA for the purpose of compliance with mandatory reserves in deposits in foreign currency (BNA Instruction Nº 19/15 of 02 December).

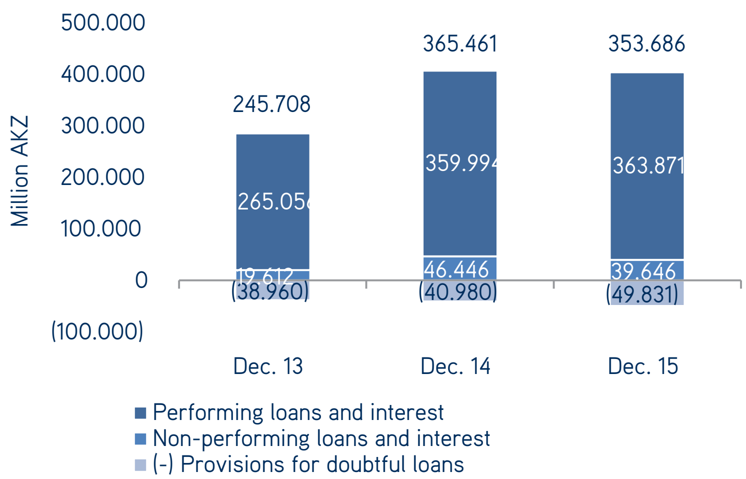
Securities and amounts furniture



Loans

Gross loans dropped by % in 2015 (minus 3% in net terms), mainly due to the 6% reduction in loans to the State, amounting to AKZ 110.382 million, largely explained by the conversion of the bridge funding granted in July 2014 in adjustable bonds to the amount of AKZ 52.600 million. In 2015, loans in domestic currency, excluding the aforementioned bridge funding, registered an increase of 15%, while loans in foreign currency registered a 14% reduction in terms of USD. The reduction in loans in foreign currency is partly explained by the payment in kind of real estate and the writing off of loans from assets.

Loans to customers



Loans by currency	Amount in millions		Variation	
	Dez-14	Dez-15	Abs.	%
Loans in domestic currency – in AKZ	246.602	222.460	-24.142	-10%
Loans in foreign currency – in AKZ	159.838	181.057	21.218	13%
	406.440	403.516	-2.924	-1%
Loans in domestic currency excluding the bridge funding to MINFIN – in AKZ	194.002	222.460	28.458	15%
Loans in foreign currency – in USD	1.554	1.338	-216	-14%

Non-performing loans and interest [29] amounted to AKZ 39.646 million, representing a reduction of AKZ 6.801 million in relation to 2014, most of which were non-performing loans of up to 30 days. The reduction in non-performing loans arose from the increase in loans written off from assets and the writing off of non-performing interest in relation to escrowed and overdrawn accounts (AKZ 3.594 million). As a result, the non-performing loan ratio fell 1.6 percentage points compared to 2014, standing at 9.8% (13.1% excluding loans to the State).

[29] The concept of non-performing loans includes those of over one day and takes into account the total of performing and non-performing loans.

The balance of loan provisions increased by 22% (AKZ 8.851 million) in relation to 2014, registering AKZ 49.831 million at the end of 2015, reflecting the increase in the loan portfolio risk. As a result of the increase in provisions and the reduction in non-performing loans, the weight of doubtful non-performing loan and interest provisions rose from 88% to 126% over the year.

Customer Deposits

Customer deposits stood at AKZ 938,494 million at the end of 2015, a slight reduction of 1% compared to 2014.

				Δ%	
Amounts in million AKZ	**Dec 13**	**Dec 14**	**Dec 15**	**2013/14**	**2014/15**
Institutional sector:					
OSFP – Insurance Firms and Pension Funds	0	0	3	0%	100%
OSFP - Financial Support Entities	9	7	24	-20%	236%
OSFP – Other financial agents	1.251	118	255	-91%	116%
Central Government	32	19.898	26.218	61189%	32%
Local Government (provinces)	43	151	190	248%	26%
Independent Public Funds and Services	8.339	2.226	926	-73%	-58%
Social Security Funds	27.191	44.849	53.184	65%	19%
Non-Financial Public Business Sector	77.592	68.940	52.736	-11%	-24%
Non-Financial Private Business Sector	591.195	574.304	549.938	-3%	-4%
Non-profit-making Institutions	0	4.110	4.552	100%	11%
Individuals	197.284	236.314	250.468	20%	6%
Currency:					
Domestic currency	431.846	525.060	514.248	22%	-2%
Foreign currency	471.090	425.856	424.246	-10%	-0,4%
Type:					
Demand deposits	517.288	636.950	551.948	23%	-13%
Time deposits	385.648	313.967	386.546	-19%	23%
Total	**902.936**	**950.917**	**938.494**	**5%**	**-1%**
Ratios				**Δ p.p.**	
Domestic currency	48%	55%	55%	7,4	-0,4
Foreign currency	52%	45%	45%	-7,4	0,4
Demand deposits	57%	67%	59%	10	-8
Time deposits	43%	33%	41%	-10	8

OSFP - Other Private Financial Entities

Demand deposits amounted to AKZ 551.948 million, which represents a reduction of 13% (AKZ 85.002 million) in comparison with 2014, partly explained by the increase in time deposits arising from the launch of new products geared to the funding of deposits. In turn, time deposits registered an increase of 23% (AKZ 72.579 million) to the amount of AKZ 386.546 million. Consequently, the weight of demand deposits over total deposits dropped to 59%, 8 percentage points less than in 2014, while the weight of time deposits increased in the same proportion.

Deposits in domestic currency fell by 2% compared to 2014, registering AKZ 514.248 million in 2015. In turn, deposits in foreign currency fell slightly by 0.4% over the year to AKZ 424.246 million, influenced by the devaluation of the Kwanza against the dollar (32%), as, when expressed in terms of US dollars, these deposits registered a reduction of 24% (USD 1.005 million), amounting to USD 3.135 million.

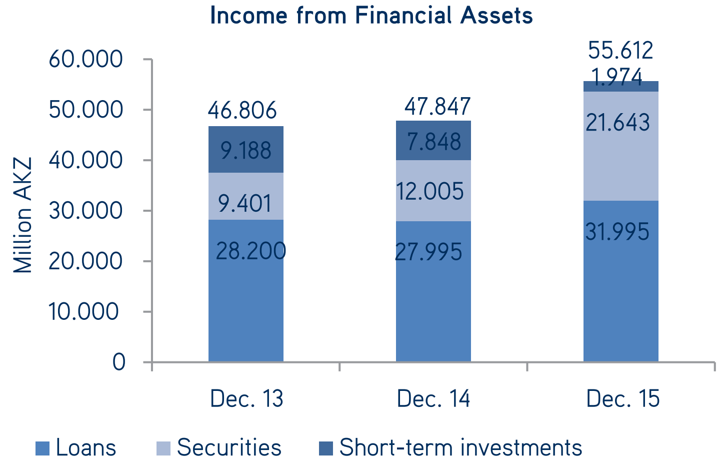
B. Statement of Income

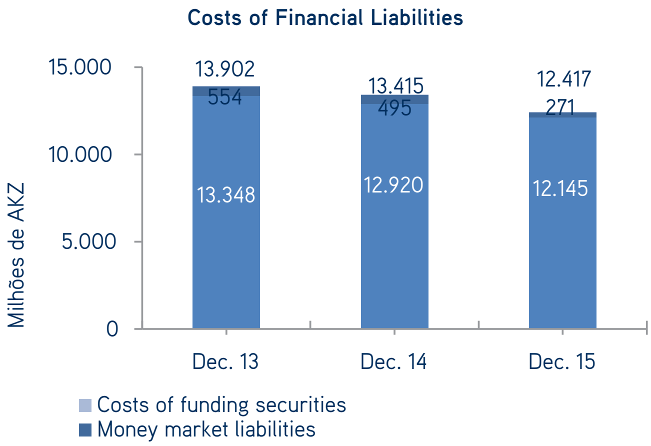
Net Income increased by 20% compared to 2014, standing at AKZ 15,358 million, mainly due to the following factors: (i) the 23% increase in operating income to AKZ 72,234 million, (ii) the 42% increase in foreign exchange transaction income, which registered AKZ 19,584 million, (iii) the net reinforcement of non-performing loan provisions increase of provisions of AKZ 24,463 million (AKZ 10,001 million more than the previous year).

				Δ%	
Amounts in million AKZ	**Dec 13**	**Dec 14**	**Dec 15**	**13/14**	**14/15**
Income from Financial Assets	46.806	47.847	55.612	2%	16%
Costs of Financial Liabilities	-13.902	- 13.415	-12.417	-4%	-7%
Net Interest Income	**32.904**	**34.432**	**43.194**	**5%**	**25%**
Income from Negotiations and Adjustments to Fair Value	0	0	232		
Earnings from Foreign Exchange Operations	12.865	13.788	19.584	7%	42%
Earnings from the Provision of Financial Services	10.345	9.238	7.360	-11%	-20%
Other Operating Income and Costs	671	1.377	1.864	105%	35%
Net Non-interest Income	**23.881**	**24.403**	**29.040**	**2%**	**19%**
Net Operating Income	56.785	58.835	72.234	4%	23%
Provisions for loans	-21.994	-14.452	-24.463	-34%	69%
Earnings from Financial Intermediation	**34.791**	**44.383**	**47.771**	**28%**	**8%**
Administrative Costs	-21.951	-25.723	-27.341	17%	6%
Other Provisions and Impairments	-2.795	-5.675	-6.703	103%	18%
Operating Income	**10.045**	**12.985**	**13.727**	**29%**	**6%**
Non-Operating Profit and Loss	462	-935	2.085	-302%	-323%
Earnings Before Tax and Other Charges	**10.507**	**12.050**	**15.812**	**15%**	**31%**
Current and Deferred Taxes	1.576	799	-454	-49%	-157%
Net Income for the Financial Year	**12.083**	**12.849**	**15.358**	**6%**	**20%**

Net Interest Income

Net interest income stood at AKZ 43,194 million, increasing by AKZ 8,762 million compared to 2014, mainly due to the increase in income from securities (above all from securities indexed to the United States dollar) and to the 3.5% decrease in deposit costs.





In 2015, the average investment in financial assets generating returns for the Bank stood at AKZ 815,542 million, an increase of AKZ 24,238 million (3.1%) compared to 2014. The increase in investment in assets and the average interest rates (volume effect) and interest on investments in securities (price effect) led to an increase in income of AKZ 7.764 million to AKZ 55.612 million in 2015.

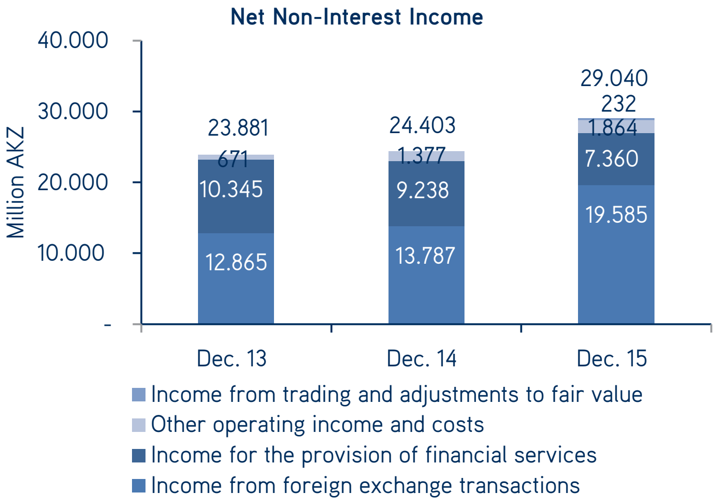
The reduction in the cost of financial liabilities is explained by the reduction in average interest rates (price effect), as the average value negotiated registered a slight increase (0.6%).

	Dec 13		Dec 14		Dec 15		Δ Average balance %	
Amounts in million AKZ, except percentages	**Average balance**	**Average rate***	**Average balance**	**Average rate***	**Average balance**	**Average rate***	**13/14**	**14/15**
Financial assets		Average rate*	791.304	6,0%	815.542	6,8%	7,3%	3,1%
Short-term investments		3,0%	269.693	2,9%	132.355	1,5%	-10,8%	-50,9%
Investments in securities		Average balance	216.027	5,6%	323.614	6,7%	17,7%	49,8%
Loans		Average rate*	305.584	9,2%	359.573	8,9%	21,5%	17,7%
Other assets			279.079		283.800		-6,7%	1,7%
Average net assets		**Average balance**	**1.070.382**		**1.099.342**		**3,3%**	**2,7%**
Financial liabilities		Average rate*	359.832	3,7%	362.166	3,4%	-8,4%	0,6%
Time deposits		3,5%	349.807	3,7%	350.256	3,5%	-8,7%	0,1%
Money market liabilities		13/14	14/15	4,9%	11.909	2,3%	3,6%	18,8%
Other liabilities	541.891		601.508		617.770		11,0%	2,7%
Average liabilities	**934.621**		**961.340**		**979.936**		**2,9%**	**1,9%**
Average equity	**101.940**		**109.042**		**119.406**		**7,0%**	**9,5%**
Average liabilities and equity	**1.036.561**		**1.070.382**		**1.099.342**		**3,3%**	**2,7%**

** The average rates of financial assets and liabilities are the ratio between income or costs and the assets and liabilities giving rise to the same*

Net Non-Interest Income

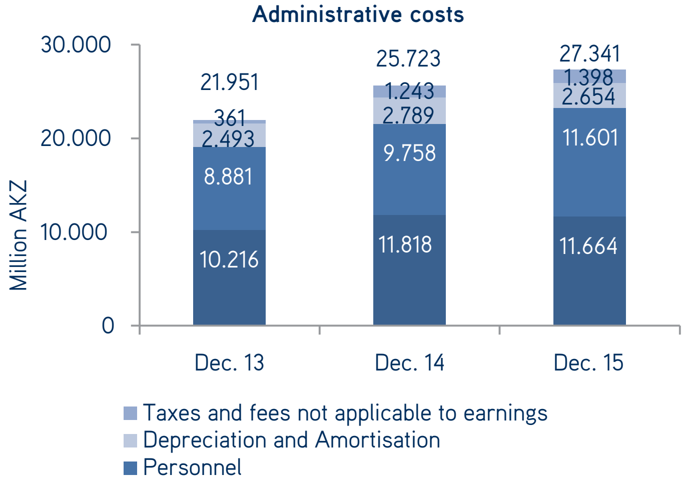
Net non-interest income stood at AKZ 29,040 million in 2015, having increased by 23% (AKZ 4.637 million) compared to 2014, due to the increase in income from foreign exchange transactions largely due to the foreign exchange rate effect of the devaluation of the domestic currency against USD-indexed treasury bonds, which allowed for the offsetting of the short-term exchange position in foreign currency and a reduction in the volume of transactions in foreign currency.



Administrative costs

Administrative costs rose AKZ 27.341, 6% compared to 2014. Costs in relation to supplies to third parties amounted to AKZ 11.664 million, a drop of 1% (AKZ 155 million) compared to 2014, largely due to the reduction in the miscellaneous materials (AKZ 362 million), rentals (AKZ 209 million) and transport, travel and accommodation (105 million) accounts.

Personnel costs amounted to AKZ 11,601 million in 2015, increasing by 19% (AKZ 1.843 million) in comparison with 2014, mainly due to (i) the de-indexation of salaries from foreign exchange variation as from February, (ii) the 10% wage increase (with an impact in 4 months), and (iii) the reinforcement of the provision for performance bonuses.

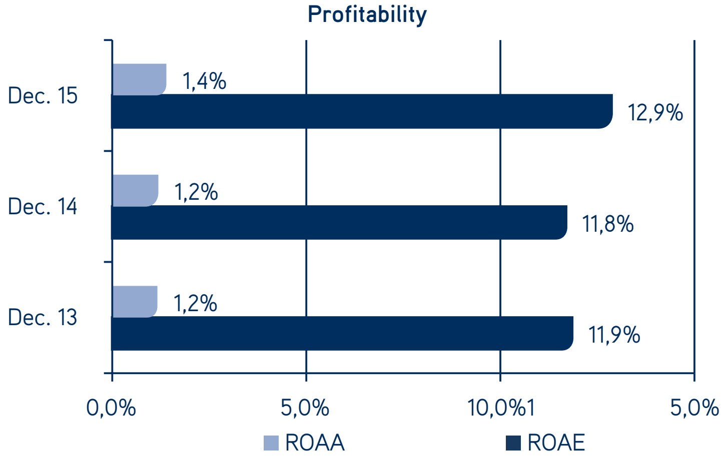


The cost-to-income ratio increased by 5.9 percentage points compared to 2014, standing at 37.9%, due to the growth in operating income (23%) being greater than the growth in administrative costs (6%).

C. Profitability

Return on average equity (ROAE) stood at 12.9%, 1.1 percentage point up on 2014, due to the 0.2 percentage point increase in ROAA, which offset the lower level of leverage.

				Δ%	
Amounts in million AKZ	**Dec 13**	**Dec 14**	**Dec 15**	**2013/14**	**2014/15**
Operating Income	5,5%	5,5%	6,6%	0%	20%
Provisions for loans	-2,1%	-1,4%	-2,2%	-36%	65%
Earnings from Financial Intermediation	**3,4%**	**4,1%**	**4,3%**	**24%**	**5%**
Administrative Costs	-2,1%	-2,4%	-2,5%	14%	4%
Other Provisions and Impairments	-0,3%	-0,5%	-0,6%	97%	15%
Operating Income	**1,0%**	**1,2%**	**1,2%**	**25%**	**3%**
Non-Operating Profit and Loss	0,0%	-0,1%	0,2%	-296%	-317%
Earnings Before Tax and Other Charges	**1,0%**	**1,1%**	**1,4%**	**11%**	**28%**
Current and deferred taxes	0,2%	0,1%	0,0%	-51%	-155%
Return on Average Net Assets (ROAA)	**1,2%**	**1,2%**	**1,4%**	**3%**	**16%**
Leverage	10,2	9,8	9,2	-4%	-6%
Return on Average Equity (ROAE)	**11,9%**	**11,8%**	**12,9%**	**-1%**	**9%**



PROPOSAL FOR THE ALLOCATION OF PROFIT 10

2013

Opening of
the BAI Academy.

In accordance with the legal and statutory provisions, the Board of Directors proposes the net income of AKZ 15.357.710.858 (fifteen billion, three hundred and fifty-seven million, seven hundred and ten thousand and eight hundred and fifty-eight kwanzas) for the year ending on 31 December 2015 should be invested as follows:

	%	AKZ
Transfer to free reserves	70%	10.750.397.601
Dividends	30%	4.607.313.258

Luanda, 21 March 2016

THE BOARD OF DIRECTORS

José Carlos de Castro Paiva
Chairman of the Board of Directors

Ana Paula Gray
Vice-Chairman
Francisco de Lemos Maria
Vice-Chairman

Theodore Jameson Giletti
Director

Mário Alberto Barber
Director

Jaime de Carvalho Bastos
Director

José de Lima Massano
CEO

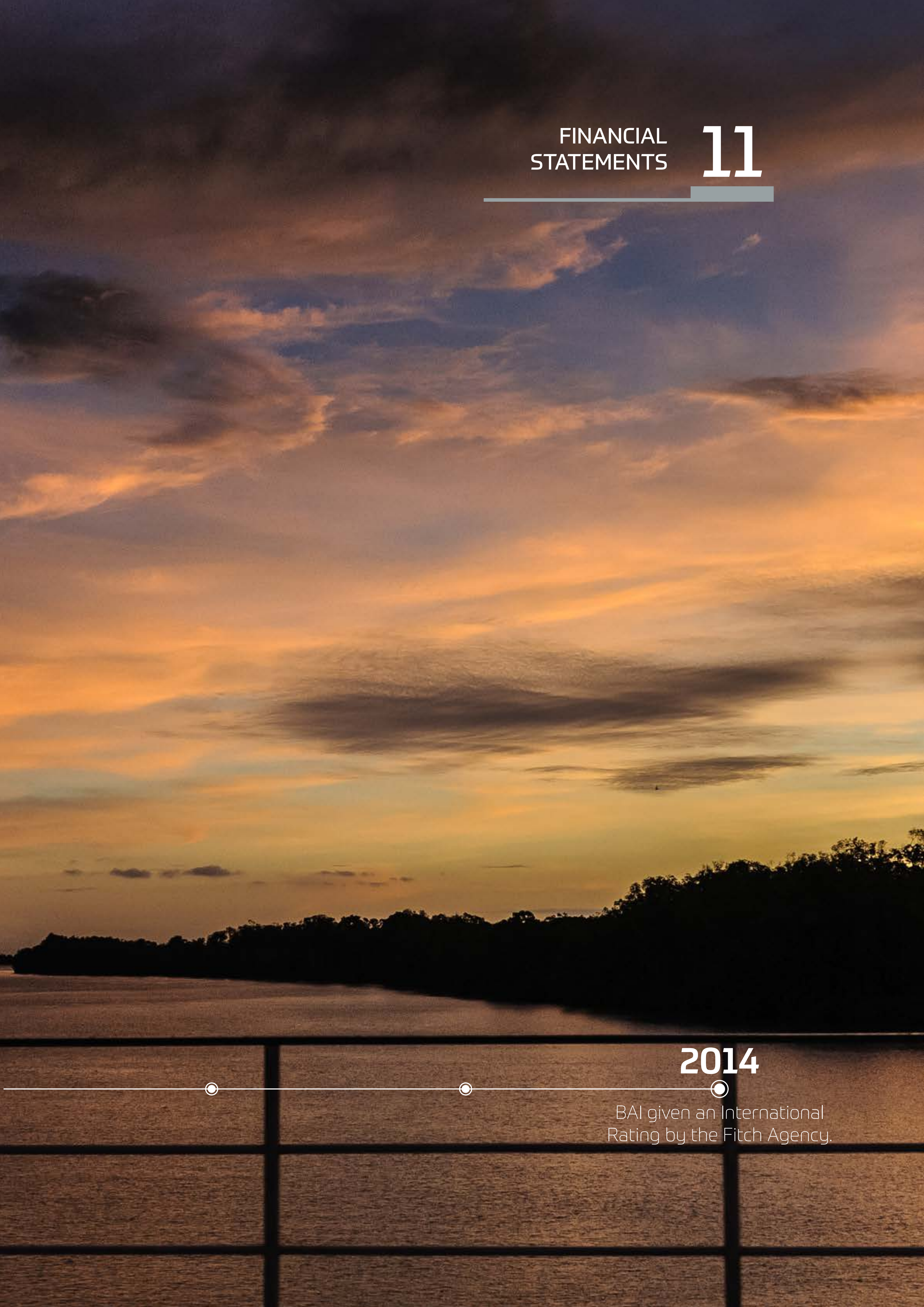
Luís Filipe Lélis
Director

Helder Miguel Aguiar
Director

Inokcelina Ben´ África dos Santos
Director

Simão Francisco Fonseca
Director
João Cândido Fonseca
Director
Pedro Castro Silva
Director

FINANCIAL STATEMENTS 11



2014

BAI given an International Rating by the Fitch Agency.

A. Balance Sheet

BANCO ANGOLANO DE INVESTIMENTOS, S.A.
BALANCE SHEET AS AT 31 DECEMBER 2015 AND 2014
(amounts expressed in thousands of Angolan Kwanzas)

		31-Dec-2015	31-Dec-2014
ASSETS	Note	Thousand AKZ	Thousand AKZ
Cash and Cash Equivalents	3	184.283.867	199.052.509
Short-term Investments			
- Interfinancial money market operations	4	43.968.291	122.653.377
- Repurchase agreements	4	4.003.159	94.084.365
Securities			
Held-to-maturity	5	13.231.602	3.474.521
Available for sale	5	66.968.032	-
Held-to-maturity	5	334.875.748	228.678.434
Credits in the payments system	6	4.664	387.130
Loans			
- Loans	7	403.516.342	406.440.096
- Provision for loan losses	7	(49.830.589)	(40.979.524)
Other assets	8	28.218.349	21.062.735
Fixed assets			
- Financial assets	9	18.144.271	19.754.802
- Tangible assets	10	46.153.090	41.776.224
- Intangible assets	10	4.075.433	4.687.181
Total Assets		1.097.612.259	1.101.071.850
LIABILITIES AND EQUITY			
Deposits			
- Demand deposits	11	551.948.040	636.949.945
- Term deposits	11	386.545.991	313.966.643
Liquidity funding			
- Interfinancial money market operations	12	13.531.501	10.287.418
Liabilities in the payment system	13	1.295.048	3.347.318
Foreign exchange operations	14	244.673	348.738
Advances from customers	15	1.502.445	5.868.012
Other liabilities	16	10.641.646	7.495.341
Provisions for likely liabilities	17	6.745.397	9.153.967
Total Liabilities		972.454.741	987.417.382
Share Capital	18	14.786.705	14.786.705
Reserve for monetary revaluation of share capital	18	28.669	28.669
Reserves and funds	18	94.589.293	85.366.496
Potential earnings	18	442.400	670.985
Treasury shares	18	(47.260)	(47.260)
Net profit for the financial year	18	15.357.711	12.848.873
Total Equity		125.157.518	113.654.468
Total Liabilities and Equity		1.097.612.259	1.101.071.850

The Appendix is part and parcel of these statements.

B. Statement of Income

BANCO ANGOLANO DE INVESTIMENTOS, S.A.
STATEMENT OF INCOME FOR THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2015 AND 2014
(amounts expressed in thousands of Angolan Kwanzas)

	Note	31-Dec-2015 Thousand AKZ	31-Dec-2014 Thousand AKZ
Income from short-term investments	20	1.974.409	7.847.548
Income from securities	20	21.642.661	14.586.439
Income from loans	20	31.994.650	27.994.574
Provisions from financial assets		55.611.720	50.428.561
Costs of deposits	20	(12.144.837)	(12.917.461)
Costs of liquidity funding	20	(271.120)	(494.987)
Costs of funding with securities	20	(1.541)	(11)
Costs of subordinated debt		-	(2.071)
Costs of financial liabilities		(12.417.498)	(13.414.530)
NET INTEREST INCOME		43.194.222	34.432.709
Net gains / (losses) from trading and adjustments to fair value	21	231.586	-
Net gains / (losses) from foreign exchange operations	22	19.585.153	11.205.976
Net gains / (losses) from financial services	23	7.359.885	9.238.432
Provisions for non-performing loans	17	(24.463.390)	(14.452.093)
NET INCOME FROM FINANCIAL INTERMEDIATION		45.907.456	43.006.346
Personnel costs	24	(11.600.675)	(9.758.000)
Third party supplies	25	(11.663.563)	(11.818.173)
Taxes and fees not related to income	26	(1.397.884)	(1.242.592)
Regulatory authority penalties	27	(7.322)	(115.223)
Other administrative and trading costs		(17.462)	-
Depreciation and amortisation	10	(2.654.141)	(2.789.349)
Administrative and Trading Costs		(27.341.047)	(25.723.337)
Provisions for other likely assets and liabilities	17	(4.677.107)	(2.997.471)
Income from financial assets	28	(2.025.724)	(2.678.000)
Other operating income and costs	29	1.863.569	1.377.007
OTHER OPERATING INCOME AND COSTS		(32.180.309)	(30.021.801)
OPERATING INCOME		13.727.147	12.984.545
Non-operating income	30	2.084.578	(935.019)
INCOME BEFORE TAXES AND OTHER CHARGES		15.811.725	12.049.526
Current tax		-	-
Deferred tax assets	31	(454.014)	799.347
NET PROFIT FOR THE YEAR		15.357.711	12.848.873

The Appendix is part and parcel of these statements.

C. Statements of Changes in Equity

BANCO ANGOLANO DE INVESTIMENTOS, S.A.
STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015 AND 2014
(amounts expressed in thousands of Angolan Kwanzas)

	Share capital	Reserve for monetary revaluation of share capital	Legal reserve	Free reserve	Total funds and reserves	Potential earnings	Treasury shares	Net profit for the year	Total Equity
Balance as at 31 December 2013	14.786.705	28.669	14.119.030	62.790.136	76.909.166	670.807	(47.260)	12.081.900	104.429.987
Transfer of 2013 net profit	-	-	664.505	7.792.825	8.457.330	-	-	(8.457.330)	-
Payout of dividends	-	-	-	-	-	-	-	(3.624.570)	(3.624.570)
Revaluation of land	-	-	-	-	-	178	-	-	178
Net profit for the financial year 2014	-	-	3.170	(3.170)	-	-	-	-	-
Resultado líquido do exercício de 2014	-	-	-	-	-	-	-	12.848.873	12.848.873
Balance as at 31 December 2014	14.786.705	28.669	14.786.705	70.579.791	85.366.496	670.985	(47.260)	12.848.873	113.654.468
Transfer of 2014 net profit	-	-	-	8.994.212	8.994.212	-	-	(8.994.212)	-
Payout of dividends	-	-	-	-	-	-	-	(3.854.661)	(3.854.661)
Reclassification of reserves	-	-	-	228.585	228.585	(228.585)	-	-	-
Net profit for the financial year 2015	-	-	-	-	-	-	-	15.357.711	15.357.711
Balance as at 31 December 2015	14.786.705	28.669	14.786.705	79.802.588	94.589.293	442.400	(47.260)	15.357.711	125.157.518

The Appendix is part and parcel of these statements.

D. Cash Flow Statement

BANCO ANGOLANO DE INVESTIMENTOS, S.A.
CASH FLOW STATEMENT FOR THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2015 AND 2014

(amounts expressed in thousands of Angolan Kwanzas)

		31-Dez-2015	31-Dez-2014
	Notas	Milhares AKZ	Milhares AKZ
Recebimentos provenientes de:			
Proveitos de aplicações de liquidez		2.055.013	8.220.621
Proveitos de títulos e valores mobiliários		18.291.572	13.695.420
Proveitos de créditos		32.638.314	23.420.362
Pagamentos de:			
Custos de depósitos		(9.009.847)	(10.279.586)
Custos de captações para liquidez		(272.237)	(493.870)
Custos de Captações com Títulos e Valores Mobiliários		(1.541)	-
Custos de outras captações		-	(18.371)
FLUXOS DE CAIXA DA MARGEM FINANCEIRA		43.701.274	34.544.576
Resultados de negociações e ajustes ao justo valor		8.475.371	-
Resultados de operações cambiais		19.043.931	11.205.976
Resultados de prestação de serviços financeiros		6.188.814	8.196.388
FLUXOS DE CAIXA DA INTERMEDIAÇÃO FINANCEIRA		77.409.390	53.946.940
Pagamentos de Custos administrativos e de comercialização		(25.588.089)	(23.775.577)
Liquidação de operações no sistema de pagamentos		(1.669.804)	199.843
Outros custos e proveitos operacionais		1.863.569	1.377.007
FLUXOS DE CAIXA DAS OPERAÇÕES		52.015.066	31.748.213
Investimentos em aplicações de liquidez		168.685.688	105.536.561
Investimentos em títulos e valores mobiliários activos		(187.815.123)	(31.361.454)
Investimentos em operações cambiais		-	404
Investimentos em créditos		(27.322.867)	(131.566.724)
Investimentos em outros valores		632.537	6.550.962
Investimentos em imobilizações		(6.674.901)	(14.557.287)
Resultados na alienação de imobilizações		-	842.702
Outros ganhos e perdas não operacionais		2.300.110	(39.172)
FLUXOS DE CAIXA DOS INVESTIMENTOS		(50.194.556)	(64.594.008)
Financiamentos com depósitos		(15.557.547)	45.342.721
Financiamentos com captações para liquidez		3.245.200	524.450
Financiamentos com operações cambiais		(104.065)	(1.036.034)
Financiamentos com outras captações		(4.365.567)	2.264.514
Financiamentos com outras obrigações		4.892.766	(1.359.111)
Pagamento de dividendos		(4.699.939)	(3.147.412)
FLUXOS DE CAIXA DOS FINANCIAMENTOS		(16.589.152)	42.589.128
VARIAÇÕES EM DISPONIBILIDADES		(14.768.642)	9.743.333
Disponibilidades no início do exercício	3	199.052.509	189.309.176
Disponibilidades no fim do período	3	184.283.867	199.052.509

The Appendix is part and parcel of these statements.

E. APPENDIX TO THE FINANCIAL STATEMENTS

1. INTRODUCTORY NOTE

Banco Angolano de Investimentos, S.A. (also referred to hereinafter as the "Bank" or "BAI"), headquartered in Luanda, is a private capital Bank, partly held by non-resident entities. The Bank was incorporated on 13 November 1996. Operations commenced on 04 November 1997. On 04 May 2008 BAI changed its corporate status from a limited liability company (SARL) to a public limited liability company (S.A.), pursuant to the Financial Institutions Act, Law N° 13/2005 of 30 September, in accordance with article 13, paragraph (b). On 11 January 2011 the Bank changed its corporate name from Banco Africano de Investimentos, S.A. to Banco Angolano de Investimentos, S.A.

The Bank's corporate purpose is the exercise of banking activity, under the terms and within the limits defined by Banco Nacional de Angola (referred to hereinafter as "BNA"), dedicated to attracting funds from third parties in the form of deposits, deposit certificates and cash bonds, which it invests, together with its own funds, in the granting of loans, in deposits at Banco Nacional de Angola, investments in financial institutions, in the acquisition of securities or in other assets for which it is duly authorised. It also provides other banking services and performs different types of operations in foreign currency, underpinned by a national network of 144 service points, 5 of which were opened in 2015. Around 84 service points of its national network are located in the city of Luanda. The Bank's network includes 12 business service centres and one Private Banking centre.

2. BASIS OF PRESENTATION AND SUMMARY OF THE MAIN ACCOUNTING POLICIES

These financial statements were prepared in accordance with the going concern principle, based on the accounting records kept by the Bank, pursuant to the accounting principles established in the Accounting Plan for Financial Institutions (CONTIF), as defined in BNA Instruction number 09/07 of 19 September, and subsequent updates, specifically Directive N° 04/DSI/2011, which establish the obligation to adopt the International Financial Reporting Standards (IFRS) in all matters related to accounting procedures and criteria which are not set forth in CONTIF. These principles may differ from those generally accepted in other countries.

BNA authorised BAI, for the years ending on 31 December 2015 and 2014, to register its fixed financial assets using the historical acquisition cost method and not pursuant to the equity method as defined in CONTIF.

The Bank's financial statements as at 31 December 2015 and 2014 are expressed in thousands of Kwanzas, as per BNA Notice N° 15/2007, article 5, whereby assets and liabilities expressed in other currencies have been converted to local currency, based on the reference average exchange rate published by BNA on those dates.

As at 31 December 2015 and 2014, the reference exchange rate for the Kwanza (AKZ) against the United States dollar (USD) and the Euro (EUR) was as follows:

Reference period	USD	EUR
31.12.2015	135,315	147,832
31.12.2014	102,863	125,195

Accounting policies

The main accounting policies used in the preparation of the financial statements were as follows:

a) Accruals basis

Profit or loss is recognised based on the operation maturity, in accordance with the accrual accounting principle and are recorded when due, regardless of the time when they are received or paid.

Dividends are recognised when received.

b) Transactions in foreign currency

Transactions in foreign currency are stated pursuant to the multi-currency system principles, where each transaction is recorded according to the respective currency. Monetary assets and liabilities denominated in foreign currencies are converted into Kwanzas at the average exchange rate published by BNA as at the reporting date. Profit and loss referred to exchange differences, effective or potential, are recorded in the income statement for the year under the heading earnings from foreign exchange operations (Note 22).

Foreign exchange purchase and sale transactions, when not settled on the date the transaction is executed, are registered in off balance sheet accounts under the heading "Foreign currency sales payable" (Note 32). When settled, they are settled on the date the transaction is executed, the amounts being recorded in the appropriate balance sheet accounts.

Transfers to and from abroad in foreign currency are recorded as debit or credit transactions pending settlement, as applicable.

Payment orders sent abroad and received from abroad are registered on the date of receipt of the order or credit note, as operations payable or receivable, in specific debit or credit accounts.

c) Loans

Loans and advances to customers are financial assets with fixed or determinable payments that are not listed on an active market and are initially recorded at their contracted values when created by the Bank, or at the values paid when acquired from other entities.

Interest and other costs and gains associated with loan operations are carried over the life cycle of the operations against income statement headings, regardless of when they are received or paid.

In turn, credit commissions are registered under the income statement headings when they are received.

Loans and advances to customers are recorded at their initial amount, net of amortisation and provision for loan losses.

Income derived from internal analyses associated to the opening, dispatch and extensions of credit operations are recognised through profit or loss at the time of their collection.

Liabilities related to guarantees and documentary credits are registered in off balance sheet headings at their value at risk, whereby flows of interest, commissions and other income are registered in statements of profit and loss.

Credit operations granted to customers, including guarantees and documentary credits provided, are subject to the constitution of provisions pursuant to BNA Notice N° 4/2011 of 08 June, republished in the Official State Gazette as Notice N° 3/2012 of 28 March, on the methodology and classification of loans and advances to customers and the definition of the respective provisions in relation to the same.

The Bank writes off non performing loans of over 60 days and does not recognise interest as of that date until the customer has regularised the situation.

With the entry into force of BNA Notice N° 4/2011 of 08 June, subsequently repealed by BNA Notice N° 3/2012 of 28 March, credit operations, by disbursement, were granted in local currency for all entities except the Government and companies with proven revenue and receipts in foreign currency, for the following purposes:

i. Financial liquidity assistance, including, among others, pledge accounts;
ii. Automobile financing;
iii. Consumer loans;
iv. Microcredit;
v. Advances to customers or overdrafts;
vi. Other short-term loans and advances (less than one year).

Provisions for loan losses and guarantees provided

In accordance with the terms of BNA Notice N° 3/2012 of 28 March, the Bank classifies loans and advances to customers, guarantees and documentary credits provided in increasing order of risk, pursuant to the following levels:

Level	Risk
A	None
B	Very low
C	Low
D	Moderate
E	High
F	Very high
G	Loss

Furthermore, non-default loans which were not registered as non-performing loans are classified as level A when dealing with entities posing a risk to the Angolan Government and as levels B or C for the remaining entities, according to the risk perception that arises from the valuation of the client, specifically the capacity of the same to comply with the debt service and the financial component of the operation, based on the analysis of cash-flows and guarantees (by type and credit coverage ratio).

Loan transactions involving the same customer are classified under the category with the greatest risk. In this context, the Bank reviews each credit classification on a monthly basis according to any delay observed in the payment of the principal or costs, using the same procedure used to determine the initial classification.

Non-performing loans are classified at the risk level in accordance with the time that has elapsed since the date on which the transaction began to non-perform, the minimum provisioning levels being calculated in accordance with the following table:

Risk Level	A	B	C	D	E	F	G
% Provision	0%	1% a < 3%	3% a < 10%	10% a < 20%	20% a < 50%	50% a < 100%	100%
Time since default date							
Operations with a term of less than two years	-	15 to 30 days	1 to 2 months	2 to 3 months	3 to 5 months	5 to 6 months	Over 6 months
Operations with a term of more than two years	-	30 to 60 days	2 to 4 months	4 to 6 months	6 to 10 months	10 to 12 months	Over 12 months

Non-performing loans of over 30 days are classified under risk levels B, C, D, E, F and G according to the amount of time that has elapsed since the date on which the transaction began to non-perform. As illustrated in the table above, the periods defined for establishing the risk level should be regarded as double for loans granted for a period of more than 24 months (two years).

With regard to loan transactions subject to renegotiation due to the financial difficulties of the Client, unpaid interest is removed from the income statement by registering a provision to the same amount.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

Transactions subject to renegotiation due to the financial difficulties of the client are kept at the same risk level, except when, at least, accrued interest is paid in full. Furthermore, the total or partial payment of the due principal and the reinforcement of guarantees also have an impact on the credit classification.

Six months after the classification of a Category G transaction, the Bank writes off the loan from assets using the corresponding provision. Furthermore, these loans and advances to customers remain registered in an off balance sheet for at least ten years.

Whenever loans are recovered or assets are received in exchange for repayments of loans previously written off from assets using provisions, the amounts received are registered under the item "Non-operating income" (Note 30).

Real estate property which has been transferred in exchange for loan repayments, for recovered loans previously written off assets, are registered under the heading "Other assets – Property not for the Bank`s own use", and recorded against the recognition of income from credit recovery, based on the following procedures:

- The valuation is conducted by an expert or company specialising in the matter pertinent to the object of the valuation, not bound directly or indirectly to the Bank or any company connected to the Bank, nor to its external auditor or any company linked to the external auditor;
- The value of the asset to be recorded is limited to the amount calculated in its valuation;
- The accounting recognition is made with the agreement of the external auditor on the adequacy of the procedures used in the valuation;
- The approval of the valuation is drawn up in the minutes of the Executive Committee;
- The properties are not subject to depreciation or revaluation;
- The exceptional income derived from the recording of these properties is considered for the effect of calculation of tax, pursuant to the Industrial Tax Code.

The Bank is required to sell real estate arising from loan repayment within two years (article 11 Law N° 13/05 of 30 September – the Financial Institutions Law).

Property which is not part of the Bank's facilities and are not assigned to the pursuit of its corporate purpose is also classified as property not for own use.

d) Reserve for the monetary revaluation of share capital

Pursuant to BNA Notice N° 2/2009 of 08 May on monetary revaluation, financial institutions should, in the event of inflation of more than 100% over 3 consecutive years, consider the effects of changes in the purchasing power of local currency on a monthly basis, based on the Consumer Price Index (IPC) in capital balances, reserves, retained earnings and fixed assets.

The value arising from monetary revaluation should be reflected on a monthly basis by debiting the "Result of Monetary Adjustment" account on the income statement, against the increased equity balances, with the exception of the heading "Share Capital", which should be classified under a specific heading ("Reserve for the monetary revaluation of Share Capital"), which may only be used for subsequent share capital increases.

The Bank did not revalue its share capital in the financial years ending on 31 December 2015 and 31 December 2014, due to the fact inflation did not register the level specified in the aforementioned Notice.

e) Investments in Subsidiaries and Associated Companies

As referred to in Note 2 (Basis of presentation and a summary of the main accounting policies), in the years ending on 31 December 2015 and 2014, the Bank was authorised by BNA to keep its investments in subsidiaries and associated companies registered at acquisition cost.

Therefore, as at 31 December 2015 and 2014, investments in subsidiaries and associated companies are stated at their acquisition cost net of impairment. When this is expressed in a foreign currency, it is reflected in the accounts at the exchange rate on the closing date. Whenever permanent losses in their realisation value are estimated, impairment for losses in investments in subsidiaries and associated companies is recognised.

The Bank conducts six-monthly impairment tests on subsidiaries whose events or circumstances indicate that their carrying value exceeds the recoverable amount, with impairment for losses in investments in subsidiaries and associated companies being recognised under the heading "Net income from investments in subsidiaries and associated companies" (Note 28).

f) Property and Equipment and Intangible Assets

Intangible assets consist largely of improvements to third party property and the development and acquisition of software. These expenses are registered at acquisition cost including the indispensable costs required to place such assets in operation and are depreciated on a straight-line basis over a three-year period, with the exception of work on leased buildings which are depreciated according to the estimated useful life or contractual lease period of the same.

Property and equipment is initially recorded at acquisition cost, and may be revalued in accordance with the applicable legal provisions.

A percentage equivalent to 30% of the increase in depreciation arising from the revaluation conducted is not accepted as expense tax purposes pursuant to the legislation in force, hence this amount is added to taxable profit.

Depreciation is calculated based on the straight-line method at the maximum rates accepted as a cost for tax purposes, in accordance with the Industrial Tax Code, which corresponds to the following estimated service lives:

	Years of Useful Life
Buildings	50
Works on Leased Property	10
Equipment:	
Furniture and Material	10
Machines and Tools	6 a 10
IT Equipment	3 a 10
Land Transport Vehicles	3
Other Fixed Assets	10

Fixed assets under construction are recorded at the acquisition cost and will start their amortisation at the time of operation or use.

g) Committed Operations

The Bank conducts transactions involving the purchase or sale of temporary liquidity, backed by securities, with or without a change in ownership. Committed operations are conducted in the interbanking market with BNA, between financial institutions, or in the secondary market between the Bank and its customers.

As at 31 December 2015 and 2014, the Bank purchased securities under repurchase agreements in the interbanking market, where funds were invested receiving securities from third parties as collateral, with a commitment for the resale of ther same at the end of the agreement (Note 4).

Income from transactions involving the purchase of securities from third parties with a repurchase agreement corresponds to the difference between the resale value and the purchase price of the securities. This income is recognised pursuant to the accrual principle in accordance with the time flow of the transaction under the heading "Income from financial assets – liquidity investments" (Note 20).

h) Securities

The Board of Directors determines the classification of its investments at initial recognition. In view of the characteristics of the securities and purpose at the time of acquiring the same, the Bank's securities as at 31 December 2015 are classified as securities available for sale, securities held to maturity and securities held for trading.

Securities held for trading

Securities held for trading at fair value through profit or loss are defined as securities acquired for the purpose of being actively and frequently traded. Financial assets held for trading are initially recognised at acquisition cost, including the costs directly attributable to the acquisition of the asset, and subsequently measured at fair value.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

Gains and losses arising from subsequent measurement at fair value are recognised in the income statement under the heading "Income from securities held for trading".

Securities held to maturity

This category includes the securities for which the Bank has the intention and financial capacity to maintain in its portfolio until their maturity date. Securities classified under this heading are recorded at acquisition cost net of impairment, plus the income earned as a result of the time flow of its periods (including the distribution over time of interest and the premium/discount against profit or loss) and the Bank recognises possible related profit or loss at the maturity date at the difference between the realised price and the respective carrying value.

In the event of a possible sale of securities classified under the category securities held-to-maturity before redemption, possible profit or loss determined at the date of sale shall be recorded at the difference between the price of sale and the carrying value.

Central Bank Securities and Treasury Bills are issued at a discount and recorded at acquisition cost. The difference between the acquisition cost and nominal value, which corresponds to the Bank's remuneration, is recognised in accounting terms as income over the period between the purchase date and maturity date of the securities, in a specific account named "Income receivable" (Note 5).

Treasury Bonds acquired at a discounted value are recorded at acquisition cost. The difference between the acquisition cost and nominal value of these securities, which corresponds to the discount applied at purchase, is recognised during the lifespan of the security under the heading "Income receivable". Accrued interest relative to these securities is also stated under "Income receivable" (Note 5).

Treasury Bonds issued in local currency indexed to the United States dollar exchange rate (OTMN-TXC) are subject to exchange rate updates. Thus, the result of the exchange rate adjustment of the nominal value of the security, the discount and the accrued interest is reflected in the income statement for the year in which it occurs, under the heading "Income from foreign exchange operations" (Note 22).

Non-adjustable treasury bonds issued in local currency with coupon interest rates predefined by maturity are recorded at acquisition cost. Accrued interest in relation to these securities is stated under the heading "Income receivable" (Note 5).

Other liabilities in foreign currency are registered at acquisition cost. Accrued interest in relation to these securities, as well as the difference between the acquisition cost and the repayment value, are reflected linearly through profit or loss under the heading "Income from securities" (Note 20).

Securities available for sale

Securities available for sale are registered for the purpose of being traded in the future and, as a result, do not fall under the other categories. Securities classified in this category are initially recognised at acquisition cost, including costs directly attributable to the purchase of the asset, and then measured at fair value.

Gains and losses arising from the subsequent valuation at fair value are recognised in the equity account at net value for tax purposes, and should only be transferred to profit and loss for the period on the definitive sale of the same.

Methodology for the calculation of fair value

The methodology for the calculation of the fair value (market value) of securities held for trading and available for sale is established based on criteria which are consistent and capable of being verified, which take into consideration independence in the collection of data relative to the rates applied in trading rooms, in particular:

i. The average trading price on the day of calculation or, when not available, the average trading price of the previous business day;
ii. The probable net realisable value obtained through the adoption of a price formation technique or model;

iii. The price of similar financial instruments, taking into consideration, at least, the payment and maturity periods, credit risk and currency or reference rate;
iv. The price defined by BNA.

Taxation regime for public debt securities

Income from public debt securities issued by the Angolan Government is subject to Presidential Legislative Decree N° 2/14 of 20 October, in force since 19 November, which reviewed and introduced several legislative changes to the IAC Code in line with the Tax Reform project.

IAC (Capital Gains Tax) generally applies to income from the Bank´s financial investments. The rate varies between 5% (in the case of interest, amortisation premiums and reimbursement and other forms of remuneration of public debt securities, bonds, equity securities and other similar securities issued by any entity, accepted for trading on a regulated market and with a maturity equal to or greater than three years) and 15%. Without prejudice to the foregoing, with regard to income from public debt securities, in the understanding of the Tax Authorities and the National Bank of Angola submitted to ABANC (a letter from the National Bank of Angola dated 26 September 2013), only income from public debt securities issued on or after 01 January 2013 is subject to IAC.

Furthermore, according to the position of the Tax Authorities (pursuant to the position discussed with ABANC and set forth in a document published by this institution dated 11 December 2015) foreign exchange revaluations of public debt securities issued in domestic currency but indexed to foreign currency as from 01 January 2013, are subject to Industrial Tax until the National Bank of Angola is able to collect withholding tax in relation to IAC.

Finally, it should be pointed out that pursuant to article 18 of the Industrial Tax Code, IAC is not accepted as a deductable cost for the purposes of calculating the tax base, as well as, moreover, income or gains subject to IAC being deducted from taxable income in accordance with the terms of article 47 of the Industrial Tax Code.

Classification of Risk

Pursuant to the provisions of the CONTIF, the Bank classifies the securities of its own portfolio according to the following credit risk rating:

- **Level A.** Sovereign securities issued by the Angolan Government or states belonging to the G7 group, and securities with a credit rating assigned by Standard & Poor's (S&P) or any other reputed independent agency (Moody's or Fitch), between AAA and AA-;
- **Level B.** Sovereign securities issued by the BRIC group (Brazil, Russia, India and China), securities with a credit rating assigned by S&P or any other reputed independent agency between A+ and A;
- **Level C.** Securities with a credit rating assigned by S&P or any other reputed independent agency between A- and BBB+;
- **Level D.** Securities with a credit rating assigned by S&P or any other reputed independent agency between BBB and BBB-;
- **Level E.** Securities with a credit rating assigned by S&P or any other reputed independent agency between BB+ and B-;
- **Level F.** Securities with a credit rating assigned by S&P or any other reputed independent agency between CCC+ and C;
- **Level G.** Securities with a credit rating assigned by S&P or any other reputed independent agency equal to or below D.

Reclassification of categories of securities

The transfer from one category to another may occur due to an isolated, unusual, non-recurring reason which could not have been reasonably foreseen, occurring after the date of classification.

The transfer from one category to another should take into account the intention and financial capacity of the institution and be conducted at the market value of the bond or security and in accordance with the following procedures:

a. in the event of a transfer from the bonds for trading category to other categories, the reversal of values already registered in relation to non-realised profit or loss shall not be permitted;
b. in the event of a transfer from the bonds available for sale category, non-realised profit and loss registered as

a heading under private equity should be recognised in the statement for the period:
   i. immediately, when transferred to the bonds for trading category;
   ii. in accordance with the time remaining to maturity, when transferred to the bonds held to maturity category;
c. In the event of a transfer from the held to maturity category to the other categories, any non-realised profit and loss should be recognised:
   i. immediately, in the statement for the period, when transferred to the securities for trading category;
   ii. as a heading under private equity, when transferred to the securities available for sale category.

Any reclassification of securities held to maturity not conducted close to the date of maturity will force the Bank to fully reclassify this portfolio to assets available for sale and no securities may then be classified under this category for two years.

i) Financial Derivatives

As at 31 December 2015 and 2014, the Bank had no financial derivatives registered its Balance Sheet.

The Bank may, however, conduct financial derivative operations such as foreign exchange forwarding in its daily activities, managing own positions based on expectations of market developments and liquidity needs in foreign currency.

Financial derivative transactions are conducted in over-the-counter markets (OTC).

Financial derivatives are registered at fair value on the date on which the Bank negotiates the contract, and are subsequently measured at fair value.

Trading derivatives are measured at fair value, with changes in value recognised through profit or loss, under the headings "Income or Costs of Financial Derivatives". Derivatives are considered assets when their fair value is positive and liabilities when their fair value is negative.

Derivatives are also registered in off-balance sheet accounts at contractual reference value (notional value).

Financial derivatives are classified as hedges or speculation and arbitrage, in accordance with the purpose of the same.

j) Retirement pensions and retirement benefits and other costs with employees

Pension fund

Law N° 07/04 of 15 October, which repealed Law N° 18/90 of 27 October, regulating the Angolan Social Security system, provides for the granting of retirement pensions to all Angolan workers enrolled in Security Social. The value of these pensions is calculated based on rates proportional to the number of years of work, applied to the average monthly gross wages received during the periods immediately before the date when the employee ended his/her period of activity. Pursuant to Decree N° 7/99 of 28 May, the rates of contribution to this system are 8% for the employer and 3% for employees. In 2004 the Bank undertook the voluntary commitment, through the creation of a pension fund, to grant monetary installments to employees, or to their families, as a supplement to their retirement pension due to old age, disability, early retirement and death benefit, pursuant to the terms and conditions agreed in the contract constituting the "BAI Pension Fund".

As at 31 December 2009, the Bank had granted, on a voluntary basis, a supplementary retirement pension on account of old age, disability, early retirement and survival pensions to its workers, as a defined benefit. Order no. 2529/12 approved by the Ministry of Finance was published in the Official State Gazette on 21 November 2012, the single point of which was the approval of amendments to the Pension Plan and to the contract of constitution of the Pension Fund of the Bank's employees, which therefore changed from a defined pension benefits plan to a defined contribution plan.

Following the aforementioned amendment to the Fund, the defined pension benefits plan was kept for existing pensioners and participants who terminated their contractual relationship with the Bank and had acquired rights until 31 December 2009.

Also according to this amendment to the contract of constitution of the Fund, approved in 2012, BAI should make a monthly contribution of 6% of the salary of the employees, and it also establishes that the Fund's participants make a contribution of 3% of their salary to the new defined contribution plan.

Up to 31 December 2012, the Bank was provisioning, on an exceptional basis, the 3% contribution on those salaries corresponding to the potential liability of the participants (employees). In view of the foregoing, this provision was cancelled in the financial year 2013. This procedure was supported by a legal opinion and favorable decision from ARSEG (Angolan Agency for the Regulation and Supervision of Insurance).

It should also be noted that, between 2010 and December 2013, the Bank created provisions concerning its potential contribution of 6% of employees' salary and decided it shall take this period into account (even if there are no contributions from employees) as pensionable service time for participants that join the Fund in the future.

The management of the "BAI Pension Fund" was transferred from AAA Pensões, S.A. to NOSSA - Nova Sociedade Angolana de Seguros de Angola, S.A. as of 31 October 2013, in accordance with the Order of the Ministry of Finance dated 28 October 2013.

BAI began to deduct 3% of the salary of employees joining the Fund, maintaining the 6% contribution of the salary of the employees in question.

With regard to the amount to be paid to the employees, previously covered by the Defined Benefits Plan and transferred to the Defined Contribution Pension Plan, the Fund currently possesses the means to settle this debt.

In relation to the Defined Benefits Plan still in force, it was decided to settle all liabilities with the participants in this fund (former employees and retirees), and as such this fund stands fully settled as at 31 December 2015. This entire process was monitored and authorised by ARSEG.

Provisions for holidays and holiday Allowance

The General Labour Law specifies that the holiday allowance to be paid to employees in a specific financial year is a right acquired in the previous year. As such, the Bank registers the amounts in relation to holidays and holiday allowances payable the following year in the accounts for the current year (Note 16).

k) Social Fund

According to the Social Fund regulations, this Fund aims to provide social support to BAI employees and their families. This social support may be provided as follows:

i. The provision/sale of housing units and real estate property with subsidised prices;
ii. Other social support to be specified by the Fund's Management Committee, such as the provision of public transport and child care centres.

The BAI Annual General Meeting, on the proposal of the Board of Directors, shall decide on the annual allocation for each year, which will provide the financial allocation for the Social Fund. This is registered in the statement of income.

Unused allocations in the year will be transferred to the Social Fund budget for the following year.

Only employees complying with following conditions on the date the support is granted may benefit from the Fund:

i. At least 3 years of service;
ii. No record of disciplinary action in the last 3 years;
iii. Performance assessment above average.

l) Provisions for liabilities and charges

A provision is constituted whenever there is a present obligation (legal or non-formalised) resulting from past events for which the future disbursement of funds is probable, which may be determined reliably. The amount of the provision corresponds to the best estimate of the value which must be disbursed in order to settle the liability on the reporting date.

Contingent liabilities are recognised in off-balance sheet accounts when the Bank has a possible present obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or several future events, outside the Bank's control.

Provisions for liabilities and charges recorded by the Bank are intended to support potential losses and other contingencies, namely those arising from non-recoverable assets, fraud, shortages of cash, other fixed assets and interest receivable on loans (Note 18).

Reduction in the recoverable amount of other assets (impairment)

The Bank evaluates its assets on a regular basis as a means of identifying assets whose recoverable amount is lower than their book value. The recognition of the reduction in the book value (impairment) of an asset occurs whenever its book value is higher than its recoverable value. The counterparty of these values is registered under profit and loss for the corresponding period.

m) Income taxes

The income obtained by the Bank from normal business activity is subject to several taxes in accordance with the nature of the same.

Hence, the Bank is fully taxed on profit obtained both in Angola and abroad, and its taxable profit corresponds to the difference between all the income or gains received and costs or losses attributable to the year under review, and corrected under the terms of the Industrial Tax Code.

The Bank's income is taxed under item 1, article 64 of Law N° 19/14 of 22 October, the current tax rate in force being 30%.

Industrial Tax is paid provisionally by the end of the month of August, whereby the tax to be paid in advance is calculated based on 2% of the total income from financial brokerage operations for the first six months of the previous financial year. Excess provisional payments of Industrial Tax, duly effected and submitted in previous financial years (up to the five-year expiry limit set forth in the General Taxation Code) may be deducted from the value of the provisional settlement to be effected in the financial year (Note 8).

Capital Gains Tax

Following the line defined by the draft Tax Reform, Presidential Legislative Decree no. 2/14, of 20 October, which reviews and republishes the Capital Investment Tax ("IAC") Code, in force as from last 19 November 2014, was published in the Official State Gazette.

Presidential Legislative Decree N° 2/14 of 20 October, in force since 19 November, reviewed and introduced several legislative amendments to the IAC Code in line with the Tax Reform project.

IAC (Capital Gains Tax) generally applies to income from the Bank´s financial investments. The rate varies between 5% (in the case of interest, amortisation premiums and reimbursement and other forms of remuneration of public debt securities, bonds, equity securities and other similar securities issued by any entity, accepted for trading on a regulated market and with a maturity equal to or greater than three years) and 15%. Without prejudice to the foregoing, with regard to income from public debt securities, in the understanding of the Tax Authorities and the National Bank of Angola submitted to ABANC (a letter from the National Bank of Angola dated 26 September 2013), only income from public debt securities issued on or after 01 January 2013 is subject to IAC.

Furthermore, according to the position of the Tax Authorities (pursuant to the position discussed with ABANC and set forth in a document published by this institution dated 11 December 2015) foreign exchange revaluations of public debt securities issued in domestic currency but indexed to foreign currency as from 01 January 2013, are subject to Industrial Tax until the National Bank of Angola is able to collect withholding tax in relation to IAC.

Finally, it should be pointed out that pursuant to article 18 of the Industrial Tax Code, IAC is not accepted as a deductable cost for the purposes of calculating the tax base, as well as, moreover, income or gains subject to IAC being deducted from taxable income in accordance with the terms of article 47 of the Industrial Tax Code.

Real Estate Tax

Pursuant to the amendments introduced by Law N° 18/11 of 21 April to the Urban Property Tax Code (IPU), the rent earned from leased properties is subject to IPU at the rate of 15% (Note 26).

Moreover, pursuant to the terms of article 18 of the Industrial Tax Code, rent subject to IPU is not accepted as a deductible cost for the purposes of calculating the tax base or IPU, in addition to costs for the maintenance and repair of rented properties.

n) Deferred Taxes

Deferred taxes correspond to the impact on tax recoverable/payable in future periods, arising from deductible or taxable temporary differences between the book value of assets and liabilities and the tax base used in

Deferred tax assets are recognised up to the extent that it is likely that there will be future taxable income to enable the use of the corresponding deductible tax differences or tax losses carried over, while deferred tax liabilities are normally recorded for all temporary taxable differences. Tax losses determined in a year are deductible from tax profits for one or more of the three subsequent years.

Deferred tax assets are not recognised where the recoverability of the same may be questionable due to matters of interpretation of the current tax legislation.

The principal situation at BAI causing temporary differences between the book value of assets and liabilities and their tax base refers to tax losses carried forward and temporarily non-deductible provisions.

Deferred taxes are calculated on a six-monthly basis using the tax rates which are expected to be in force on the date of the reversal of the temporary differences.

o) Property Taxes

Real Estate Tax

Pursuant to the amendments introduced by Law N° 18/11 of 21 April, the exemption previously established in the Real Estate Tax (IPU) Regulation was repealed, with the value for tax purposes of own properties for use in the development of the Bank's normal business now being subject to the IPU at the rate of 0.5% (above AKZ 5,000,000) (Note 26).

Sisa

In accordance with the terms of Legislative Act N° 230 of 18 May 1931, as well as the amendments introduced by Law N° 15/92 of 03 July and Law N° 16/11 of 21 April, SISA is applicable to all activity involving the perpetual or temporary transfer of property of any value, type or nature, regardless of the denomination or form of the security (e.g. activity involving the transfer of improvements to rural or urban properties and buildings, transfers of immovable assets through donations with entries or pensions or the transfer of immovable assets through donations) at the rate of 2% (Note 26).

p) Other taxes

The Bank is also subject to indirect taxes, namely customs duties, Stamp Duty, Consumption Tax, as well as other taxes (Note 26).

q) Tax Replacement

Within the scope of its activity, the Bank takes on the duty of tax replacement through third-party tax withholdings which are subsequently delivered to the Government.

Capital Gains Tax

Pursuant to Presidential Legislative Decree N° 2/14 of 20 October, the Bank withholds capital gains tax at source, at the rate of 10% of the interest on term deposits paid to customers (Notes 16 and 26).

Stamp Duty

Pursuant to Presidential Legislative Decree N° 3/14 of 21 October, the Bank is responsible for the settlement and delivery of the Stamp Duty owed by its customers on bank operations in general (e.g. loans, collection of interest on loans, commissions for financial services), with the Bank proceeding with the settlement of the tax, at the rates established in the Stamp Duty Table (Notes 17 and 26).

Industrial Tax

In accordance with article 67 of Law N° 19/14 of 22 October, the provision of services of any nature is subject to withheld tax at the rate of 6.5% (Notes 16 and 26).

Real Estate Tax

Pursuant to Law N° 18/11 of 21 April, the Bank withholds due IPU at the source at the rate of 15% of the payment or submission of rents in relation to leased properties (Notes 16 and 26).

3. CASH AND CASH EQUIVALENTS

This heading is broken down as follows:

	31-Dec-2015	31-Dec-2014
Cash and Cash Equivalents:		
Notes and Coins in Local Currency	16.235.045	15.933.230
Notes and Coins in Foreign Currency		
In United States Dollars	2.319.353	1.738.375
In Euros	2.861.865	3.255.999
In Other Currencies	1.308.854	227.586
Notes in ATM	5.104.168	4.767.964
	27.829.285	25.923.154
Demand Deposits at Banco Nacional de Angola (BNA)		
In Local Currency	117.454.625	76.359.707
In United States Dollars	28.397.206	75.450.011
In Euros	2.956.631	-
	148.808.462	151.809.718
Cheques Pending Collection – in Angola	525.926	500.916
Cheques a cobrar – no estrangeiro	(6.117)	48.155
	519.809	549.071
Cheques Pending Collection – Abroad		
In United States Dollars	6.487.129	18.615.652
In Euros	518.539	1.947.989
In Other Currencies	120.643	206.925
	7.126.311	20.770.566
	184.283.867	199.052.509

Demand deposits at BNA, in local currency and foreign currency aim to comply with the provisions in force regarding maintenance of compulsory reserves and are not remunerated.

The mandatory reserves are determined according to BNA instruction N° 16/2015 of 22 July on Monetary Policy, and are constituted in local currency and foreign currency in accordance with the respective denomination of the liabilities comprising the reserve base, and should be kept for the whole period they refer to.

As at 31 December 2015, the required amount of mandatory cash reserves was calculated using a 25% coefficient for liabilities in local currency and 15% in foreign currency, and a 5% coefficient for cash values in local currency, pursuant to Instruction N° 16/2015 of 12 February, which revoked Instruction N° 8/2015 of 04 June.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

On 10 December 2015, BNA converted part of the mandatory reserves in USD into securities in the same currency, with a nominal value of USD 491.140.000 (AKZ 66.458.609.000) and a 7-year maturity. These securities were recognised at acquisition cost and valued in accordance with the accounting policy specified in Note 2 h). As explained in Note 5, these securities were classified under the category of securities available for sale and may not be touched, as they have been partially allocated as collateral for the mandatory reserves in USD.

In accordance with Instruction N° 19/2015, which came into force on 04 January 2016, the mandatory reserves may consist of 20% of the amounts deposited at BNA and 80% in treasury bonds in foreign currency, and are acceptable for compliance with the securities specified in the previous paragraph.

As at 31 December 2015 and 2014, the total amount of minimum cash reserves in local and foreign currency stood at AKZ 112.893.880.000 and AKZ 63.212.740.000, and AKZ 60.884.524.000 and AKZ 60.566.969.000 respectively. The balance of the heading "Demand deposits at BNA" may differ from these values as it includes free reserves.

A provision of services protocol was entered into with BNA in 2015 within the scope of the consolidation of the responsibilities of the Central Bank with regard to the Monetary Conversion Agreement executed with Bank of Namibia, pursuant to BNA Notice N° 12/2015 of 21 December and Note 16.

4. LIQUIDITY INVESTMENTS

This item corresponds to term deposits held at other credit institutions and securities in relation to repurchase agreements entered into with BNA and other Angolan financial institutions, which is broken down as follows:

	31-Dec-2015			31-Dez-2014		
	Average interest rate	Amount in currency	Thousand AKZ	Average interest rate	Amount in currency	Million AKZ
Liquidity investments in Angola:						
In Kwanzas	2,89%	9.000.000.000	9.000.000	4,42%	33.274.456.259	33.274.456
In United States Dollars	5,66%	43.840.000	5.932.210	3,43%	28.000.000	2.880.164
			14.932.210			36.154.620
Liquidity investments abroad:						
In United States Dollars	0,60%	145.950.000	19.749.225	0,25%	752.683.335	77.423.266
In Euros	1,74%	48.000.000	7.095.915	1,32%	55.165.110	6.906.396
			26.845.140			84.329.662
Collateral deposits abroad in foreign currency		14.106.078	2.085.247	8,54%	19.276.099	1.982.797
Income receivable			105.694			186.298
			43.968.291			122.653.377
Repurchase agreements						
BNA – In Kwanzas	10,00%		4.003.159	5,02%		94.084.365
			4.003.159			94.084.365
			47.971.450			216.737.742

As at 31 December 2015, the balance constituting the heading "Collateral deposits abroad in foreign currency" refers to the corresponding provisioning for daily settlements of the use of VISA credit cards for subsequent settlement with the client.

As at 31 December 2015, the heading "Liquidity investments abroad" includes the amounts of AKZ 710,404,000 and AKZ 870,759,000, used to secure loan transactions granted by the subsidiaries BAI Cape Verde and BAI Europe respectively. Provisions were constituted for these transactions to the amount of AKZ 350,498000 under the heading "Provisions for liabilities and charges" (Note 17).

As at 31 December 2015, the heading "Repurchase agreements" only includes operations maintained with BNA. These operations register a nominal value, excluding interest receivable, of AKZ 4,000,000,000 and feature residual maturities of below three months.

As at 31 December 2015 and 2014, liquidity investments were broken down as follows in accordance with residual maturity:

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

	31-Dec-2015	31-Dec-2014
Up to three months	36.490.262	203.040.727
From three to six months	3.717.794	5.126.692
From six months to one year	7.763.394	8.570.323
	47.971.450	216.737.742

5. SECURITIES

This item is broken down as follows:

	31-Dec-2015		31-Dec-2014	
	Average interest rate	Amount	Average interest rate	Amount
Held for trading				
Bonds indexed to the United States dollar exchange rate	7,08%	13.073.797	7,00%	3.407.600
		13.073.797		3.407.600
Held for trading – interest receivable				
Bonds indexed to the United States dollar exchange rate		157.805		66.921
		157.805		66.921
		13.231.602		3.474.521
Available for sale				
Ministry of Finance bonds in foreign currency	5,00%	66.458.609		-
Other securities		318.763		-
		66.777.372		-
Available for sale – interest receivable				
Ministry of Finance bonds in foreign currency		190.660		-
		190.660		-
		66.968.032		-
Held to maturity:				
Treasury Bills	8,65%	95.101.393	5,64%	46.402.011
Treasury Bonds in foreign currency				
Treasury Bonds indexed to the United States dollar exchange rate	7,11%	51.924.065	6,95%	55.719.796
Non-adjustable treasury bonds	7,46%	86.919.796	7,24%	49.734.427
Treasury Bonds in foreign currency	3,71%	93.770.823	3,60%	73.467.722
Other bonds in foreign currency	9,72%	1.148.861	7,79%	413.213
		328.864.938		225.737.169
Held to maturity – interest receivable				
Treasury Bonds – interest		3.796.110		1.046.216
Treasury Bonds in domestic currency				
Treasury Bonds indexed to the United States dollar exchange rate - interest		128.327		123.868
Non-adjustable treasury bonds - interest		977.704		960.808
Treasury Bonds in foreign currency - interest		1.070.669		803.799
Other bonds in foreign currency - interest		38.000		6.574
		6.010.810		2.941.265
		334.875.748		228.678.434
		415.075.382		232.152.955

The item securities available for sale refers to securities arising from the conversion of mandatory reserves in USD within the scope of the requirements defined by BNA, as explained in Note 3.

The item securities held to maturity includes treasury bonds to the amount of AKZ 52.600.000,000 arising from a direct bridge finance loan transaction with the State under a banking syndicate scheme, and which were settled in treasury bonds, in accordance with the conditions set forth in Presidential Decree Nº 136/14 of 16 July, as detailed in Note 7.

As at 31 December 2015 and 2014, the securities portfolio was broken down as follows in accordance with residual maturity:

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

	31-Dec-2015	31-Dec-2014
Up to three months	66.917.252	26.010.294
From three to six months	41.742.051	11.845.941
From six months to one year	11.759.260	48.528.647
Over one year	294.656.819	145.768.073
	415.075.382	232.152.955

As at 31 December 2015, the Bank's securities portfolio, excluding interest receivable, was broken down as follows in accordance with credit risk rating:

Security	31-Dec-2015	Issuer	Domicile	Activity	Risk Level
Bonds indexed to the USD Exchange rate (Trading Dossier)	13.073.797	Government	Angola	Government	A
	13.073.797				
Ministry of Finance bonds in foreign currency	66.458.609	Government	Angola	Government	A
Other securities	318.763				
	66.777.372				
Treasury bonds indexed to the exchange rate	51.924.065	Government	Angola	Government	A
Treasury bonds in foreign currency	93.770.823	Government	Angola	Government	A
Treasury bills	95.101.393	Government	Angola	Government	A
Non-readjustable treasury bonds	86.919.796	Government	Angola	Government	A
Banco KEVE cash bonds	676.573	Keve	Angola	Financial institution	C
BAI Cape Verde cash bonds 12/16	139.411	BAI Cape Verde	Cape Verde	Financial institution	C
Obrigações Fast Ferry	301.594	Fast Ferry	Cape Verde	Transport	C
Sogei bonds 02/14	31.283	Sogei	Cape Verde	Construction	C
	328.864.938				
	408.716.107				

As at 31 December 2015 and 2014, the securities portfolio was broken down as follows in accordance with residual maturity:

Security	31-Dec-2014	Issuer	Domicile	Activity	Risk Level
Non-adjustable treasury bonds (Trading Dossier)	3.407.600	Government	Angola	Governo	A
	3.407.600				
Treasury bonds indexed to the exchange rate	55.719.796	Government	Angola	Governo	A
Treasury bonds in foreign currency	49.734.427	Government	Angola	Governo	A
Treasury bills	46.402.011	Government	Angola	Governo	A
Non-adjustable treasury bonds	72.953.407	Government	Angola	Governo	A
Banco KEVE cash bonds	514.315	Keve	Angola	Financial institution	C
BAI Cape Verde cash bonds 12/16	118.063	BAI Cape Verde	Cape Verde	Financial institution	C
Fast Ferry bonds 07/15	255.411	Fast Ferry	Cape Verde	Transport	C
Sogei bonds 02/14	39.739	Sogei	Cape Verde	Construction	C
	225.737.169				
	229.144.769				

6. CREDITS IN THE PAYMENT SYSTEM

As at 31 December 2015, the item "Credits in the payment system" included the amount of AKZ 4,664,000 correspond to deposits made by BAI in other financial institutions' branches located in provinces with no BNA presence.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

7. LOANS

	31-Dec-2015	31-Dec-2014
Live loans – Capital		
Advances to Depositors		
Local Currency		
- Business Sector	5.082.956	3.466.732
- Individuals	146.596	30.330
Foreign Currency		
- Business Sector	64.964	25.728
- Individuals	5.597	4.006
Current Account Loans		
Local Currency		
- Central and local administration	2.337	4.615
- Public Sector	3.789	-
- Business Sector	26.003.953	10.289.733
- Individuals	1.348.571	1.112.455
Foreign Currency		
- Business Sector	858.567	-
Loans		
Local Currency		
- Central and local administration	-	52.600.000
- Public Sector	574	1.065
- Business Sector	124.606.047	128.765.008
- Individuals	32.019.544	24.629.088
Foreign Currency		
- Central and local administration	88.704.890	55.885.851
- Public Sector	20.432.565	18.684.161
- Business Sector	23.248.150	29.675.366
- Individuals	28.246.144	24.642.960
	350.775.244	349.817.098
Loans and interest due		
- Capital	39.613.761	42.851.997
- Interest	31.895	3.594.381
	39.645.656	46.446.378
	390.420.900	396.263.476
Proveitos a receber	13.095.442	10.176.620
	403.516.342	406.440.096
Provisions for non-performing loans (Note 17)	(49.174.859)	(40.259.925)
Provisions for guarantees provided and documentary loans (Note 17)	(655.730)	(719.599)
	(49.830.589)	(40.979.524)
	353.685.753	365.460.572

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, in order to cover the risk of collecting loans granted, the Bank registers the following provisions stated through the calculation of provisions for non-performing loans and interest methodology, pursuant to the accounting policy described in Note 2 c):

	31-Dec-2015	31-Dec-2014
Kwanzas	222.459.782	246.601.970
United States Dollars	181.050.995	159.831.350
Euros	5.530	6.776
Other currencies	35	-
	403.516.342	406.440.096

As at 31 December 2015, the Bank's largest debtor is the State of Angola and represents 98% of Regulatory Capital and 25% of the total loan portfolio, excluding guarantees and documentary credit.

			31-Dez-2015							31-Dec-2014
	Equity	Interest	Total	Provision rate	Provision	Equity	Interest	Total	Provision rate	Provision
Class A	108.089.414	-	108.089.414	0%	-	134.141.944	-	134.141.944	0%	-
Class B	52.039.992	(2.164)	52.037.828	1% a < 3%	(1.040.757)	58.624.070	(1.096)	58.622.974	1% a < 3%	(1.172.459)
Class C	139.641.302	30.262	139.671.564	3% a < 10%	(11.173.725)	133.322.894	127.522	133.450.416	3% a < 10%	(9.341.529)
Class D	35.886.168	9.995	35.896.163	10% a < 20%	(3.590.008)	20.068.969	28.592	20.097.561	10% a < 20%	(2.009.756)
Class E	12.554.125	(2.798)	12.551.327	20% a < 50%	(4.030.344)	32.184.423	46.845	32.231.268	20% a < 50%	(10.314.005)
Class F	29.086.129	29.992	29.116.121	50% a < 100%	(16.281.542)	5.751.651	837	5.752.488	50% a < 100%	(5.455.350)
Class G	13.091.875	(33.392)	13.058.483	100%	(13.058.483)	8.575.144	3.391.681	11.966.825	100%	(11.966.826)
Provision for Guarantees Provided and Documentary Credit					(655.730)					(719.599)
	390.389.005	31.895	390.420.900		(49.830.589)	392.669.095	3.594.381	396.263.476		(40.979.524)

			31-Dec-2014							31-Dec-2013
	Equity	Interest	Total	Provision rate	Provision	Equity	Interest	Total	Provision rate	Provision
Class A	134.141.944	-	134.141.944	0%	-	16.749.976	-	16.749.976	0%	-
Classe B	58.624.070	(1.096)	58.622.974	1% a < 3%	(1.172.459)	50.607.300	3.173	50.610.473	1% a < 3%	(1.518.314)
Classe C	133.322.894	127.522	133.450.416	3% a < 10%	(9.341.529)	168.534.131	80.237	168.614.368	3% a < 10%	(13.489.149)
Classe D	20.068.969	28.592	20.097.561	10% a < 20%	(2.009.756)	9.886.110	18	9.886.128	10% a < 20%	(1.977.226)
Classe E	32.184.423	46.845	32.231.268	20% a < 50%	(10.314.005)	11.148.425	14	11.148.439	20% a < 50%	(3.984.882)
Classe F	5.751.651	837	5.752.488	50% a < 100%	(5.455.350)	6.925.285	45.955	6.971.240	50% a < 100%	(5.576.992)
Classe G	8.575.144	3.391.681	11.966.825	100%	(11.966.826)	11.490.041	476	11.490.516	100%	(11.490.516)
Provision for Guarantees Provided and Documentary Credit					(719.599)					(923.024)
	392.669.095	3.594.381	396.263.476		(40.979.524)	275.341.268	129.873	275.471.140		(38.960.103)

BNA letter reference number 4056/DSI/15 authorised BAI not to apply the limit of 25% of Regulatory Equity on exposure to the State (Ministry of Finance), in light of the new Notice on major risks to be published.

Moreover, the Bank's twenty largest Customers represent approximately 247% of regulatory capital and 64% of the total loan portfolio. This ratio is also affected by the aforementioned situation.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, the loan portfolio, broken down into sectors of activity, including non-performing loans and interest and income receivable, was as follows:

	31-Dec-2015	31-Dec-2014
Local Currency	**222.459.782**	**246.601.970**
Real Estate Development and Construction	114.330.985	81.769.883
Individuals	34.219.772	26.452.891
Mining and Processing Industry	32.836.308	38.867.763
Wholesale and Retail Commerce	28.927.848	22.817.135
Services	8.307.303	19.916.438
Agriculture, Livestock, Fisheries and Forestry	3.506.187	3.934.292
The State	331.379	52.843.568
Foreign Currency	**181.056.560**	**159.838.126**
The State	110.050.735	64.979.541
Individuals	30.553.675	25.683.949
Mining and Processing Industry	18.740.003	36.705.446
Wholesale and Retail Commerce	13.194.099	7.743.937
Real Estate Development and Construction	7.158.307	21.979.427
Services	1.359.741	2.681.754
Agriculture, Livestock, Fisheries and Forestry	-	64.072
	403.516.342	406.440.096

As at 31 December 2015 and 2014, the average interest rate implemented by the Bank was as follows:

Average weighted rate	31-Dec-2015	31-Dec-2014
In local currency	12,49%	10,48%
In local currency	6,83%	7,36%

As at 31 December 2015 and 2014, the residual loan maturity, excluding non-performing loans and income receivable, was as follows:

	31-Dec-2015	31-Dec-2014
Up to three months	9.686.839	10.327.171
From three to six months	27.110.979	13.781.352
From six months to one year	46.957.708	90.054.204
From one to three years	19.284.100	61.833.555
Over three Years	247.735.618	173.820.816
	350.775.244	**349.817.098**

As at 31 December 2015 and 2014, the residual maturity of non-performing loans was as follows:

	31-Dez-2015	31-Dez-2014
Up to one month	8.288.133	17.188.602
From one to three months	10.273.896	8.784.738
From three to six months	5.391.374	12.087.572
From six months to one year	11.361.973	2.794.171
From one to three years	4.327.721	5.591.295
Up to three years	2.559	-
	39.645.656	**46.446.378**

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, total loans written off from assets at risk level G and total loans recovered in the respective financial years were broken down as follows:

Loans Written Off Assets	31-Dec-2015	31-Dec-2014
Risk Level G (Note 17)	22.159.214	17.237.204
	22.159.214	17.237.204

Recovered Loans	31-Dec-2015	31-Dec-2014
From off-balance sheet	317.460	710.353
Interest (Note 30)	5.204.455	1.355.331
	5.521.915	2.065.684

Borrower risk migration behaved as follows between 31 December 2014 and 31 December 2015:

Loan Portfolio as at 31 Dec 14			31-Dec-2015									
Risk Level	Amounts in Thous. AKZ	Portfolio on 31 Dec 13	A	B	C	D	E	F	G	Write-Offs	Receivables	Total
A	134.141.944	34%	55,2%	0,0%	0,0%	4,9%	0,0%	0,0%	0,0%	-	53.447.569	134.141.944
B	58.624.070	15%	0,0%	50,6%	3,6%	1,3%	3,1%	17,4%	9,9%	7.099	8.271.397	58.624.070
C	133.322.894	34%	0,0%	0,3%	66,5%	1,4%	3,5%	1,1%	4,3%	94.203	30.494.054	133.322.894
D	20.068.969	5%	0,0%	0,1%	0,1%	70,2%	14,4%	0,0%	13,8%	11.585	268.136	20.068.969
E	32.184.423	8%	0,0%	0,0%	0,0%	0,3%	3,5%	28,5%	8,8%	9.241.816	9.703.757	32.184.423
F	5.751.651	1%	0,0%	0,0%	0,0%	0,0%	0,0%	32,4%	48,4%	956.832	145.217	5.751.651
G	8.575.144	2%	0,0%	0,0%	0,0%	0,0%	0,1%	0,0%	18,0%	5.749.083	1.264.143	8.575.144
Total	392.669.095	100%	74.099.815	30.107.646	90.850.254	23.333.865	10.434.767	22.658.380	21.529.476	16.060.618	103.594.273	392.669.095

Risk Level	Kept Same Level	Moved to Levels		Write-Offs	Receivables	Total
		Aggravations	Decreases			
A	74.099.815	6.594.559	-	-	53.447.569	134.141.944
B	29.662.147	20.683.428	-	7.099	8.271.397	58.624.070
C	88.703.977	13.646.483	384.176	94.203	30.494.054	133.322.894
D	14.096.478	5.652.186	40.584	11.585	268.136	20.068.969
E	1.111.736	12.018.201	108.914	9.241.816	9.703.757	32.184.423
F	1.865.729	2.782.256	1.617	956.832	145.217	5.751.651
G	1.546.780	-	15.138	5.749.083	1.264.143	8.575.144
Total	**211.086.661**	**61.377.113**	**550.429**	**16.060.618**	**103.594.273**	**392.669.095**

Receivables associated with risk level A include the amount of AKZ 52,600,000,000 in relation to a direct loan transaction with the State of a bridge finance nature under a banking syndicate regime, which was settled with treasury bonds in accordance with the conditions established by Presidential Decree N° 136/14 of 16 July, as mentioned in Note 5.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

8. OTHER ASSETS

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Deferred Tax Assets (Note 31)	3.170.023	3.624.037
Tax Receivable (Note 31)	1.507.122	1.501.019
	4.677.145	5.125.056
Real Estate Property		
Assets acquired for sale to employees	2.966.817	3.498.217
Property Rainha Ginga	423.440	349.643
Provision for assets acquired for sale to employees (Note 17)	(869.034)	(1.032.245)
Assets acquired in exchange of loans	14.147.891	6.911.492
Provision for assets acquired in exchange of loans (Note 17)	(331.445)	-
Central Government – Ministry of Finance	3.019.031	1.694.205
Debtors - Loans	1.326.333	1.053.561
Debtors - Pension Fund	165.690	295.350
Debtors - Novinvest	1.444	277.303
Debtors - BISTP	-	19.063
Fraud	1.133.333	779.598
Commissions Receivable – GRINER	145.952	299.707
Operations pending settlement	69.780	191.968
Manager of the E-Kwanza Network	101.000	101.000
Regulatory entity – BNA	140.325	142.863
Cash Shortages	76.748	20.268
Other	302.120	328.251
	22.819.425	14.930.244
Expenditure with deferred cost:		
Office material	176.289	178.391
Rentals	232.028	192.193
Insurance	15.402	88.376
Advertising	128.130	112.258
Other	169.930	436.217
	721.779	1.007.435
	28.218.349	21.062.735

As at 31 December 2015 and 2014, the item "Tax receivable" to the amounts of AKZ 1,507,122,000 and AKZ 1,501,019,000 respectively, corresponds to the amount of tax credit derived from surplus tax payments on account conducted during the financial years 2012 and 2013.

As at 31 December 2015 and 2014, the heading "Assets acquired for sale to employees" presents investment in yet to be built property acquired by the Bank during the financial year 2008, with a view to the sale of the same to the Bank's employees at a price similar to the acquisition value, subject to the regime provided for by the Bank's Social Fund (Note 2 k). As at 31 December 2015, this item consists of two buildings. The scope of this process forecast a loss to the Bank, and, consequently, a provision under the item "Provisions for property for sale to employees" was recognised, corresponding to the estimated loss. Some of the units of these properties have already been subject to contractual formalisation on behalf of the Bank's employees, the Bank having recognised the respective impairment loss.

As at 31 December 2015 and 2014, the item "Property acquired in exchange of loans" includes properties given in exchange of loan repayments involving the recovery of loans written off from assets to the amount of AKZ 14,147,891,000 and AKZ 6,911,492,000 respectively, in accordance with the provision in the accounting policy (Note 2 c.).

In the financial year 2015 the Bank received a real estate property given in exchange of loan repayments to the amount of AKZ 7,341,2155,000 whereby the other values under the item refer to records from previous financial years. The Bank expects to sell the properties within a period of two years, except when market conditions render this impossible.

As at 31 December 2015, the heading "Central Government – Ministry of Finance" corresponds to the amounts receivable from the Ministry of Finance in relation to commissions on tax collected in the financial year, within the scope of the agreement entered into by both parties. Commissions on tax collected are recognised as income for the year under the item "Commissions received – for bank services rendered" (Note 23).

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, the item "Debtors - Loans", to the amount of AKZ 1,326,333,000 and AKZ 1,053,561,000, basically corresponds to the reimbursement of the principal conducted on behalf of BAI Cabo Verde S.A.

As at 31 December 2015 and 2014, the items "Operational risk incidents" and "Operations pending settlement" correspond to operations pending settlement, with legal proceedings underway, with the Bank having provided the provisions required to cover the associated risks, through the heading "Provisions for other values and contingent liabilities" (Note 17).

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The balance of investments in subsidiaries and associated companies may be broken down as follows:

The table below illustrates the financial holdings held by the Bank:

Holding	Head Office	Activity	Currency	Share Capital (thousand)	% of Share	Acquisition Cost in Currency	31-Dec-2015	31-Dec-2014
Holdings in Associates and Equivalent Companies in Angola								
BAI Micro Finanças, S.A.	Luanda	Banking services	AKZ	5.334.907	96,79%	5.163.656	4.940.884	4.952.803
BAI Micro Finanças, S.A. - Impairment (Note 28)							(4.940.884)	(3.668.014)
NOSSA - Nova Sociedade Seguros Angola, S.A.	Luanda	Insurance	AKZ	993.807	72,24%	717.926	1.074.661	1.074.662
BAI GEST, SA	Luanda	Investment Fund	AKZ	60.000	100,00%	60.000	60.000	-
							1.134.661	2.359.451
Holdings in Associates and Equivalent Companies Abroad								
Banco 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	2.183.467
BAI Cabo Verde, S.A. - Impairment (Note 28)							(1.060.390)	(1.210.154)
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	Praia	Real estate services	CVE	2.500	100,00%	2.950	2.950	2.950
							5.523.629	5.364.013
							6.658.290	7.723.464
Holdings in Other Companies in Angola								
EMIS - Empresa Interbancária de Serviços, S.A.	Luanda	Banking services	AKZ	910.000	4,09%	37.219	57.354	57.354
AAA Seguros, Lda	Luanda	Insurance	AKZ	1.127.528	5,00%	14.733	14.733	14.733
BVDA - Bolsa de Valores e Derivativos de Angola	Luanda	Financial services	AKZ	1.343.000	0,95%	12.419	-	-
Fundação BAI	Luanda	Charitable Foundation	AKZ	10.000	100,00%	10.000	10.000	10.000
AAA Pensões	Luanda	Pension funds	AKZ	225.506	5,00%	2.947	2.946	2.946
SAESP	Luanda	Education	AKZ	2.000	80,00%	2.394	2.394	2.394
							87.427	87.427
Holdings in Other Companies Abroad								
FIPA - Angola Private Investment Fund	Luxembourg	Investment Fund	USD	(NAV) 8.344.346	25,64%	5.892	820.086	820.086
BPN Brasil	S. Paulo	Banking services	BRL	89.798	3,22%	10.980	486.143	486.143
BPN Brasil - Impairment (Note 28)							(486.143)	(486.143)
							820.086	820.086
							907.513	907.513
Shareholder Loans to Entities in Angola								
Prestações Acessórias - SAESP							7.614.153	7.614.153
SAESP - Impairment (Note 28)							(692.381)	-
BAI Micro Finanças, S.A.							230.125	396.264
BAI Micro Finanças, S.A. - Impairment (Note 28)							(230.125)	-
EMIS - Empresa Interbancária de Serviços, S.A.							108.738	108.739
							7.030.510	8.119.156
Shareholder Loans to Entities Abroad								
BAI Center							3.547.958	3.004.669
							3.547.958	3.004.669
							10.578.468	11.123.825
							18.144.271	19.754.802

The Board of Directors is currently conducting a corporate streamlining of all the activities associated with BAI, which among other aspects aims to create a holding company and two sub-holding companies. As a result of this process, no negative impacts on net worth in BAI financial statements are expected.

The Bank conducted impairment tests at the subsidiary BMF due to the fact this company had been registering negative income on a regular basis. In previous financial years, and in accordance with Note 2 e), based on these tests the Bank recognised impairment at 100% of the value of the holding, in addition to a provision for likely liabilities arising from this entity´s negative equity (Note 17) to the amount of AKZ 1,653,279,000.

As at 31 December 2015, and as a result of the impairment test conducted at the subsidiary BAI Cabo Verde S.A., the Bank recognised impairment to the amount of AKZ 1,060,390,000.

The impairment value is recognised under the income statement heading "Net income from investments in subsidiaries and associated companies" (Note 28).

As at 31 December 2015, the heading "Shareholder loans in the country" includes the amount of AKZ 7,614,153,000 corresponding to shareholder loans to the entity BAI Center S.A., which are not subject to interest and have no defined repayment timeframes.

As at 31 December 2015 the Bank also conducted impairment tests at the subsidiary SAESP, ascertaining impairment to the amount of AKZ 692,381,000 (Note 2 e)).

As at 31 December 2015, the heading "Shareholder loans abroad" includes a balance of AKZ 3,547,958,000 corresponding to shareholder loans to the entity BAI Center S.A., which are remunerated on a six-monthly basis at a rate of 1.5%.

The Bank conducted impairment tests on the subsidiary BPN Brasil due to the fact the company was registering negative income on a regular basis. In previous years, as described in Note 2 e), based on these tests, the Bank recognised the impairment of 100% of the share value. In September 2013, BAI entered into a purchase and sale agreement for the shares corresponding to the financial holding in BPN Brasil (3.22%), to the amount of AKZ 46,076,000. On the date of the execution of this agreement the Bank received an amount corresponding to 50% of the value of the sale. The remaining amount will be paid on the date the operation becomes effective (until all the legal requirements for the completion of the operation have been met).

As at 31 December 2015, balances of assets, liabilities and off balance sheet operations with the Bank´s subsidiaries are detailed in Note 34.

As at 31 December 2015, the audited financial information of the subsidiaries is as follows (amounts in thousand AKZ converted at the exchange rate in force at the end of the year):

	Currency	Reference Date	Net Assets	Equity	Net Income	Stake in the Share Capital	31-Dec-2015 Book Value
Banco BAI Europa, S.A.*	USD	31.12.2015	64.510.276	10.038.107	476.055	10.037.103	4.322.614
BAI Micro Finanças, S.A.*	USD	31.12.2015	8.195.272	(1.609.533)	(1.989.953)	(1.557.867)	-
BAI Cabo Verde, S.A.*	USD	31.12.2015	23.560.856	1.747.242	39.553	1.405.307	1.132.929
NOSSA - Nova Sociedade Seguros Angola, S.A.*	USD	31.12.2015	10.468.180	2.132.859	306.808	1.540.777	1.074.661
FIPA*	USD	30.09.2015	8.941.300	8.673.510	(91.847)	2.223.888	820.086
Banco Internacional de São Tomé e Príncipe*	USD	31.12.2015	14.754.293	1.863.921	173.266	465.980	65.136
EMIS - Empresa Interbancária de Serviços, S.A.	USD	31.12.2013	4.744.157	1.377.815	111.290	56.353	57.354
AAA Seguros, Lda	USD	31.12.2010	13.428.513	1.757.809	53.548	87.890	14.733
Fundação BAI	USD		n.d	n.d	n.d	n.d	10.000
AAA Pensões	USD	31.12.2010	2.102.163	309.706	47.896	15.485	2.946
BAI Center	USD		n.d	n.d	n.d	n.d	2.950
BAI GEST	USD		n.d	n.d	n.d	n.d	60.000
SAESP*	USD	31.12.2015	7.144.457	6.924.166	(117.639)	6.924.166	2.394
							7.565.803

* Not audited
n. a. - not available

10. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Activity under the items property and equipment, intangible assets and fixed assets under construction in the financial years 2015 and 2014 was as follows:

	Balance on 31 Dec 2014					Write-Offs and Other				Balance on 31 Dec 2015		
	Gross Value	Accumulated Depreciation	Net Value	Increases	Transfers	Write-Offs and Other Transfers	Adjustment of Depreciation	Amortisation for the year	Gross Value	Accumulated Depreciation	Gross Value	Net Value
Property and Equipment												
Properties in Use	11.419.502	(2.039.368)	9.380.134	426.093	337.282	-	-	249.545	(323.744)	12.182.877	(2.113.567)	10.069.310
Furniture, Tools, Facilities and Equipment	9.850.721	(5.232.918)	4.617.803	959.372	587.789	(1.033.738)	959.602	(3.051)	(1.306.875)	10.364.144	(5.583.242)	4.780.902
Other Fixed Assets	435.443	(96.876)	338.567	-	-	-	-	1	(37.325)	435.443	(134.200)	301.243
Fixed Assets Under Construction	27.439.720	-	27.439.720	4.960.290	(1.398.375)	-	-	-	-	31.001.635	-	31.001.635
	49.145.386	(7.369.162)	41.776.224	6.345.755	(473.304)	(1.033.738)	959.602	246.495	(1.667.944)	53.984.099	(7.831.009)	46.153.090
Intangible Assetss												
Automatic Data Processing System	1.660.846	(1.214.019)	446.827	157.816	22.165	-	-	6.684	(303.670)	1.840.827	(1.511.005)	329.822
Organisation and Expansion Costs	767.290	(416.965)	350.325	-	-	(13.076)	5.830	650	(223.070)	754.214	(633.555)	120.659
Improvements to Third Parties Properties	4.905.769	(1.022.858)	3.882.911	106.448	470.713	(328.334)	165.560	(225.204)	(459.457)	5.154.596	(1.541.959)	3.612.637
Fixed Assets Under Construction	7.118	-	7.118	24.771	(19.574)	-	-	-	-	12.315	-	12.315
	7.341.023	(2.653.842)	4.687.181	289.035	473.304	(341.410)	171.390	(217.870)	(986.197)	7.761.952	(3.686.519)	4.075.433
	56.486.409	(10.023.004)	46.463.405	6.634.790	-	(1.375.148)	1.130.992	28.625	(2.654.141)	61.746.051	(11.517.528)	50.228.523

	Balance on 31 Dec 2014					Write-Offs and Other				Balance on 31 Dec 2015		
	Gross Value	Accumulated Depreciation	Net Value	Increases	Transfers	Write-Offs and Other Transfers	Adjustment of Depreciation	Amortisation for the year	Gross Value	Accumulated Depreciation	Gross Value	Net Value
Property and Equipment												
Properties in Use	11.458.464	(1.641.247)	9.817.217	118.127	520.469	(677.558)	39.710	(94.226)	(343.605)	11.419.502	(2.039.368)	9.380.134
Furniture, Tools, Facilities and Equipment	10.459.299	(6.104.494)	4.354.805	1.474.782	46.333	(2.129.693)	2.129.693	4.553	(1.262.670)	9.850.721	(5.232.918)	4.617.803
Other Fixed Assets	360.662	(118.830)	241.832	20.632	112.620	(58.471)	58.471	-	(36.517)	435.443	(96.876)	
Fixed Assets Under Construction	21.763.431	-	21.763.431	6.079.430	(238.501)	(164.640)	-	-	-	27.439.720	-	27.439.720
	44.041.856	(7.864.571)	36.177.285	7.692.971	440.921	(3.030.362)	2.227.874	(89.673)	(1.642.792)	49.145.386	(7.369.162)	41.776.224
Intangible Assetss												
Automatic Data Processing System	2.963.766	(2.246.918)	716.848	236.175	(51.418)	(1.487.677)	1.486.821	(4.776)	(449.146)	1.660.846	(1.214.019)	446.827
Organisation and Expansion Costs	1.092.824	(679.108)	413.716	104.788	50.583	(480.905)	480.905	1.833	(220.595)	767.290	(416.965)	350.325
Improvements to Third Parties Properties	3.786.724	(713.579)	3.073.145	23.111	1.169.271	(73.337)	73.314	94.223	(476.816)	4.905.769	(1.022.858)	3.882.911
Fixed Assets Under Construction	910.947	-	910.947	740.622	(1.609.357)	(35.094)	-	-	-	7.118	-	7.118
	8.754.261	(3.639.605)	5.114.656	1.104.696	(440.921)	(2.077.013)	2.041.040	91.280	(1.146.557)	7.341.023	(2.653.842)	4.687.181
	52.796.117	(11.504.176)	41.291.941	8.797.667	-	(5.107.375)	4.268.914	1.607	(2.789.349)	56.486.409	(10.023.004)	46.463.405

The increase in the balance of "Property and equipment – fixed assets under construction" registered for the year 2015, amounting to AKZ 4.645.414,000, essentially corresponds to investments in the buildings Torre Gika and Kianda. The Bank intends to keep the two buildings on the balance sheet as at 31 December 2015.

As at 31 December 2015, the heading "Property and equipment – fixed assets under construction" had registered the following increases over the year (the table does not include the effect of transfers to property and equipment):

	31-Dec-2014	Increase	31-Dec-2015
BAI Tower (New Head Offices)	19.507.398	2.817.494	22.324.892
Kianda Building	5.265.506	1.827.920	7.093.426
Other	2.666.816	314.876	2.981.692
	27.439.720	**4.960.290**	**32.400.010**

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

11. DEPOSITS

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Demand Deposits of Residents		
Local Currency		
Companies	211.745.182	207.246.944
Individuals	80.691.502	77.551.570
Public Business Sector	50.641.147	59.915.820
Public Administrative Sector	12.544.522	5.679.382
	355.622.353	350.393.716
Foreign Currency		
Companies	117.397.572	211.545.742
Individuals	51.999.626	42.296.568
Public Business Sector	2.558.836	12.837.459
Public Administrative Sector	16.681.810	14.180.678
	188.637.844	280.860.447
Demand Deposits of Non-Residents		
Local Currency	6.000.488	4.319.018
Foreign Currency	1.687.355	1.376.764
	7.687.843	5.695.782
Total Demand Deposits	551.948.040	636.949.945
Term Deposits in Local Currency		
Companies	52.502.207	74.842.461
Individuals	39.297.366	44.933.242
Public Business Sector	574.829	40.179.009
Public Administrative Sector	49.573.158	97.500
Non-Residents	90.848	178.852
	142.038.408	160.231.064
Term Deposits in Foreign Currency		
Residents		
Companies	159.101.861	73.958.705
Individuals	70.870.438	65.701.341
Public Business Sector	73.299	2.750.804
Non-Residents	94.747	92.481
	230.140.345	142.503.331
Total Term Deposits	372.178.753	302.734.395
Total Interest Payable on Term Deposits	14.367.238	11.232.248
Total Deposits and Interest Payable on Term Deposits	386.545.991	313.966.643
Total Customer Deposits	938.494.031	950.916.588

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015, the item Customer term deposits, excluding interest payable, was broken down as follows in accordance with currency and average interest rate:

	Average Interest Rate	Amount
In United States Dollars	2,56%	222.592.570
In Kwanzas	6,06%	142.038.408
In Euros	1,77%	7.547.775
		372.178.753

As at 31 December 2015, the item customer term deposits, excluding interest payable, was broken down as follows in accordance with currency and average interest rate:

	Average Interest Rate	Amount
In United States Dollars	2,61%	136.373.916
In Kwanzas	5,06%	160.231.064
In Euros	1,55%	6.129.415
		302.734.395

As at 31 December 2015 and 2014, Customer term deposits, excluding interest payable, were broken down as follows, according to their residual maturity:

	31-Dec-2015	31-Dec-2014
Local currency		
Up to three months	48.573.969	74.620.832
From three to six months	57.853.116	45.989.550
From six months to one year	20.562.821	23.974.199
Over one year	15.048.502	15.646.483
	142.038.408	160.231.064
Foreign currency		
Up to three months	113.776.741	59.671.739
From three to six months	37.668.198	28.921.891
From six months to one year	22.392.053	41.389.796
Over one year	56.303.353	12.519.905
	230.140.345	142.503.331
	372.178.753	**302.734.395**

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

12. LIQUIDITY FUNDING

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Liquidity funding at other credit institutions		
In United States Dollars	13.531.501	10.286.301
Interest payable	-	1.117
	13.531.501	**10.287.418**

As at 31 December 2015 and 2014, the balance of this item corresponds to an underwriting amounting to USD 100,000,000 (AKZ 13,531,501,000) and USD 100,000,000 (AKZ 10,286,301,000), remunerated at an interest rate of 0.3% and 1.955% respectively.

As at 31 December 2015 and 2014, funds from other term loan institutions were broken down as follows in accordance with residual maturity:

	31-Dez-2015	31-Dez-2014
Up to three months	13.531.501	10.287.418
	13.531.501	**10.287.418**

13. LIABILITIES IN THE PAYMENTS SYSTEM

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Relations between branches	2.570	42.848
Relations between institutions		
Clearing of cheques and other paper		
Certified cheques in local currency	1.272.206	1.609.967
Cheques payable in foreign currency	125.493	134.173
Cheques payable in local currency	128.669	128.670
Other operations pending settlement		
EMIS and VISA clearance	594.701	1.393.546
Customer operations pending settlement	(828.591)	38.114
	1.295.048	3.347.318

As at 31 December 2015 and 2014, the items "Cheques payable in local currency" and "Certified cheques in local currency" correspond to the values of cheques presented for clearing by other resident commercial banks relative to BAI Customers and the value of cheques whose coverage is guaranteed by BAI through the debit of customer accounts respectively.

As at 31 December 2015 and 2014, the item "EMIS and VISA Clearance" included amounts pending settlement from the Bank associated with the use of electronic cards.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

14. FOREIGN EXCHANGE OPERATIONS

This item is broken down as follows:

	31-Dez-2015	31-Dez-2014
Funds indexed to foreign exchange operations		
Cash funds	241.470	346.227
Other funds	3.203	2.511
	244.673	**348.738**

As at 31 December 2015 and 2014, the item "Cash funds" refers to blocked customer deposits in foreign currency associated with documentary credit for imports and the issue of payment orders in foreign currency.

15. ADVANCES FROM CUSTOMERS

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
BAI Kamba pre-paid cards	392.990	5.790.034
Other	1.109.455	77.978
	1.502.445	**5.868.012**

"Other" refers to prepaid VISA receivables for the execution of current expenses of employees from companies with which the Bank holds protocols, by means of which the customer effects payments and withdrawals both in the country and abroad, with no need for the use of credit.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

16. OTHER LIABILITIES

This heading is broken down as follows:

	31-Dec-2015	31-Dec-2014
Dividends payable	267.382	1.112.660
Tax charges payable - third-party withholdings	252.992	293.256
Funds from performed guarantees - Transfers in lieu of payments	33.477	192.292
Tax charges payable	84.335	61.737
Income tax payable of employees	81.795	57.654
Payables due to acquisition of goods and rights	291.814	568.150
Payables due to service provided	168.675	9.153
Miscellaneous payables:		
Operations pending settlement	2.952.587	812.574
Monetary Agreement (Note 3)	1.056.568	-
VISA transactions	1.471.023	-
Outstanding contributions to the employee pension fund 3% (Note 24)	-	37.451
Retirement benefits (Note 24)	-	614.953
Funds for shortages	168.343	121.589
Cash Surplus	66.078	39.622
Manager of the e-Kwanza network	101.748	100.550
Other	480.708	433.800
Wages and other remuneration		
Performance bonus (Note 24)	839.416	745.447
Wages and holiday allowance	470.883	543.117
Social fund	1.700.342	1.700.342
Social security contributions:		
Employer	40.781	35.796
Employees	16.035	15.198
Other administrative costs	96.664	-
	10.641.646	**7.495.341**

As at 31 December 2015 and 2014, the item "Retirement benefits" included the amounts of AKZ 470,883,000 and AKZ 543,117,000 respectively, corresponding to the holiday bonus payable in accordance with the provision in the accounting policy (Note 2 j)). This heading also includes the amounts of AKZ 839,416,000 and AKZ 745,447,000 respectively, related to the productivity bonus to be paid to the Bank's employees (Note 24).

The item "Social Fund", to the amount of AKZ 1,700,342,000, corresponds to the value of the Social Fund as at 31 December 2015 which has not yet been allocated pursuant to the regulation applicable to the same.

As at 31 December 2015, the item "Dividends payable" corresponds to dividends paid out in the years 2014 and 2013.

17. PROVISIONS FOR OTHER VALUES AND LIKELY LIABILITIES

Activity involving provisions for the financial years closing on 31 December 2015 and 2014 was as follows:

	31-Dec-2015						
	Balance as at 31 Dec 2014	Increases	Write-Back and Annulment	Uses	Adjustment	Transfers	Balance as at 31-Dez-2015
Provisions for loan losses (Note 7)	40.979.525	80.923.253	(55.383.756)	(22.159.214)	-	5.470.781	49.830.589
Provisions for impairment assets acquired for sale to employees (Note 8)	1.032.245	331.445	-	(163.211)	-	-	1.200.479
Provisions for likely liabilities	9.153.967	4.442.200	(96.538)	(6.766.268)	-	12.036	6.745.397
	51.165.737	85.696.898	(55.480.294)	(29.088.693)	-	5.482.817	57.776.465

	31-Dec-2014						
	Balance as at 31 Dec 2013	Increases	Write-Back and Annulment	Uses	Adjustment	Transfers	Balance as at 31-Dez-2014
Provisions for loan losses (Note 7)	38.960.103	73.714.503	(55.383.983)	(17.237.204)	1.289.969	(363.863)	40.979.525
Provisions for impairment assets acquired for sale to employees (Note 8)	1.520.051	-	-	(497.806)	(10.000)	-	1.032.245
Provisions for likely liabilities	5.252.951	5.446.197	(1.424.877)	(435.430)	(48.737)	363.863	9.153.967
	45.733.105	79.160.700	(56.808.860)	(18.170.440)	1.231.232	-	51.165.737

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, the item "Provisions for likely liabilities" is broken down as follows:

	31-Dec-2015	31-Dec-2014
BAI MicroFinanças (Note 9)	1.653.279	-
Fraud	1.319.275	1.019.275
Bonds	846.152	751.091
Contingencies	613.254	-
Rentals payable	581.999	-
Loan Transfer System (STC)	418.447	-
Credit risk on collateralised investments	350.498	77.930
Cheques pending collection	270.355	270.355
Subsidiary companies	220.786	406.053
National Social Security Institute	77.000	-
Operations pending settlement	50.234	50.234
Provisions for fixed assets under construction	39.199	175.709
Cash shortages	1.485	1.503
Other	303.434	150.054
Interest receivable on loans	-	3.572.618
Commercial paper ESI	-	2.679.145
	6.745.397	9.153.967

The amount of AKZ 6,734,598,000 registered under the item "Provisions for likely liabilities" in the financial year 2015 involves the use of the provision to cover exposure to commercial paper issued by Espírito Santo International S.A. ("ESI"), and the cancellation of collateralised and uncovered current account interest written off from Assets, which was settled in the first six months of 2015.

18. EQUITY

As at 31 December 2015 and 2014, the Bank's share capital corresponds to AKZ 14,786,705,000, fully subscribed and paid-up in cash, and divided into 19,450,000 shares with a nominal value in Kwanzas of USD 10 each.

As at 31 December 2015 and 2014, the Bank's shareholder structure was broken down as follows:

Shareholders		Nº of Shares	Thousand AKZ	Thousand USD	*Holding %*
Sonangol Holding Limitada	- Sociedade Gestora de Participações Sociais	1.653.250	1.256.870	16.533	8,50%
Oberman Finance Corp		972.500	739.335	9.725	5,00%
Dabas Management Limited		972.500	739.335	9.725	5,00%
Mário Abílio R. M. Palhares		972.500	739.335	9.725	5,00%
Theodore Jameson Giletti		972.500	739.335	9.725	5,00%
Lobina Anstalt		972.500	739.335	9.725	5,00%
Coromasi Participações Lda.		923.875	702.368	9.239	4,75%
Mário Alberto dos Santos Barber		752.715	572.245	7.527	3,87%
Outros		11.257.660	8.558.547	112.576	57,88%
		19.450.000	14.786.705	194.500	100%

Stakes in the share capital held by members of the governing bodies (sub-paragraph 3, of article 446 Law 1/04 of 13 February – Commercial Companies Law):

Shareholders	Position	Acquisition	Nº of shares	Holding %
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	Vice-Chairman of the Board of Directors	nominal	486.250	2,50%
Francisco de Lemos	Vice-Chairman of the Board of Directors	nominal	194.500	1,00%
Helder Aguiar	Director	nominal	97.250	0,50%
Inokcelina dos Santos	Director	nominal	97.250	0,50%

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, the item profit and dividends per share was broken down as follows:

	31-Dec-2015	31-Dec-2014
Net profit for the financial year	15.357.711	12.848.873
N° of shares (in units)	19.450.000	19.450.000
Net earnings per share	0,79	0,66
Dividends (thousand AKZ)	(a)	3.854.662
Dividends per share (thousand AKZ)	(a)	0,20

(a) Depending on the decision of the General Assembly.

Own Shares

The Bank may, pursuant to the terms and conditions permitted by law, acquire its own shares and execute all legally authorised transactions involving these shares.

Own Shares

The Bank may, pursuant to the terms and conditions permitted by law, acquire its own shares and execute all legally authorised transactions involving these shares.

Legal Reserve

In accordance with the terms of the legislation in force, the Bank constituted a legal reserve fund equal to the value corresponds of share capital. To this end, the Bank transferred annually the equivalent of 20% of the net income from the previous years to this reserve. This reserve may only be used to cover accumulated loss when all other constituted reserves have been depleted.

Potential Earnings

Potential earnings correspond to the revaluation reserves of fixed assets pending settlement, but likely to be settled under the provisions of Decree-Law N° 6/96 of 26 January, in order to reflect the effect of the devaluation of the local currency.

Reserve for the monetary revaluation of share capital

The balance of the item "Reserve for the monetary revaluation of share capital" refers to share capital revaluations conducted in previous financial years in accordance with the legislation in force.

19. BALANCE SHEET BY CURRENCY AS AT 31 DECEMBER 2015 AND 2014

As at December 2015 and 2014, the balance sheet by currency was broken down as follows:

BANCO ANGOLANO DE INVESTIMENTOS, S.A.

EQUITY BALANCE SHEET AS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in million Kwanzas - AKZ)

		31-Dec-2015 AKZ				31-Dec-2014 AKZ			
ASSETS	Note	Domestic Currency	Indexed to Foreign Currency	Foreign Currency	Amount of Balance	Domestic Currency	Indexed to Foreign Currency	Foreign Currency	Domestic Currency
Cash and cash equivalents	3	139.319.766	-	44.964.101	184.283.867	97.561.816	-	101.490.693	199.052.509
Short-term investments									
- Interfinancial monetary market operations	4	9.001.470	-	34.966.821	43.968.291	33.291.860	-	89.361.517	122.653.377
- Repurchase agreement	4	4.003.159	-	-	4.003.159	94.084.365	-	-	94.084.365
Securities									
- Held for trading	5	-	13.231.602	-	13.231.602	3.474.521	-	-	3.474.521
- Available for sale	5	-	-	66.968.032	66.968.032	-	-	-	-
- Held to maturity	5	186.795.003	52.052.392	96.028.353	334.875.748	98.159.509	55.843.663	74.675.262	228.678.434
Credits in the payments system	6	4.664	-	-	4.664	335.001	-	52.129	387.130
Loans									
- Loans	7	222.459.782	-	181.056.560	403.516.342	246.601.970	-	159.838.126	406.440.096
- Provisions for non-performing loans	7	(34.503.391)	-	(15.327.198)	(49.830.589)	(29.497.101)	-	(11.482.423)	(40.979.524)
Other assets	8	17.191.570	-	11.026.779	28.218.349	19.113.083	-	1.949.652	21.062.735
Fixed assets									
- Financial assets	9	14.596.313	-	3.547.958	18.144.271	15.596.308	-	4.158.494	19.754.802
- Tangible assets	10	46.153.090	-	-	46.153.090	41.776.224	-	-	41.776.224
- Intangible assets	10	4.075.433	-	-	4.075.433	4.687.181	-	-	4.687.181
Total Assets		**609.096.859**	**65.283.994**	**423.231.406**	**1.097.612.259**	**625.184.737**	**55.843.663**	**420.043.450**	**1.101.071.850**
LIABILITY AND EQUITY									
Deposits									
- Demand deposits	11	361.622.842	-	190.325.198	551.948.040	354.712.735	-	282.237.210	636.949.945
- Term deposits	11	147.272.983	5.351.833	233.921.175	386.545.991	170.341.782	5.716	143.619.145	313.966.643
Liquidity funding									
- Interfinancial monetary market operations	12	-	-	13.531.501	13.531.501	-	-	10.287.418	10.287.418
Liabilities in the payments system	13	1.407.514	-	(112.466)	1.295.048	3.387.421	-	(40.103)	3.347.318
Foreign exchange operations	14	-	-	244.673	244.673	-	-	348.738	348.738
Advances from customers	15	1.502.445	-	-	1.502.445	5.868.012	-	-	5.868.012
Other liabilities	16	9.267.005	-	1.374.641	10.641.646	7.537.236	-	(41.895)	7.495.341
Provisions for likely liabilities	17	6.643.370	-	102.027	6.745.397	9.170.354	-	(16.387)	9.153.967
Total Liabilities		527.716.159	5.351.833	439.386.749	972.454.741	551.017.540	5.716	436.394.126	987.417.382
Share capital	18	14.786.705	-	-	14.786.705	14.786.705	-	-	14.786.705
Reserve for the monetary correction of equity	18	28.669	-	-	28.669	28.669	-	-	28.669
Reserves and funds	18	94.589.293	-	-	94.589.293	85.366.496	-	-	85.366.496
Potential earnings	18	442.400	-	-	442.400	670.985	-	-	670.985
Treasury shares	18	(47.260)	-	-	(47.260)	(47.260)	-	-	(47.260)
Net profit for the period	18	15.357.711	-	-	15.357.711	12.848.873	-	-	12.848.873
Total Equity		125.157.518	-	-	125.157.518	113.654.468	-	-	113.654.468
Total Liabilities and Equity		**652.873.677**	**5.351.833**	**439.386.749**	**1.097.612.259**	**664.672.008**	**5.716**	**436.394.126**	**1.101.071.850**

The Appendix is part and parcel of this balance sheet.

20. NET INTEREST INCOME

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Income from financial assets		
From liquidity investments	1.974.409	7.847.548
From securities:		
Held for trading:		
- Treasury bonds in domestic currency		
- Indexed to the United States dollar exchange rate	190.552	-
- Non-adjustable	-	186.187
Available for sale:		
- Treasury bonds in foreign currency	190.660	-
Held to maturity:		
- Treasury bills	6.195.809	2.596.450
- Central Bank securities	-	25.705
- Treasury bonds in domestic currency		
- Indexed to the United States dollar exchange rate	5.541.576	5.687.663
- Indexed to the Consumer Price Index	-	-
- Non-adjustable	6.138.915	3.464.297
- Treasury bonds in foreign currency	3.208.873	2.131.845
- Other bonds in foreign currency	176.276	494.292
	21.642.661	14.586.439
From loans granted:		
Loans	21.346.567	23.169.234
Current account loans	9.057.333	2.902.887
Other	1.590.750	1.922.453
	31.994.650	27.994.574
	55.611.720	50.428.561
Cost of financial liabilities		
From client term deposits:		
Domestic currency	(6.488.177)	(5.776.045)
Foreign currency	(5.656.660)	(7.141.416)
	(12.144.837)	(12.917.461)
From interbanking money market transactions:		
From funds raised in the interbanking money market	(271.120)	(494.987)
From funding with securities	(1.541)	(11)
From subordinated debt	-	(2.071)
	(272.661)	(497.069)
	(12.417.498)	(13.414.530)
	43.194.222	**34.432.709**

As at 31 December 2015 and 2014, the item "Income from financial assets – Liquidity investments" includes the amounts of AKZ 566,418,000 and AKZ 3,414,706,000 respectively relative to interest on repurchase agreements entered into with BNA, which are exempt from tax.

As at 31 December 2015 and 2014, the item "Income from financial assets - Securities" includes the amounts of AKZ 6,359,124,000 and AKZ 116,786,000 relative to income from loan transactions with the Ministry of Finance.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2014, income from the revaluation of treasury bonds indexed to the United States dollar to the amount of AKZ 2.581 million was registered under net interest income. As of 31 December 2015 this income was transferred to the item Income from foreign exchange operations (Note 22).

21. INCOME FROM TRADING AND ADJUSTMENTS TO FAIR VALUE

This item registers gains from the sale of Treasury Bonds indexed to foreign exchange in the financial year.

22. GAINS/LOSS FROM FOREIGN EXCHANGE OPERATIONS

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Gains from foreign exchange operations		
Revaluation of spot foreign exchange position	1.004.106.765	972.783.868
Revaluation of assets and liabilities	208.836.506	57.682.645
Purchase and sale of foreign currency	9.225.116	12.564.398
Revaluation of Treasury Bonds indexed to the United States dollar	19.059.498	-
	1.241.227.885	1.043.030.911
Losses from Foreign Exchange Operations		
Revaluation of spot foreign exchange position	(1.004.534.809)	(971.018.695)
Revaluation of assets and liabilities	(216.032.830)	(59.314.710)
Purchase and sale of foreign currency	(531.183)	(1.491.530)
Revaluation of Treasury Bonds indexed to the United States dollar	(543.910)	-
	(1.221.642.732)	(1.031.824.935)
	19.585.153	**11.205.976**

As at 31 December 2014, income from the revaluation of treasury bonds indexed to the United States dollar to the amount of AKZ 2.581 million was registered under net interest income (Note 20). As of 31 December 2015 this income was transferred to the item Income from foreign exchange operations.

23. GAINS/LOSS FROM THE PROVISION OF FINANCIAL SERVICES

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Gains from Financial Services Provided		
Comissões recebidas		
Commissions received:	6.273.301	7.854.633
From banking services	1.899.881	2.182.561
From foreign exchange operations	136.791	50.792
From guarantees provided	53.810	225.857
Other commissions received	448.384	484.197
Other gains from financial services	8.812.167	10.798.040
Costs of Financial Services Provided		
Commissions paid:		
Of banking services	(643.263)	(511.580)
Of miscellaneous liabilities or commitments	(192.430)	(179.709)
Of other services provided	(9.523)	(5.868)
Other commissions paid	(14.852)	(27.738)
Other loss in relation to financial services	(592.214)	(834.713)
	(1.452.282)	(1.559.608)
	7.359.885	**9.238.432**

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, the item "Commissions received - for banking services provided" essentially corresponds to commissions on tax collection and credit opening commissions.

As at 31 December 2015 and 2014, the item "Commissions received – foreign exchange operations" refers to fees charged by the Bank in relation to operations involving cash withdrawals in foreign currency at service points.

As at 31 December 2015 and 2014, the item "Commissions paid – Other loss from financial services" includes the amounts of AKZ 557,302,000 and AKZ 786,633,000 respectively in relation to the cost of issuing Visa cards.

24. PERSONNEL COSTS

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Retribution:		
- Management and supervisory body remuneration	360.510	240.023
- Remuneration of employees	6.068.530	5.247.254
	6.429.040	5.487.277
Subsidies:		
- Management and supervisory body remuneration	47.342	11.944
- Remuneration of employees	2.300.412	2.270.245
	2.347.754	2.282.189
Remuneration of employees:		
- Pension fund contributions (Note 33)	222.814	-
- Retirement benefits	-	16.171
- Social security and retirement pension	452.407	385.160
	675.221	401.331
Voluntary social charges:		
- Remuneration of employees	497.121	443.790
Other additional remunerations		
Management and supervisory body remuneration	-	17.007
Performance bonus (Note 16)	1.439.947	996.483
Other	211.592	129.923
	1.651.539	1.143.413
	11.600.675	**9.758.000**

As at 31 December 2015 and 2014, the average number of workers at the Bank was 2,004 and 2,000 respectively.

As at 31 December 2015 and 2014, the item "Retribution – Remuneration of employees" includes basic pay, duty allowance and other bonuses.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

25. THIRD PARTY SUPPLIES

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Specialised services:		
Security and surveillance services	1.694.883	1.626.375
Auditors and consultants	863.211	781.142
IT services	435.229	213.867
Cleaning services	396.781	349.339
Personnel training costs	160.917	305.607
Retainers and fees	25.063	55.562
Occasional manpower	22.313	22.684
Legal, litigation and notary costs	10.268	69.369
Other	205.731	301.261
	3.814.396	3.725.206
Third party supplies:		
Consumables	173.533	340.257
Water and electricity	60.807	47.484
Other	789.324	726.167
	1.023.664	1.113.908
Rentals	2.078.020	2.287.414
Communications	1.725.207	1.618.994
Insurance	785.276	642.014
Advertising and publishing	754.691	749.937
Security, maintenance and repair	920.964	974.878
Donations and gifts	293.608	266.887
Transport, travel and accommodation	254.266	413.408
Contributions	13.471	25.527
	6.825.503	6.979.059
	11.663.563	**11.818.173**

26. TAXES AND FEES

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Indirect taxes:		
Capital gains tax	993.180	1.011.393
Real estate tax	167.174	166.649
Customs duties	1.604	-
Sisa	1.442	11.243
Other taxes	127.715	15.083
	1.291.115	1.204.368
Fees:		
Supervision fee	105.803	-
Circulation fee	-	1.820
Other fees	966	36.404
	106.769	38.224
	1.397.884	**1.242.592**

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

27. REGULATORY AUTHORITY PENALTIES

As at 31 December 2015 and 2014, the balance of this account includes the costs incurred in relation to penalties imposed by the Ministry of Finance and BNA.

28. INCOME FROM INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Income from fixed financial assets		
Holdings in subsidiary and equivalent entities	(2.025.724)	(2.678.000)
	(2.025.724)	(2.678.000)

As at 31 December 2015 and 2014, the amount registered associated with income from financial holdings was broken down as follows:

	31-Dec-2015	31-Dec-2014
Impairment in subsidiary and equivalent entities		
BAI Cabo Verde S.A. - Impairment (Note 9)	149.764	(106.918)
BAI Micro Finanças S.A. - Impairment (Note 9)	(1.502.995)	(2.573.328)
SAESP	(692.381)	-
Other	-	2.246
	(2.045.612)	(2.678.000)
Dividends received from the Banco Internacional de São Tomé e Príncipe ("BISTP")	19.888	-
	19.888	-
	(2.025.724)	(2.678.000)

29. OTHER OPERATING INCOME AND COSTS

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Other operating income:		
For services provided	1.287.693	860.006
For loan analysis and management	547.790	374.548
For reimbursement of expenses	34.069	91.135
Other	19.194	53.094
	1.888.746	1.378.783
Other operating costs	(25.177)	(1.776)
	1.863.569	**1.377.007**

In relation to the financial years ending on 31 December 2015 and 2014, the balance of the item "Other operating income – for other services rendered" refers to income received over the year relative to commissions charged on the different services provided by the Bank and commissions charged for the issue of cheques.

As at 31 December 2015 and 2014, the item "Other operating income – for credit analysis and management" refers to fees received by the Bank on the opening of loan agreements.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

30. NET NON-OPERATING INCOME

This item is broken down as follows::

	31-Dec-2015	31-Dec-2014
Non-operating income or gains		
Gains on disposal of fixed assets	77.361	34.509
Gains from previous financial years:		
Interest written off assets in previous years (Note 2 c)	5.204.455	1.355.331
Capital written off assets in previous years (Note 2 c)	317.460	710.353
Commissions	140	89
Gains from payments in kind	219.131	-
Other	-	12.145
	5.818.547	2.112.427
Other extraordinary gains	1.656.416	631.025
	7.474.963	2.743.452
Non-operating costs or loss		
Loss from the disposal of fixed assets	(234.526)	(30.268)
Loss from previous financial years:		
Interest	(2.437.511)	(857.184)
Other	(600.692)	(141.525)
	(3.272.729)	(1.028.977)
Other extraordinary loss	(2.117.656)	(2.649.494)
	(5.390.385)	(3.678.471)
	2.084.578	**(935.019)**

As at 31 December 2015 and 2014, the balance of the item "Non-operating income or gains" is essentially composed of the receipt of capital and interest written off assets.

The item "Other extraordinary losses" includes the amount of AKZ 615,126,000 in relation to the annulment of the liabilities in relation to pension supplements pursuant to the amendment to the General Labour Law. This item also includes the amount of AKZ 520,457,000 in relation to regularisations associated with the process for the management of the Bank´s cards.

As at 31 December 2015 and 2014, the balance of the item "Non-operating costs or losses – interest" consists of the reversal of interest in relation to loans which have been non-performing for more than 60 days, pursuant to article 17 of BNA Notice N° 3/2012.

As at 31 December 2015, the account "Other extraordinary losses" is composed of the annulment of default interest and other expenses to the amount of AKZ 1,876,717,000, and the updated book value of property received in exchange of loans in the financial year 2012, to the amount of AKZ 57,889,000.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

31. CHARGES ON CURRENT EARNINGS

The Bank is subject to Industrial Tax in accordance with the terms defined in the tax legislation currently in force in Angola, as explained in Note 2, paragraph m).

As at 31 December 2015 and 2014, the reconciliation between accounting profit and profit for tax purposes is as follows:

	31-Dec-2015	31-Dec-2014
Profit before tax and other charges	15.811.725	12.049.526
Unforeseen provisions (article 45)	6.723.818	5.029.742
Surplus payments (article N° 19) (Note 25)	240.525	169.056
Fines (article 18) (Note 27)	14.644	80.798
Unspecified expenses (article 18)	5.788.275	505.809
Capital gains tax (IAC) and IPU (article 18)	1.160.354	915.807
Total to be added	**13.927.616**	**6.701.212**
Tax benefits:		
Income from public debt (Note 20)	(28.107.577)	(17.173.668)
Income from loan operations	(6.784.374)	(705.221)
Provisions taxed in previous financial years	(4.715.429)	-
Industrial Tax	(3.606)	-
Total to be deducted	**(39.610.986)**	**(17.878.889)**
(Tax loss) / Taxable profit	(9.871.645)	871.849
Nominal tax rate	30,00%	30,00%
Current tax	-	-
Deferred tax assets (Note 8)	454.014	(799.347)
Income tax	**454.014**	**(799.347)**

As at 31 December 2015 and 2014, income from loan operations with the Central Administration refers to loans the interest on which is contractually exempt from Industrial Tax.

The Bank registered a tax loss for the financial year ending on 31 December 2015, largely due to the deduction in income subject to IAC, on which no deferred tax assets were registered. Moreover, and unexpectedly in light of the income structure for the coming financial years and the respective taxation of the same with IAC, whereby taxable profit will be subject to Industrial Tax, the deferred tax assets in relation to the tax loss registered in the financial year 2013 were also annulled.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

Deferred tax activity between 31 December 2015 and 2014 was as follows:

	31-Dez-2014	Increase	Uses /Reversals	Other	31-Dec-2015
Deferred Tax Assets :					
Provisions					
Deductible Temporary Differences 2011	445.767	-	(445.767)	-	-
Deductible Temporary Differences 2012	729.448	-	(418.435)	-	311.013
Deductible Temporary Differences 2013	897.475	-	(147.557)	-	749.918
Deductible Temporary Differences 2014	1.356.403	-	(524.440)	-	831.963
Deductible Temporary Differences 2015	-	1.277.129	-	-	1.277.129
Tax losses carried forward					
Financial Year 2013	194.944	-	(194.944)	-	-
	3.624.037	1.277.129	(1.731.143)	-	3.170.023

The consumption of the "Deferred tax assets - for temporary differences" to the amount of AKZ 454.014,000 includes the register of deferred taxes on provisions stated for the financial year 2015, which will be a tax cost in future financial years, when used or replaced, as well as the cost of the partial consumption of provisions taxed in previous financial years and used or replaced in the financial year 2015 and the annulment of tax loss reported for the financial year 2013.

The reconciliation between the tax on net income for the year and the payable/recoverable tax as at 31 December 2015 and 2014 may be analysed as follows:

	31-Dec-2015	31-Dec-2014
Tax recoverable at the beginning of the financial year	616.611	616.611
Payments on account made during the financial year	880.803	880.803
IAC write back / Tax Law 7/97	9.708	3.605
Tax recoverable at the end of the financial year (Note 8)	1.507.122	1.501.019

32. OFF-BALANCE SHEET

This item is broken down as follows:

	31-Dec-2015	31-Dec-2014
Guarantees and any other liabilities:		
Guarantees and sureties provided	18.273.972	11.484.472
Open documentary credit	5.922.223	11.121.928
Guarantees received	(263.235.229)	(139.002.614)
Commitments to third parties:	189.898	144.873
Liabilities from services provided:		
Custody of securities	62.738.911	7.734.852
Treasury Bills	5.090.917	(199.358)
Custody of BNA values	1.715.955	2.289.144
Collection of values	1.035.429	4.595.605
Credit granted by third parties:		
Collateralised investments in BAI Europa	870.759	944.151
Collateralised investments in BAI Cabo Verde	710.404	533.994
Foreign exchange operations:		
Sales of foreign currency pending settlement	-	3.216.704
Purchases of foreign currency pending settlement	-	(3.214.054)
Loans written off assets		
Loans	79.599.050	51.173.183
Escrow accounts	16.500.796	9.264.601
Advances to depositors	9.482.209	3.619.878

Guarantees and sureties provided are banking operations which do not involve the mobilisation of funds by the Bank, and involve guarantees provided to support import operations and the execution of contracts by customers of the Bank. The guarantees provided and commitments undertaken represent amounts which might be payable in the future.

These operations are provisioned according to their risk (Note 7).

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

Open documentary credit is an irrevocable commitment undertaken by the Bank on behalf of its Customers, to effect / order the payment of a certain amount to the supplier of a given good or service within an established deadline, upon presentation of documents for the dispatch of the goods or service. The condition of irrevocable consists of the cancellation or alteration of the transaction without the specific agreement of all the parties involved not being feasible. These operations are provisioned according to their risk (Note 7).

Despite the peculiarities of these contingent liabilities and commitments, the appraisal of these operations complies with the same basic principles as any other business transaction, specifically the solvency of the customer and underlying business, whereby the Bank requires these transactions to be duly collateralised when necessary. Due to the fact most of these liabilities are expected to expire without having been used, the amounts indicated do not necessarily represent future cash needs.

	31-Dec-2015	31-Dec-2014
Limits of escrow accounts not used by customers	3.689.029	6.240.211
Other irrevocable commitments	395.248	145.089

As at 31 December 2015 and 2014, the following liabilities had also been undertaken and agreed upon (not reflected in the balance sheet):

33. Retirement and Survival Pensions

In 2004, the Bank undertook the voluntary commitment, through the creation of a pension fund, to grant monetary installments to employees, or to their families, as a supplement to their retirement pension due to old age, disability, early retirement and death benefit, pursuant to the terms and conditions agreed upon in the "BAI Pension Fund" agreement.

As at 31 December 2009, the Bank had voluntarily granted its employees a supplementary retirement pension on account of old age, disability, early retirement and survival pensions. Order N° 2529/12 approved by the Ministry of Finance was published in the Official State Gazette on 21 November 2012, the sole point of which was the approval of amendments to the Pension Plan and the agreement constituting the Pension Fund of the Bank's employees, which thereby changed from a defined pension benefits plan to a defined contribution plan.

Subsequent to the aforementioned amendment to the Fund, the fixed pension benefits plan was kept for existing pensioners and participants who had terminated their contractual relationship with the Bank and had acquired rights up to 31 December 2009.

Also in accordance with this amendment to the agreement constituting the Fund, approved in 2012, BAI is required to make a monthly contribution of 6% of employees´ salaries, and also establishes that the Fund's participants make a contribution of 3% of their salary to the new fixed contribution plan.

As at 31 December 2012, the Bank was provisioning, on an exceptional basis, the 3% contribution on salaries corresponding to the participants' (employees) potential liability. In view of the foregoing, this provision was cancelled in the financial year 2013, whereby the procedure was supported by legal opinion and the favorable decision of ARSEG (Angolan Agency for the Regulation and Supervision of Insurance).

It should also be pointed out that between 2010 and December 2013 the Bank created provisions concerning its potential contribution of 6% of employees' salaries and decided to take this period into account (even in the absence of employee contributions) as pensionable service time for participants joining the Fund in the future.

The management of BAI Pension Fund was transferred from AAA Pensoes, S.A. to NOSSA - Nova Sociedade Angolana de Seguros de Angola, S.A. on 31 October 2013, in accordance with the Ministry of Finance Order dated 28 October 2013.

BAI began to deduct the amount equal to 3% of the salary of employees joining the Fund on a monthly basis, maintaining its contribution at 6% of the salary of the said employees.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

With regard to the amount to be paid by the employees, previously covered by the Fixed Benefit Plan, and which was transferred to the Fixed Contribution Pension Plan, the Fund currently has the resources to meet this obligation.

In relation to the Fixed Benefits Plan still in force, it was decided to settle all the liabilities to all the participants in relation to the fund (former employees and retirees), whereby this fund was paid up as at 31 December 2015. This entire process was monitored and authorised by ARSEG.

34. RELATED PARTIES

As at 31 December 2015 and 2014, the principal balances and transactions maintained with related entities are as follows:

	Shareholders	Members of the Governing Bodies	31 Dec 15 Financial Holdings	Other Entities	Total	31 Dec 2014 Total
Assets						
Cash and cash equivalents	-	-	5.058.030	-	5.058.030	3.235.052
Liquidity investments	-	-	24.638.174	-	24.638.174	48.220.310
Securities	-	-	139.410	31.283	170.693	11.002.886
Investments in subsidiaries and associated companies	-	-	18.144.271	-	18.144.271	19.754.802
Loans:						
Loans	1.134.208	301.527	735.296	59.300.763	61.471.794	32.837.533
Non-performing loans and interest	-	-	-	3.517.082	3.517.082	11.447.472
Provisions for loan losses	(1.078.314)	(3.079)	(21.094)	(5.676.487)	(6.778.974)	(5.958.314)
	55.894	**298.448**	**48.694.087**	**57.172.641**	**106.221.070**	**120.539.741**
Liabilities						
Demand deposits	7.398.896	2.593.366	1.218.130	37.409.869	48.620.261	82.755.058
Term deposits	851.849	540.504	747.263	16.029.351	18.168.967	14.291.941
Liquidity funding	-	-	-	13.531.501	13.531.501	9.761.851
Foreign exchange operations	-	-	-	-	-	25.445
Advances from customers	5.183	3.560	-	4.238	12.981	8.969
Other liabilities	-	-	-	-	-	125
	8.255.928	**3.137.430**	**1.965.393**	**66.974.959**	**80.333.710**	**106.843.389**
Guarantees received	529.785	167.852	-	13.798.609	14.496.246	15.479.561
Loans written off assets	85.369	-	1.229	12.848.422	12.935.020	8.932.146

As at 31 December 2015 and 2014, the balance of available funds with related parties may be broken down as follows by related party (Note 3):

Cash and cash equivalents	31-Dec-2015	31-Dec-2014
Banco BAI Europa	4.926.860	3.210.859
BAI Cabo Verde	131.170	24.193

As at 31 December 2015 and 2014, the Bank's balance in short-term investments with related parties may be broken down as follows by related party (Note 4):

Short-term investments	31-Dec-2015	31-Dec-2014
Banco BAI Europa	16.542.259	42.254.467
BAI Cabo Verde	7.095.915	5.291.387

As at 31 December 2015 and 2014, the Bank`s balance in loans with related parties may be broken down as follows by related party (Note 10):

Loans	31-Dec-2015	31-Dec-2014
Shareholders	55.894	107.383
Subsidiaries	714.202	-
Members of the governing bodies	298.448	110.754
Other entities	57.141.358	38.108.554
	58.209.902	**38.326.691**

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

As at 31 December 2015 and 2014, the balance of deposits (demand and term) with related parties may be broken down as follows by related party (Note 11):

Loans	31-Dec-2015	31-Dec-2014
Shareholders	8.250.745	5.822.955
Subsidiaries	1.965.393	8.380.001
Members of the governing bodies	3.133.870	2.485.599
Other entities	53.439.220	80.358.444
	66.789.228	**97.046.999**

35. OTHER DISCLOSURES

Pursuant to BNA Notice N° 15/07 of 12 September, which enforces the compulsory publication of the elements comprising the Balance Sheet and Statement of Income, the following explanations to the items listed below are mentioned in this Appendix as follows:

i. The summary of the main accounting criteria is detailed in Note 2;
ii. The Bank did not revalue the properties for its own use during the financial year 2015;
iii. Major investments in other companies are detailed in Note 9;
iv. No forward sales of assets were made by the Bank;
v. The details of the guarantees provided and other liabilities are presented in Note 31;
vi. Share capital is detailed in the Statement of Changes in Equity and in Note 19, which also includes details on the calculation of dividends per share;
vii. There were no charges to accounting criteria to consider in the financial years 2013 and 2014;
viii. Credit transferred to loss, renegotiated and recovered during the period is described in Note 7;
ix. The details of subsidiaries and holdings abroad, as well as the results of impairment assessment, total profit and shareholder loans, are presented in Note 2) and Note 9;
x. The Bank has no shares with call option granted and/or exercised during the period;
xi. The main items the balance of which is greater than 10% of the value of the respective group or category have been broken down;
xii. We are not aware of any subsequent events, in addition to those reported in Note 35, which might have had or might have future relevant effects on the net income for the period and/or future earnings of the Bank;
xiii. The information relative to tax credit is detailed in Note 8;
xiv. The information on securities is detailed in Note 5.

36. SUBSEQUENT EVENTS

Transition to International Accounting Reporting Standards (IFRS)

The Financial Statements have been drawn up in accordance with the accounting principles defined in the Financial Institutions Accounting Plan (CONTIF) as set forth in BNA Instruction N° 09/07 of 19 September and subsequent updates, specifically Directive N° 04/ DSI/2011, which establishes the mandatory use of IAS – International Accounting Standards and IFRS – International Financial Reporting Standards in all issues related to accounting procedures and criteria which are not set forth in CONTIF.

In accordance with the process for the full use of IFRS as from the financial year 2016 by financial institutions in Angola, pursuant to BNA guidelines, BAI has begun preparing its financial statements in line with these standards in view of the aforementioned timeframe, but has not yet qualitatively and quantitatively assessed the effects of potential differences in terms of changes to the accounting standards.

(Amounts in thousand Kwanzas – AKZ, except when specifically indicated)

Exchange rate as at 31 December 2015

On 22 January 2016, the National Bank of Angola sent BAI a letter with an explanation on the foreign exchange rate used for the preparation of the financial statements for 31 December 2015. This letter specifies the need for banks to include the effect of the foreign exchange rate variation for the period from 31 December 2015 to 04 January 2016 in the Appendix to the Financial Statements, stating the reference date 31 December 2015.

As such, the table below illustrates the estimated impacts on BAI´s main indicators:

(in thousand AKZ)	As reported (closing exchange rate on 31 December 2015 - BNA base)	Inclusion of foreign exchange rate devaluation (closing exchange rate on 04 January 2016)
Net income as at 31 December 2015	**15.357.711**	**22.722.388**
Total Assets	**1.097.612.259**	**1.170.699.752**
Of which:		
Cash and cash equivalents and short-term investments	*232.255.317*	*244.014.837*
Bonds	*415.075.382*	*449.366.400*
Loans	*353.685.753*	*378.549.889*
Other assets	*28.223.013*	*29.874.905*
Fixed assets	*68.372.794*	*68.893.721*
Total Liabilities	**972.454.741**	**1.038.177.557**
Of which:		
Deposits	*938.494.031*	*1.004.113.528*
Provisions for likely liabilities	*6.745.397*	*6.760.377*
Other	*27.215.313*	*27.303.652*
Total equity (excluding net income)	**109.799.807**	**109.799.807**
Regulatory solvency ratio	**19,77%**	**20,02%**

12 REPORT OF THE EXTERNAL AUDITOR

Opinion

In our opinion, the financial statements provide an accurate representation, in all material respects, of the financial position of Banco Angolano de Investimentos, S.A., as at 31 December 2015, in addition to the entity´s financial performance, changes in equity and cash flows for the year ending on that date, in accordance with the accounting principles established in CONTIF and other provisions issued by BNA.

Emphasis

Without prejudice to the above opinion, we would like to draw attention to the fact that these financial statements for the year ending on 31 December 2015 relate to the Bank's individual activity, and have been drawn up in compliance to with BNA requirements on the preparation of individual financial statements. As set forth in Note 2 of the Appendix to the Financial Statements, BNA authorised Banco Angolano de Investimentos, S.A. to maintain its investments in subsidiaries and associated companies measured at historical acquisition cost rather than the equity method as prescribed in CONTIF, up to the time the entity submits its financial statements in accordance with international financial reporting standards (IAS/IFRS).

Luanda, 21 March 2016

KPMG Angola - Audit, Tax, Advisory, S.A.

Represented by

Vitor Manuel da Cunha Ribeirinho

Accounting Expert (Enrolment N° 20120089)

REPORT AND OPINION OF THE SUPERVISORY BOARD 13

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholders,

In compliance with the legal and statutory provisions, specifically Law 1/04 of 13 February (Commercial Companies Act), we hereby submit for your appreciation the Report and Opinion of the Supervisory Board on the 2015 Annual Report and the proposed allocation of profit:

1. Over the financial year we were able monitor the Bank's activity on a regular basis through accounting information and contacts both with the senior management and the different areas of business, including the Accounting and Finance, Internal Audit and Planning and Control departments.

2. In the exercise of our duties and to the depth and extent possible, based on the accounting information available, we conducted an analysis of the Bank's operations, verifying and examining, by sampling, the supporting documents, records and books, and appraised the Report of the Board of Directors and the Financial Statements, including the Balance Sheet, the Statement of Profit and Loss and respective notes.

3. As such, and taking the External Auditor´s report into account, we have come to the following conclusion:
   a. That the Report of the Board of Directors and the Financial Statements are consistent with the accounting records, and comply with all legal and statutory provisions;
   b. That 2015 was a positive year, where we highlight the fact that the Bank achieved a net income of AKZ 15,357,711,000 (fifteen billion, three hundred and fifty-seven million, seven hundred and eleven thousand kwanzas), in accordance with the legally acceptable and economically advisable practices for constituting the appropriate provisions geared to ensuring the stability of the company´s equity;
   c. That the valuation criteria used and the policies followed are consistent with those applied in previous years.

4. Considering that the documents referred to in (2) provide a comprehensive understanding of the Bank´s overall financial position, we hereby propose:
   a. The approval of the Board of Directors Management Report and Accounts for the financial year 2015;
   b. The approval of the proposed allocation of profit for 2015, set forth in the Board of Directors Report.

5. Finally, we would like to express our gratitude to the Board of Directors and all the employees we contacted for their valuable cooperation.

The Supervisory Board

Julio Ferreira de Almeida Sampaio
Chairman

Moisés António Joaquim
Member

Alberto Cardoso S. Pereira
Member

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