Annual Report and Accounts 2017

By your side every step of the way

Contents

BCH Banco Comercial do Huambo

Message from the Chairman

The year 2017 proved to be somewhat troubled, given the ongoing economic and financial fragility of the country.

The financial sector which is central to the financial and economic development of the country was no different in showing signs of some difficulties, in line with the country´s economic situation. The major difficulty had to do mainly with foreign exchange operations with constant foreign exchange quantitative restrictions, which is understandable given that the oil price is still below the desirable.

Since the financial system is the engine of the country´s economy, it must be given a lot of attention as it is through that system that the economic policies such as monetary, foreign exchange and fiscal, are implemented.

In our view, measures that avoid structural imbalances of the financial system should be further pursued; thus it is necessary to avoid big concentration of a small number of large banks as well as small banks must not be forced into "mergers" which might not bring benefits to the country´s economy. With the creation of small banks the population is provided with a grater offer of banking services and better customer service. The trend towards the protection of policies aimed at maintaining a limited number of large banks, that is, the formation of financial oligopoly, is prejudicial mainly from political and social point of view.

Throughout 2017, the BCH encountered various problems but due to our employees´ determination we managed to maintain our main ratios and even improve some of them, presenting very positive levels.

In fact, the net profit in 2017 reached 4 billion Kwanza which compared to 2016, is an increase of 51%. The net interest income grew by about 75%, Tier 1 plus Tier 2 capital increased by about 62%, and assets by about 48%.

The solvency ratio as at 31 December was 142%, when the minimum required is 10%.

Short-term liquidity levels, as well as medium- and long-term liquidity levels are very acceptable. That is, the BCH continues to maintain good economic and financial health, showing financial stability and very healthy capital structure.

Throughout 2017, the BCH:

- took appropriate measures to improve internal control and governance;
- materialised full adoption of the International Financial Reporting Standards (IAS/IFRS);
- reinforced the adequate measures to combat money laundering and terrorist financing;
- implemented effective risk management processes;
- implemented check clearing system which reduced the operational risk inherent in the clearing process.
- has been implementing rules and regulations related to Risk Management, focusing mainly on management of own funds and solvency.

Nonetheless, we believe that despite a rather reasonable 2017, the expectations for 2018 are not very encouraging, as real GDP growth will be practically insignificant. The inflation rate will continue to rise although at a decreasing rate. We do not foresee improvement in the foreign exchange situation either, namely with regard to currency distribution criteria.

That is, direct sales from the line ministries and the BNA itself will continue in terms of sale of foreign currency to individuals.

We are concerned and worried as we fear the ongoing "legislative pressure" that has been suffocating the financial system, as well as a possible incoherence in the hierarchization of laws which may conflict with the free competition law. Another matter of concern is the eventual "import" of foreign legislation as it may prove to be inappropriate to our economic, social and legal structure. Furthermore, the serious delays or even the continued inertia of our legal system are disturbing, with regard to the execution of collaterals provided by borrowers in breach of loan repayment.

Nevertheless, in such scenario, BCH will follow its own path, supporting the country´s economy, keeping strong and growing in a sustainable manner, by maintaining its ratios within acceptable levels.

In a year of adversities, we express our deep appreciation and gratitude to our employees for their dedication and commitment.

A very special thank you goes to our customers for their loyalty, whom we promise that we will further improve our service quality.

We also thank our shareholders for their vote of confidence regarding the implementation of the outlined management policies.

Natalino Bastos Lavrador

Macroeconomic Background

Macroeconomic Background

International Economy

Global economy in 2017, according to the International Monetary Fund (IMF)1 is estimated to have grown by 3.6%. This is a 0.4% increase as compared to 2016, a year in which the lowest growth percentage was recorded since the financial crisis (3.2%).

Economies	Global GDP Structure(%)	Global growth rate (%)			
		2015	2016	2017*	2018*
World Output	**100**	**3.4**	**3.2**	**3.6**	**3.7**
Advanced Economies	**41.3**	**2.1**	**1.7**	**2.2**	**2**
United States	15.3	2.6	1.6	2.2	2.3
Euro Area	13.1	2	1.7	2.1	1.9
Germany	3.3	1.5	1.8	2	1.8
Spain	1.4	3.2	3.2	3.1	2.5
France	2.2	1.3	1.2	1.6	1.8
Italy	1.8	0.8	0.9	1.5	1.1
Portugal	0.2	1.6	1.4	2.5	2
Japan	4.3	1.2	1	1.5	0.7
United Kingdom	2.3	2.2	1.8	1.7	1.5
Emerging Market and Developing Countries	**58.7**	**4.2**	**4.3**	**4.6**	**4.9**
BRICS	**31.9**	**1.9**	**2**	**3.3**	**3.6**
Brazil	2.6	-3,8	-3,6	0.7	1.5
Russia	3.1	-2,8	-0,2	1.8	1.6
India	7.3	8	7.1	6.7	7.4
China	18.3	6.9	6.7	6.8	6.5
South Africa	0.6	1.3	0.3	0.7	1.1
Nigeria	0.6	2.7	-1,6	0.8	1.9
Sub-Saharan Africa	**3**	**3.4**	**1.3**	**2.6**	**3.4**
SADC	**1.2**	**3.4**	**2.4**	**3.4**	**3.4**

growth of about 2.2%. This growth compensated for the economic slowdown in other advanced economies, such as the United Kingdom which in 2016 grew by 1.8% and in 2017 is expected to have grown by 1.7% down by 0.1%.

With regard to the emerging market and developing economies, a 4.6% growth is believed to have taken place, up by 0.3% as compared to 2016. China has maintained a strong growth rate of about 6.8%, as well as Russia recoded a 1.8% growth, after a 0.2% decline in 2016.

Sub-Saharan Africa may have reversed the economic slowdown in the region and is expected to have grown by 2.6% in 2017. The same projections point to a similar trend in the economies of the countries comprising the Southern African Development Community (SADC), reversing the weaker growth rates recorded in 2016, with estimated growth pick up of 3.4% in 2017.

However, despite the growth, there are still risks associated with possible rise of interest rates by the U.S Federal reserve and geopolitical tensions between the U.S. and North Korea.

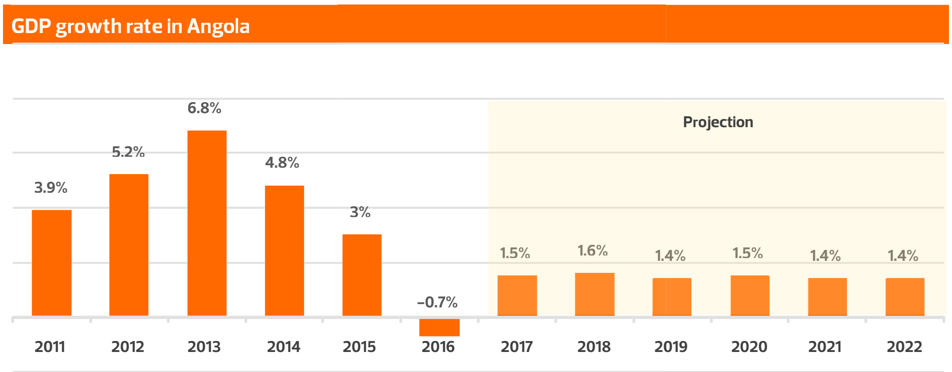
In the energy commodities market, the Organization of the Petroleum Exporting Countries has kept its promise to reduce oil prices, however there is still a global surplus. Accordingly, oil production reached 32.6 million barrels per day in June 2017. Nevertheless, the average price for a barrel of Brent oil at the end of 2017 was USD 55, higher than the initial forecast of USD 37/Barrel.

On the other hand, regarding food commodities, the Food Commodity Price Index is expected to have gone up by 3.39%. With the aforementioned recovery of the prices of major commodities, more precisely oil prices and prices of other commodities, inflation is also expected to increase worldwide.

Macroeconomic Background

Angolan economy

Forecasts for growth of the Angolan economy in 2017 continued to be adversely affected by the low prices of energy commodities, and especially, oil prices. In this regard, and despite the initial growth perspectives of 2.1% for 2017, based on a 1.8% and a 2.3% growth of the oil and non-oil sectors, respectively, the most recent projections point out a slower than expected growth of about 1.5%.



Source: International Monetary Fund, 2017

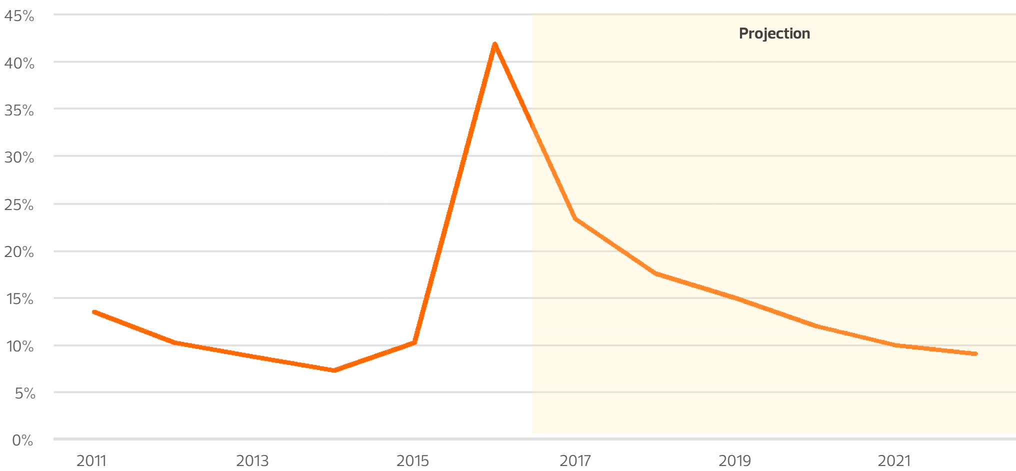
In this context, forecasts are for a negative growth rate of 0.5% of the oil sector in 2017 which is due to a decline in the oil production, down to 1.74 million barrels/day. On the other hand, the non-oil sector with perspectives even less discouraging than initial estimates, grew by 1.9% which is an improvement of 0.7 p.p. This performance is a result of the expected dynamism in the energy sector (40.2%), agriculture (4.4%), fishing (2.2%) and in the construction industry (2.2%).

As to the inflation rate, according to data from the State Budget Proposal for 2018 , it rose to record levels of 41.9%. This inflationary chock was a result of shortage of goods, namely food and medicines.

According to IMF data, the inflation rate in September 2017 was 23.4%. This change in the inflation rate stands for a reduction of 11.96 p.p. in comparison to September 2016 and 4.42 p.p in relation to the previous quarter. This downward trend in inflation is due to the repositioning of the economic agents in the light of oil price and foreign exchange adjustments. This exchange rate adjustment had as main objective stabilization of imports and replenishment of stock in terms of food and medicines.

However, the constant devaluation of the Kwanza in previous years causes prices of imported goods to go up, thus hurdling the import of raw materials. In this sense, in 2017 this factor will have been linked significantly to inflation, due to rising cost of imports.

Inflation Rate

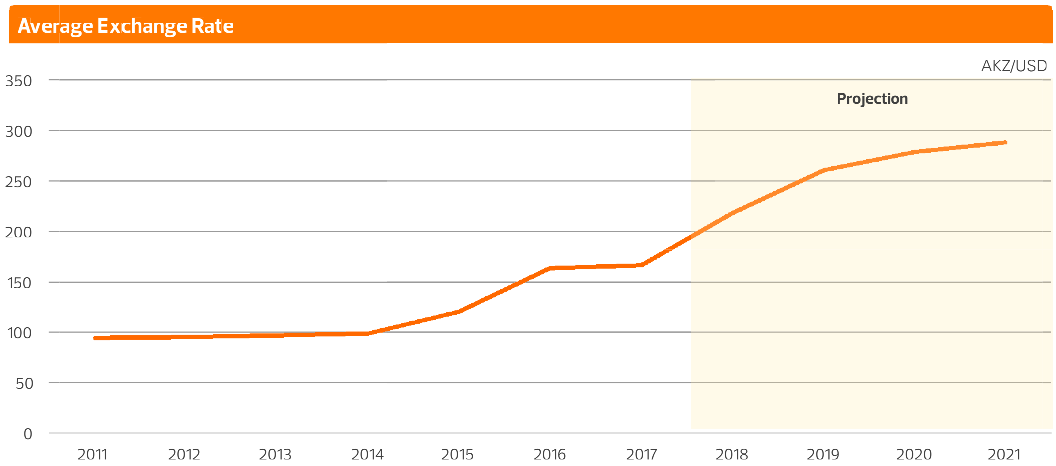


Source: International Monetary Fund, 2017

In terms of macroeconomic policies, the fiscal policy in the last few years has contributed to the objective of consolidating the non-oil primary deficit. To that end, considering the current high expenditure levels and existing difficulties in non-oil revenue generation, in 2017 the government aimed at reducing current spending and strengthening non-oil fiscal revenues. Tax revenue totalled AKZ 853,890.97 million, 62% of which is oil revenues.

As for the AKZ/USD exchange rate, in the primary market, there was a 68% depreciation between 2013 and 2016. In

2017, imbalances of exchange rates prevailed, despite the sale of currencies and maintaining the currency pegged to the US dollar. In this sense, and although the nominal exchange rate depreciated, in real terms the national currency had been undergoing appreciation due to significant inflationary pressures. The Kwanza remained stable in the primary market, depreciated in the secondary market of notes and currencies, but appreciated in the bureaus de change (1.2%). In that way, the official AKZ/USD exchange rate as at 31 December 2017, stood at 165.924.



Source: Economist Intelligence Unit (EIU)

Macroeconomic Background

Legal framework

Regulations approved by the BNA in 2017

Instrument	Subject	Publication	In force since
Directive n° 08/DMA/2017	Markets	BNA base rate BNA rate, Interest rates on the Marginal Lending Facility and Deposit Facility	12-12-2017
Instruction n° 06/2017	Monetary policy	Mandatory reserves	01-12-2017
Instruction n° 05/2017	Foreign Exchange policy	Annulment of Instruction n.° 12/15 and points 4.1.4, 4.1.5, 4.1.6 & 4.1.7 of Instruction n.° 10/2015	01-12-2017
Notice n° 09/2017	Payment Systems	Timelines for the execution of transfers and remittances and Availability of Funds for Deposits (cash, cheque, wire transfer and remittance)	07-11-2017
Notice n° 08/2017	Payment Systems	Classification of Subsystems	07-11-2017
Notice n° 07/ 2017	Payment Systems	Provision of Payment Services	07-11-2017
Notice n° 06/2017	Payment Systems	Service levels, real time operation	10-07-2017
Notice n° 05/2017	Supervision	Regulation of payment cards and ATM network	10-07-2017
Notice n° 04/2017	Supervision	Foreign Exchange regime on Export of goods	28-06-2017
Directive n° 02/DMA/2017	Markets	BNA Base interest rate – BNA rate	30-05-2017
Directive n° 01/DMA/2017	Markets	Marginal Lending Facility (FCO) and Deposit facility (FAO); Interest rate on Operations	30-05-2017
Notice n° 03/2017	Monetary Policy	Commission exemption for minimum banking services	30-03-2017
Instruction n° 04/2017	Supervision	Export Operations; Regulation of Foreign currency transactions	27-03-2017
Notice n° 02/2017	Supervision	Opening and operation of current accounts held by non-residents; Carrying out of investments on the securities market by non-resident entities	03-02-2017
Notice n° 01/2017	Supervision	Provision of information on prudent limits for large exposures	03-02-2017
Instruction n° 03/2017	Supervision	Stress Test	30-01-2017
Instruction n° 02/2017	Supervision	Control limits	30-01-2017
Instruction n° 01/2017	Payment Systems	Cheque writing, subsystems of clearance and settlement	10-01-2017

Macroeconomic Background

Future Perspective

The exchange rate devaluation and current inflationary pressures could have a negative impact on private consumption, which could, according to The Economist Intelligence Unit, affect the expected economic growth of 1.6% in 2018. However, as the country continues to adjust to the low oil prices, the real GDP is expected to grow by 2.5% on average in the 2019-20 period, accounting for a slight pickup in public consumption and despite an expected economic slowdown in the U.S. in 2020. According to forecasts for 2021-22, the average GDP growth could reach 2.9%, given that the expected increase of the oil prices throughout that period of 4.7%/year takes place.

If the inflationary pressure already mentioned persists, the devaluation of the Kwanza is a likely reality. There is however a package of measures that has been implemented to combat inflation, such as price limits for basic goods and a new tax and customs regime to come into force in the first half of 2018 which will reduce taxes on imported goods thus impacting positively and restrictively the growing inflation from previous years. Nevertheless, the continuous devaluation of the Kwanza against the US dollar will increase the cost of many imported goods, which could reduce the impact of the above mentioned measures. Also according to The Economist Intelligence Unit the average inflation rate for 2018 is projected at 25.9%.

As for the foreign exchange policy, the BNA announced that in 2018 it will adopt a more flexible strategy, by promoting more auctions with the commercial banks. On the other hand, the decision to put an end to the old peg to the U.S. dollar may help to take some pressure off international reserves, although those remain well above minimum prudent levels.

In terms of exports and following the abrupt fall between 2014 and 2016 due to the decline of oil prices, a recovery is expected in 2018, reflecting somewhat stronger prices, although still below the peak in 2012-13. The imports may also reverse the trend, reflecting a slight increase in government-led capital investment on the basis of more favourable oil prices, despite of the strong depreciation of the Kwanza which will most probably continue to limit consumer demand.

BCH

BCH

Vision, Mission and Values

Vision

The BCH´s vision is to be a reference bank in terms of provision of services to the Customer and prudent management of the Institution.

Mission

Our mission is to offer banking and financial products and services of enhanced quality to our Customers in order to create and distribute value to Customers, Employees, Partners and Shareholders.

Values

The six fundamental values at the core of the BCH´s culture are:

1. Integrity, by acting with honesty, loyalty and commitment;
2. Confidence and transparency, by acting with truthfulness and clarity;
3. Team work – we believe that collective effort is the best way to achieve our goals;
4. Rigour, by acting with professionalism, technical competence and diligence so as to achieve higher levels of quality and efficiency;
5. Equality, by acting with courtesy and complying with the principles of non-discrimination, tolerance and equal opportunities.
6. Soundness, by acting prudently in managing the risks and the stability and soundness of the Institution.

O BCH

Corporate Structure and Shareholder Structure

Corporate Structure

The Board of Directors comprises a Chairman and two Directors.

General Meeting of Shareholders -Board

Chairman	Alexandra Teodora da Conceição Cruz Martins
Deputy-chairman	Maria Helena Miguel
Secretary	Regina Luísa Lagos Fernandes dos Santos Nulli

Board of Directors

Chairman	Natalino Bastos Lavrador
Director	Salim Abdul Valimamade
Director	Cristiana de Azevedo Neto Lavrador

Audit Committee

Chairman	UHY - A. Paredes & Associados - Angola
Deputy-chairman	Mário Silva Castelo Branco
Deputy-chairman	Francisco Miguel Paulo

Shareholder structure

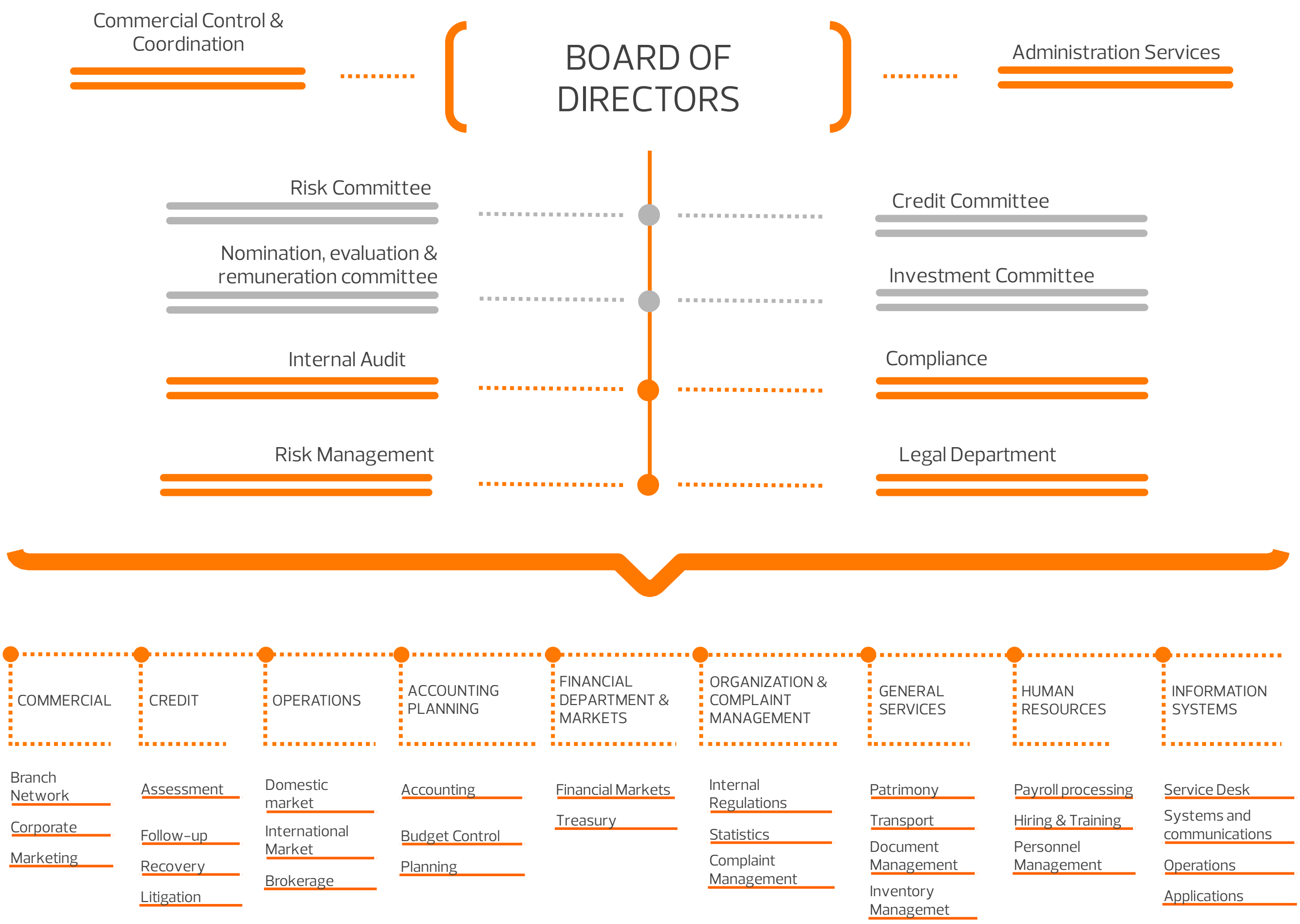
As at December 2017, BCH´s capital was owned by 5 shareholders, as follows:

Shareholders	Interest
Natalino Bastos Lavrador	51.5%
Valdomiro Minoru Dondo	20%
António Mosquito	20%
Sebastião Bastos Lavrador	5.5%
Carlos Saturnino Guerra Sousa e Oliveira	3%

O BCH

Corporate Structure and Shareholder Structure

The Board of Directors comprises a Chairman and two Directors.



Activity in 2017

Activity in 2017

Key Indicators

Indicators	2015	2016	2017	Var. '15-'16	Var. '16-'17
Total Assets	12 476 613	19 884 153	29 434 949	59.37%	48.03%
Credit to the Economy	2 845 209	9 865 808	22 300 510	246.75%	126.03%
Loans and advances to customers	430 212	236 196	118 373	45.10%	49.88%
Loans and advances to the Government	2 414 997	9 629 613	22 182 138	298.74%	130.35%
Customer Deposits	6 882 588	11 776 185	15 728 826	71.10%	33.56%
Tier 1 plus Tier 2 capital	4 542 302	6 523 678	11 519 968	43.62%	76.58%
Net operating Income	3 956 735	4 181 966	5 891 275	5.69%	40.87%
Net Interest Income	536 304	1 032 519	1 814 443	92.52%	75.73%
Net Profit	2 211 227	2 651 952	3 477 270	19.93%	31.12%

Financial Ratios	2015	2016	2017	Var. '15-'16	Var. '16-'17
Cost to Income ratio	21.84%	17.74%	60.56%	-18.77%	241.38%
Loan/deposit ratio	6.25%	2.14%	0.80%	-65.76%	-62,62%
Solvency ratio	133.97%	154.22%	151.88%	15.12%	-1.52%
Return on total Assets (ROA)	17.72%	13.34%	16.74%	-24.72%	25.49%
Return on Equity (ROE)	48.19%	37.77%	28.97%	-21.62%	-23.30%
Overdue loans/Total loans	1.22%	2.84%	3.00%	132.79%	5.63%
Provisions/overdue loans	31.25%	215.19%	594.79%	588.61%	176.40%

Business Development	2015	2016	2017	Var. '15-'16	Var. '16-'17
No of Brances	4	5	5	25.00%	0.00%
No of Employees	40	45	54	12.50%	20.00%
Customers	7 773	10 556	14 172	35.80%	34.26%

In thousands of Kwanzas

+1 under way

New Branches

In 2017 the opening of new branches did not take place. However, in 2018 the Bank intends to continue to expand its commercial network with the opening of a branch in the province of Luanda.

+26.8%

Team reinforcement

At the end of 2017, the Bank had 57 employees, 12 more than in 2016.

+34.3%

Customer Growth

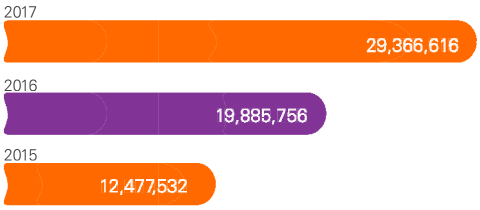
The number of customers in 2017 increased by 3,616 and reached a total of 14,172 as at 31 December 2017.

Activity in 2017

Business Development

Total Assets

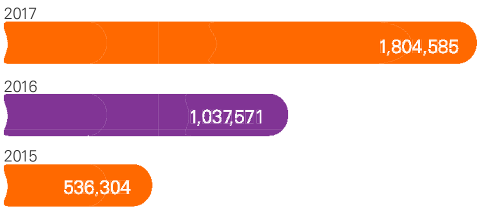
In 2017, BCH accounted for an increase of about 48% in Total Assets, which reflects the growth in activity and in deposits.



Amounts in thousands of Kwanzas

Net Interest Income

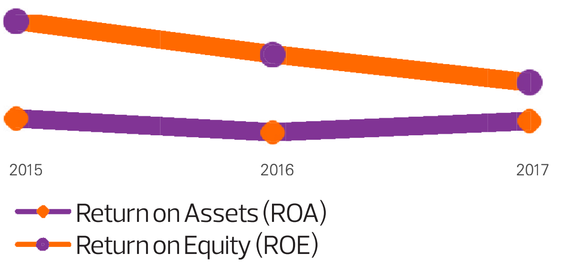
In 2017, the Bank´s net interest income rose by 74%, standing at AKZ 1,804,85 thousand on balance-sheet date.



Amounts in thousands of Kwanzas

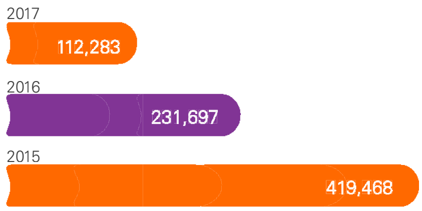
ROE and ROA

Return on equity fell 1.45 p.p. from 37.77% in 2016 to 36.32% in 2017. On the other hand, return on assets increased 0.3 p.p. from 13.34% in 2016 to 13.64% in 2017.



Loans and advances to Customers

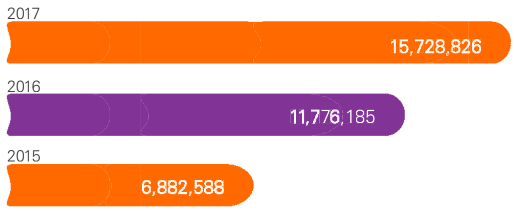
Similarly to 2016, the loans and advances to customers declined once again in 2017 and fell by 51,54%, amounting to a total of AKZ 112,283 thousand.



Amounts in thousands of Kwanzas

Customer Deposits

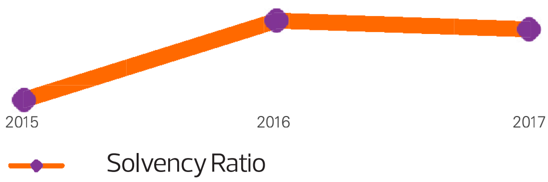
In 2017, the amount in customer deposits increased from AKZ 11,776,185 thousand in 2016 to AKZ 15,728,826 in 2017. This increase of 34% also reflects the expanded customer base of BCH.



Amounts in thousands of Kwanzas

Solvency Ratio

The Bank maintains high financial soundness, on the basis of the formula defined in art. 1 of Notice N.º 05/07 of September 12 this ratio at the end of 2017 stood at 142.32%, a percentage well above the minimum requirement of 10% set by the National Bank of Angola.

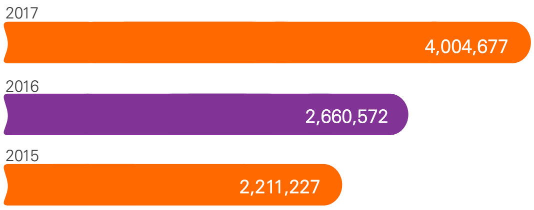


Activity in 2017

Business Development

Net Profit

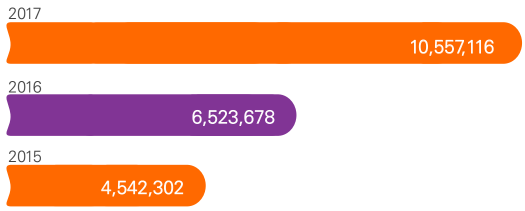
The Bank´s net profit amounted to AKZ 4,004,677 thousand, an increase of AKZ 1,344,105 thousand in comparison to 2016.



Amounts in thousands of Kwanzas

Tier 1 plus Tier 2 capital

In 2017, Own Funds stood at AKZ 10,557,116 thousand, up by AKZ 4,033,438 thousand a significant increase of 61.83% on 2016.



Amounts in thousands of Kwanzas

Administrative Costs

In 2017, the Bank´s cost structure accounted for a 20.5% increase in comparison to 2016. The main administrative cost items are personnel costs up by about 27.9% and utilities costs which rose 24.7%.

Administrative Costs 2015 - 2017

Indicators	2015	2016	2017	Var. '15-'16	Var. '16-'17
Administrative costs	548 291	861 135	1 037 759	57.1%	20.5%
Staff Costs	215 810	302 204	386 422	40.0%	27.9%
Third-party Costs	266 291	449 966	560 961	69.0%	24.7%
Amortisations and Depreciations	31 588	33 483	90 376	8.4%	169.9%
Other	34 602	75 698	0	118.8%	-100.0%

343 POS operating as at 31 December 2017

8 ATMs between Luanda and Huambo

5,467 Cards in circulation

POS

At the end of 2017, the Bank had a total of 343 POS which is also a reflexion of the 34.3% increase of its customer base in 2017.

ATMs

BCH has eight ATMs available to the public, five of which strategically placed in different locations in Luanda and three in the province of Huambo.

Debit Cards

In 2017, the Bank had on average 1 card for every 3 customers. The number of Private and Corporate Customers with access to cards was 5,381 and 86, respectively.

Activity in 2017

Risk Management

The Bank having already implemented its Risk Management System on the basis of the 3 Lines of defence model consolidated in 2017 the processes associated with its control functions - Risk, Compliance and Internal Audit, as well as the interaction and coordination between these areas in order to ensure adequacy, strengthening and operation of the Bank´s internal control system, seeking to mitigate the risks according to the complexity of the business.

In this way, the Risk Management Function is responsible for developing practices which permit the identification, quantification, control, monitoring and reporting of the different types of risks of relevance and inherent to the BCH´s activity, namely operational risk, credit risk and financial risks with the purpose of protecting the Bank´s capital and maintaining its solvability. It is also responsible for the design, development, monitoring and update of the risk management models which allow for the correct identification, evaluation and control of risks associated with the Bank´s activity, in order to ensure that they remain at levels consistent with the profile and degree of risk tolerance (Risk Appetite) defined by the Board of Directors.

The year of 2017 was a year of consolidating the activities carried out by this function, formally created in 2016. Currently, in addition to the regulatory reports required by the BNA, the Risk Management function has been broadening its vision on risk management by using not only the tools required by the BNA but also complementary internal maps, important for the decision-making by the Board of Directors. In this way, during 2017 the following internally developed maps were submitted to the Board of Directors:

- Credit Risk Indicators – analyses credit exposure and its breakdown by branch and segment, as well as credit concentration;

- ALM tool – analyses a set of indicators of liquidity risk, foreign exchange risks and interest rate risk and assigns a level of risk associated with each indicator value.

Activity in 2017

As to the Compliance function, likewise officially independent in 2016, it also consolidated in 2017 the efficiency and effectiveness of the tasks it was assigned with. The following tasks are part of the scope of activities carried out by the Compliance function:

- Monitor the commercial network as to the acceptance of customers, performance of certain operations or sale of products and services.

- Ensure the compliance of produced and reported information with applicable laws and legislation, mainly from the BNA.

- Ensure compliance with the Bank´s code of ethics/conduct in a comprehensive manner.

- Evaluate the impact of regulations on the business in order to better understand the involved risks against the cost effectiveness of necessary alterations to processes/systems/products.

- Participate proactively and preventively in the approval of risks for new products/processes and respective alterations.

- Define mechanisms to detect evidence of unauthorized financial intermediation or fraud.

- Establish measures to prevent and combat market abuse, money laundering and fraud.

Given the importance of topics related to Prevention of Money laundering (PBC) and Counter Terrorism Financing (CFT), the Compliance function performs the following important tasks:

- Monitoring of internal and external customer lists;

- Analysis of Anti-Money Laundering (AML) forms.

Activity in 2017

- Analysis and approval of account opening;

- Ensure the adequacy of internal rules and procedures for the prevention of money-laundering and combating terrorist financing (PBC/CFT);

- Follow-up of national operations and abroad;

- Monitor the commercial network as to the acceptance of customers, performance of certain operations or sale of products and services.

- Serve as a liaison between the Bank and the PBC/FT authorities, for the resolution of any internal or external issues related to PBC/FT.

- Contribute to knowledge sharing in PBC/CFT matters.

Lastly, with regard to the Audit function, fully-functioning since 2014, it continued to carry out its activity in accordance with the Internal Audit Strategic Plan defined for the triennium 2016 to 2018 and aligned with the BCH´s global strategy.

The Internal Audit Function carried out the envisaged Business Plan which was prepared on the basis of risk assessment criteria. The activities carried out included audit actions performed on the commercial network, business processes, back-up processes and IT.

Throughout 2017, 15 audit actions were performed, with audits being carried out for the first time on control areas such as the Compliance function.

Finally, the Internal Audit function also ensured the follow-up of the implementation of the recommendations and other risk exposure matters identified in its reports. Without prejudice to other means of follow-up, an Activity Report is submitted annually to the Board of Directors and periodically follow-up reports on the recommendations of the audit actions which have been approved by management.

Perspectives for 2018

Perspectives for 2018

Considering the global economic environment, the perspectives for growth of the African economy and in particular the Angolan economy, the Bank´s strategy continues to be one of focus on sustained growth, ensuring a flexible structure which allows a fast and efficient response to the demanding business and regulatory challenges in the financial sector. In that way, in 2018, BCH is committed to:

- Continue to offer a structure of differentiated financial products which can continue to meet the needs of our customers;
- Maintain the commitment to the Bank´s sustained growth while preserving the profit margin;
- Expand the commercial structure with the opening of at least one new branch in Luanda;
- Further develop the business and create value for the customer through a closer commercial follow-up with the help of the Commercial Coordination & Control department established in the last quarter of 2017;
- Continue to focus on strengthening its Control functions (Risk Management, Compliance and Internal Audit) by continuing the implementation of good practices in this area and improving the efficiency and effectiveness of internal processes, so at to comply with regulatory requirements in force;
- Monitor and implement in a rigorous and effective manner all regulatory changes applicable to the financial sector and the Bank;
- Further commit to the definition and execution of training plans that reinforce the qualification of our employees and maintain the high levels of motivation of our teams.

Proposed Appropriation of Profit

Key indicators

The profit after tax in 2017 of AKZ 4,004,677 thousand will be appropriated as follows:

10% to Legal Reserves;

The remainder, to increase Retained Earnings.

The Board of Directors

Financial Statements

BCH Banco Comercial do Huambo

Financial Statements

Income Statement as at 31 December 2017 and 2016

Banco Comercial do Huambo, S.A.

Income Statement
as at 31 December 2017 and 2016 (pro forma)

(thousands of Kwanzas)

	Notes	31.12.2017	31.12.2016 (pro forma)
Interest and similar income	4	2 084 188	1 214 258
Interest and similar expense	4	(279 603)	(176 687)
Net Interest Income		**1 804 585**	**1 037 571**
Fee and commission income	5	2 600 644	2 568 820
Fee and commission expense	5	(158 799)	(100 389)
Income from foreign currency transactions	6	1 636 146	681 016
Other income(expense)	7	99 997	(28 649)
Net Operating Income		**5 982 573**	**4 158 369**
Staff Costs	8	(386 422)	(302 204)
Utilities and Contracted services	9	(560 961)	(449 966)
Depreciations and Amortizations for the year	17 e 18	(90 376)	(33 483)
Provisions net of write-offs	23	-	(21 917)
Impairment losses on loans, net of reversals and recoveries	15	(9 466)	259 456
Profit before tax		**4 935 348**	**3 610 255**
Tax expense			
Current	19	(932 405)	(945 988)
Deferred	19	1 734	(3 695)
Profit for the year		**4 004 677**	**2 660 572**
Average number of issued ordinary shares		3 000 000	3 000 000
Basic earnings per share (in kwanzas)	25	1 335	887
Diluted earnings per share (in Kwanzas)	25	1 335	887

The accompaning notes are an integral part of these financial statements

BCH Banco Comercial do Huambo

Financial Statements

Balance sheet as at 31 December 2017 and 2016

Banco Comercial do Huambo, S.A.

Balance Sheet

as at 31 December 2017 and 2016 (pro forma) and at 1 January 2016 (pro forma)

(thousands of Kwanzas)

	Notes	31.12.2017	31.12.2016 (pro forma)	01.01.2016 (pro forma)
Assets				
Cash and balances at central banks	10	3 919 921	6 915 798	7 343 109
Deposits with other banks	11	779 167	2 259 098	1 918 783
Loans and advances to banks	12	1 382 778	–	–
Available-for-sale financial assets	13	43 656	43 568	43 568
Investments held to maturity	14	22 171 931	9 630 283	2 414 997
Loans and advances to customers	15	112 283	231 697	419 468
Non-current assts held for sale	16	6 221	6 221	–
Other tangible assets	17	732 213	741 734	245 384
Intangible Assets	18	110 616	–	26 662
Current Tax assets	19	–	26 135	10 008
Deferred tax assets	19	1 253	–	3 214
Other assets	20	106 577	31 222	52 339
Total Assets		**29 366 616**	**19 885 756**	**12 477 532**
Liabilities				
Deposits from central and other banks	21	30 948	8 234	27 916
Customer accounts and other borrowing	22	15 728 826	11 776 185	6 882 588
Provisions	23	21 917	21 917	8 417
Current tax liabilities	19	883 557	945 989	–
Deferred tax liabilities	19	–	481	–
Other liabilities	24	1 674 855	111 114	977 660
Total Liabilities		**18 340 103**	**12 863 920**	**7 896 581**
Equity				
Share capital	25	3 000 000	3 000 000	2 265 249
Other Reserves and Retained Earnings	26	4 021 836	1 361 264	2 315 702
Proft		4 004 677	2 660 572	–
Total Equity		**11 026 513**	**7 021 836**	**4 580 951**
Total Liabilities and Equity		**29 366 616**	**19 885 756**	**12 477 532**

The accompaning notes are an integral part of these financial statements

Financial Statements

Statement of Comprehensive Income as at 31 December 2017 and 2016

Banco Comercial do Huambo, S.A.

Statement of comprehensive income
for the years ended 31 December 2017and 2016 (pro forma)

(thousands of Kwanzas)

	Notes	31.12.2017	31.12.2016 (pro forma)
Net profit for the year		4 004 677	2 660 572
Other comprehensive income		–	–
Total comprehensive income		**4 004 677**	**2 660 572**

Statement of changes in equity as at 31 December 2017 and 2016

Banco Comercial do Huambo, S.A.

Statement of changes in equity
for the years ended 31 December 2017 and 2016 (pro forma)

(milhares de kwanzas)

	Share Capital	Other Reserves and Retianed Earnings			Resultado líquido do exercício	Total do capital próprio
		Legal Freserve	Other Reserves and Retained Earnings	Sub-total		
Balance as at 1 January 2016	**2 265 249**	**221 122**	**2 094 580**	**2 315 702**	**–**	**4 580 951**
Appropriation of net profit from 2015						
Dividend distribution	–	–	(219 687)	(219 687)	–	**(219 687)**
Increase of share capital	734 751	–	(734 751)	(734 751)	–	**–**
Comprehensive income for the year	–	–	–	–	2 660 572	**2 660 572**
Balance as at 31 December 2016	**3 000 000**	**221 122**	**1 140 142**	**1 361 264**	**2 660 572**	**7 021 836**
Appropriation of net profit from 2016						
Transfer to legal reserve	–	265 196	–	265 196	(265 196)	**–**
Transfer to retained earnings	–	–	2 395 376	2 395 376	(2 395 376)	**–**
Comprehensive income for the year	–	–	–	–	4 004 677	**4 004 677**
Balance as at 31 December 2017	**3 000 000**	**486 318**	**3 535 518**	**4 021 836**	**4 004 677**	**11 026 513**

The accompaning notes are an integral part of these financial statements

BCH Banco Comercial do Huambo

Financial Statements

Cash Flow Statement as at 31 December 2017 and 2016

Banco Comercial do Huambo, S.A.

Cash Flow Statement
for the year ended 31 December 2017 and 2016 (pro forma)

(thousands of Kwanzas)

	Notes	31.12.2017	31.12.2016 (pro forma)
Cash flows from operating activities			
Interest and similar income received		1 727 025	1 109 161
Interest expense and similar charges paid		(273 036)	(138 206)
Fees and commissions received		2 600 644	2 568 820
Fees and commissions paid		(158 799)	(100 389)
Cash payments to employees and suppliers		(947 384)	(752 170)
		2 948 450	2 687 216
Changes in operating Assets and Liabilities:			
Financial assets at fair value through profit or loss		1 636 146	681 016
Loans and advances to banks		(1 382 778)	-
Deposits from banks		15 281	(18 630)
Loans and advances to customers		103 002	455 838
Customer accounts and other loans		3 953 507	4 854 064
Other operating assets and liabilities		1 588 382	6 673
Net cash from operating activities before corporate income tax		**8 861 990**	**8 666 177**
Corporate income taxes paid		(968 702)	(915 864)
Net cash from operating activities		**7 893 288**	**7 750 313**
Cash flows from investing activities			
Purchase/Sale of available for sale financial assets		(87)	-
Investments held to maturity		(12 177 539)	(7 108 055)
Purchase/sale of property, plant and equipment		(191 470)	(501 405)
Net cash from invetsing activities		**(12 369 096)**	**(7 609 460)**
Cash flows from financing activities			
Dividends paid on ordinary shares		-	(219 687)
Net cash from financing activities		**-**	**(219 687)**
Net (decrease) in cash and cash equivalents		**(4 475 808)**	**(78 834)**
Cash and cash equivalents at beginning of year		**9 174 896**	**9 253 730**
Effect of echange rates on cash and cash equivalents			
Net (decrease) in cash and cash equivalents		(4 475 808)	(78 834)
Cash and cash equivalents at end of year		**4 699 088**	**9 174 896**
Cash and cash equivalents comprise:			
Cash and balances at central banks	10	3 919 921	6 915 798
Loans and advances to banks	11	779 167	2 259 098
Total		**4 699 088**	**9 174 896**

The accompaning notes are an integral part of these financial statements

Notes to the Financial Statements

1. Introductory Note

The Banco Comercial do Huambo (Commercial Bank of Huambo) was incorporated by a public deed on 17 June 2009, hereinafter referred to as "Bank" or "BCH.

BCH is a regional bank, with head office in Huambo and its object is banking activity, supporting small and medium-sized companies, contributing strongly for the social and economic development of the region. The bank started its commercial activity on 16 July 2010.

BCH shall also support its customers through a consultancy service, from setting up a company right through studies of financial and economic feasibility. This is an innovative service in the Angolan financial system, available at the branches in Huambo and Luanda.

Concerning the ownership structure and as mentioned in Note 28, the Bank is owned by Angolan shareholders, further details on which are provided in the same note.

2. Accounting Policies

2.1 Basis of presentation

Under the provisions of Notice n.º 6/2016 of June 22 of the BNA, the BCH's financial statements are prepared in accordance with the International Accounting Standards/ International Financial Reporting Standards (IAS / IFRS). These financial statements refer to the Bank´s separate activity as at 31 December 2017 and were prepared in order to comply with the requirements for the presentation of separate accounts defined by the BNA.

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

The financial statements hereby presented refer to the year ended 31 December 2017. Given that until 31 December 2016 the Bank prepared its financial statements in accordance with the CONTIF, the financial statements for the year then ended presented in this report were prepared in accordance with the IAS/IFRS for comparative purposes in compliance with IFRS 1 (Note 31).

The financial statements are stated in thousands of Kwanzas, rounding to the nearest thousand and were prepared on historical cost basis, except for the assets accounted for at fair value, namely financial assets held for trading, at fair value through profit or loss and available- for-sale financial assets.

The preparation of financial statements in accordance with IAS/IFRS requires the Bank to make judgments and estimates and use assumptions that affect the application of the accounting policies and the stated amounts of income, expenses, assets and liabilities. Changes in such assumptions or differences when compared to reality may impact the current estimates and judgments. The areas involving a higher level of judgment or complexity or areas where assumptions and estimates are significant to the preparation of the financial statements are analysed in Note 3.

According to IAS 29 – Financial Reporting in Hyperinflationary Economies (IAS "29"), hyperinflation is indicated by characteristics of the economic environment of a country which include among other the interest rates, the indexation of wages, assets and prices generally to a monetary unit, the substitution of savings in national currency with savings in foreign currency and necessarily the existence of a three-year cumulative inflation rate approaching or exceeding 100% (one hundred percent).

We hereby highlight our understanding regarding the non-adoption of IAS 29 for the year ended 31 December 2017, in light of the following:

Pursuant to letter N°139/DRO/18 issued by the BNA on 7 February 2018 on full adoption of IAS/IFRS:IAS29- Financial Reporting in Hyperinflationary Economies, the cumulative inflation rate for the three-year period 2015-2017 is 95.62%, which is below 100 % (one hundred percent) which in itself is not a condition for considering the Angolan economy a hyperinflationary one. Accordingly, the BNA provided its interpretive understanding of IAS 29 as to the non-applicability of the proceedings of financial reporting in hyperinflationary economy.

The IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and by the respective predecessor bodies.

The financial statements for the year ended 31 December 2017 were approved at the annual meeting of the Board of Directors on 27 April 2018.

2.2Foreign currency transactions

Assets and liabilities in foreign currency are recorded pursuant to the multi-currency system, that is, in the respective currency of denomination.

Foreign currency transactions are translated into Kwanzas at the rate ruling on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into Kwanzas at the period end exchange rate. Exchange gains and losses are taken to the income statement.

Non-monetary assets and liabilities in foreign currency are translated into Kwanzas according to the following method:

- Recorded at historical cost – at the rate ruling on the date of the transaction.
- Recorded at fair value– at the exchange rate ruling at the date the fair value is determined with changes in fair value recognised in profit or loss, except for available-for-sale financial assets, with changes in fair value recognised in equity.

As at 31 December 2017 and 2016 the reference exchange rates of the Kwanza (AOA) against the U.S. dollar (USD) and the Euro (EUR) were as follows:

Exchange rate	31.12.2017	31.12.2016
AOA/USD	165.924	165.903
AOA/EUR	185.4	185.379

2.3 Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Bank, which are not intended to be sold in the short-term, and which are recognised on the date cash is advanced to the customer. Loans and advances to customers are initially recorded at fair value and subsequently measured at amortised cost less impairment losses. The associated transaction costs are part of the effective interest rate of these financial instruments. Interests recognised by using the effective interest method are recognized in net interest income.

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, by using the effective interest rate method, and are presented in the balance sheet less impairment losses.

Loans and advance to customers are derecognised from the balance sheet when (i) the Bank´s contractual rights to the cash flows have expired (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although the Bank has retained some but not substantially all risks and rewards of ownerships, the control over the assets has been transferred.

Impairment

The Bank´s policy is to regularly assess whether there is objective evidence of impairment in its loan portfolio. Identified impairment losses are recognised in the income statement and are subsequently reversed through profit or loss if the amount of the impairment losses decreases in a subsequent period.

After initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when there is objective evidence of impairment as a result of one or more events that has(have) an impact on the recoverable amount of the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

Pursuant to IAS 39 there are two methods for the calculation of impairment losses: (i) individual assessment and (ii) collective assessment.

(i) Individual assessment

The assessment of an impaired loan on an individual basis is determined through case by case analysis of total credit exposure. For each loan considered individually significant, the Bank assesses at balance-sheet date whether there is objective evidence of impairment. The criteria defined by the Bank as to the identification of individually significant customers or economic groups were as follows:

Segment	Criteria
Customers/economic groups for which there is objective evidence of impairment	0.1% of the bank´s own funds
Customers/economic groups for which there is no objective evidence of impairment	0.5% of the bank´s own funds

The amount of the loss is calculated as the difference between the present value of estimated cash flows, discounted at the original effective interest rate of each contract and the carrying amount of each loan, and losses are recognised in profit or loss. The carrying amount of the impaired loans is presented in the balance sheet net of impairment losses. If a loan has a variable interest rate, the used discount rate is the annual effective interest rate, applicable for the year in which the impairment was determined.

(ii) Collective assessment

Loans for which no objective evidence of impairment exists are grouped with other loans with similar credit risk characteristics in order to be collectively assessed for impairment. This analysis allows the Bank to recognise losses which in individual assessment would only have been identified in future periods.

The amount of impairment losses on the basis of collective assessment is calculated through two perspectives:

- Group of loans with similar credit risk characteristics not individually significant; or

- Regarding incurred but not reported losses (IBNR) in loans for which no objective evidence of impairment exists.

Impairment losses in collective terms are determined considering the following aspects:

- Historical credit loss experience in similar credit risk portfolio;

- Knowledge of the current economic and credit environment and its influence on the level of historical losses;

- Estimated period between the occurrence of the loss and its identification.

The methods and assumptions used to estimate future cash flows are regularly reviewed by the Bank in order to monitor the differences between loss estimates and actual losses.

Segmentation of portfolio of loans for collective assessment

Pursuant to IAS 39, non-significant customers are included in segments with similar credit risk, by taking into account the Bank´s management model and subject to collective assessment of impairment. In that way, it is intended to ensure that for the purposes of assessing these exposures and setting credit risk parameters, the same present similar credit risk characteristics..

Regarding segmentation of exposures for the purposes of calculating credit risk parameters, the Bank decided that the same should be carried out on the basis of two vectors, which are, segmentation per type of customer and product (sub-populations) and risk buckets. Customers/operations are classified at each point time according to these two vectors, which are the basis for subsequent estimation of credit risk parameters by segment.

In order to define sub-populations within the credit risk parameters estimation, some characteristics of the credit operations, such as the type of customer and the type of product were considered to be relevant segmentation factors.

In order to ensure the existence of a portfolio segmentation consistent with the regulatory requirements and with the necessary statistical relevance for the determination of robust credit risk parameters, the following segmentation was determined:

Type of customer	Segmentation
Individual customers	Overdrafts – Individuals Consumer credit Home loans Personal loans Employee
Corporate customers	Current accounts Overdrafts - Corporate Corporate loans Guarantees given and LCs

Indications of Impairment

According to IFRS, a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events occurring after its initial recognition and if that event has impact on the estimated future cash flows from the asset or the group of assets, that can be reliably estimated.

Entities must ensure the timely identification of incurred losses and account for the impairment losses by adopting conservative and appropriate indicators of impairment for each credit segment. Thus, the Bank conducted analysis of the profile of its loan portfolio so as to identify the most relevant factors for identifying situations of deterioration in the financial conditions of its customers.

The main indicators of impairment considered by the Bank are as follows:

- Non-performing loans
- Restructurings
- Internal information on dishonoured cheques
- Recurrent use of limits
- Unauthorised overdrafts
- Decrease in the estimated value of the collateral
- Principal/Interest paid
- Information from the Angolan Central Credit Register
- Expected insolvency
- Existence of fiscal debts and/or debts to Social Security
- Customer undergoing unemployment or long-term illness
- Other qualitative indicators

Collateral Evaluation Process

Collateral evaluation is ensured on a regular basis so that the Bank has up-to-date information on the value of these instruments and, consequently, its capacity to mitigate credit risks.

In the context of the conditions for loan approval whenever the need to obtain a guarantee from the customer is defined, if the type of collateral or collateral identified implies a certified valuation, a request for collateral valuation should be made to the Credit Division so that it can contact and initiate the process with the external valuation companies, with which the Bank has an agreement.

Regarding the process of periodic revaluation of collaterals, based on the requirements of Notice 10/2014, namely with regard to the set criteria for new assessment of the mortgage collaterals, it was stipulated that the Credit Division will be responsible for identifying collaterals that should be subject to revaluation and initiate the respective process with external appraisers.

Whenever relevant within the process of loan recovery and in order to determine the recoverable amount of the loan through execution of existing guarantees or to support a credit restructuring operation, the Credit Division or Legal Department requests the revaluation of the guarantees associated with the operations under it

Reversal of impairment

If in a subsequent period the amount of the impairment loss decreases and such decrease can be objectively linked to an event occurring after the impairment loss was recognised, the previously recognized impairment loss is reversed. The reversal is recognised in the income statement.

Written-off loans

The writing-off of loans is performed when there are no real perspective to recover the loans financially, and for collateralised loans, when the funds from the execution of the collaterals have already been received through the use of impairment losses when they correspond to 100% of the value of loans considered non-recoverable.

2.4 Financial Instruments

(i) Classification, initial recognition and subsequent measurement

The Bank recognises receivables and payables, deposits, issued debt securities and subordinated liabilities on the date they are originated. All other financial instruments are recognised on the date of the transaction which is when the Bank becomes a party to the contractual provisions of the instrument and are classified depending on the type of instrument and its subsequent measurement according to the categories hereby described:

- Financial assets at fair value through profit or loss, and within this category as:
  - -Held for trading;
  - -Designated at fair value through profit or loss.

- Held-to-maturity investments;

- Available-for-sale financial assets;

- Receivables; and

- Financial liabilities

A financial asset or a financial liability is initially recognized at fair value plus transaction costs directly arising from its acquisition or issuance, except for items designated at fair value trough profit or loss in which case the transaction costs are immediately recognized as expense in the income statement.

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

1a) Financial assets held for trading

Financial assets that are held for trading are assets acquired for the purpose of selling in the short term, or assets held as an integral part of an asset portfolio, normally securities, for which there is a recent pattern of short-term profit taking.

1b) Fair value option

The fair value option designation is possible as long as at least one of the following requirements is met:

- the financial assets or liabilities are managed, evaluated and recorded at their fair value by the Bank´s management;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions; or
- the financial assets or liabilities include embedded derivatives which significantly alter the cash flows from the host contracts.

The financial assets and liabilities at fair value through profit or loss are initially recognized at fair value, with transactions costs or gains initially recognised in profit or loss, with subsequent fair value changes recognised in profit or loss. The accrual of interest and of premium/discount (when applicable) is recognised in net interest income on the basis of the effective interest rate of each transaction, accrual of interest of derivatives associated with financial instruments classified under this category.

2)Held to maturity investments

In this category non-derivative financial assets are recognised, with fixed or determinable payments and fixed maturity that the Bank is able to and intends to hold until their maturity date and which were not put in any other category of financial assets. These financial assets are recognised at amortised cost at the time of their initial recognition and subsequently measured at amortised cost using the effective interest method. The interest is calculated through the effective interest method and recognised in net interest income. Impairment losses are recognised in the income statement when identified.

Any reclassification or sale of financial assets recognised in this category which is not carried out close to maturity shall force the Bank to entirely reclassify this portfolio as available-for-sale financial assets and during two years it will not be able to classify any financial assets under this category.

3)Available-for-sale financial assets

These are non-derivative financial assets which (i) the Bank intends to hold for indefinite period of time, ii) are designated as available-for-sale at initial recognition or (iii) which do not fall into the previous categories. This category may include debt securities or equity securities.

The available-for-sale financial assets are initially recognised at fair value, including transaction-related costs or gains and subsequently measured at fair value. The changes in fair value are recognised in fair value reserves until the assets are sold or impairment losses are recognised in which case they are taken to the income statement. Equity instruments which are not quoted or the value of which cannot be reliably measured are stated at cost.

When there is a sale of available-for-sale financial assets, the cumulative gains or losses that were recognised in fair value reserves are recognised in the income statement in "Net gains/(losses) from available-for-sale financial assets". Foreign exchange fluctuation of the debt securities in foreign currency is taken to the income statement. As to equity securities since they are non-monetary assets, a foreign exchange fluctuation is recognised in Fair Value Reserve (Equity), as an integral component of the respective fair value.

Interest on debt securities is recognised on the basis of the effective interest rate in net interest income, including a premium or a discount, when applicable. Dividends are recognised in the income statement when the shareholder´s right to receive payment is established.

4)Financial Liabilities

A financial instrument is classified as financial liability when there is a contractual obligation to deliver cash or another financial asset , regardless of its legal form.

Non-derivative financial liabilities include deposits from banks and from customers, loans and debt securities.
These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The associated transaction costs are part of the effective interest rate. The interest recognised by effective interest method is taken to net interest income.

Gains and losses arising from repurchase of other financial liabilities are recognised in the income statement when they occur.

The Bank classifies its financial liabilities, except guarantees and commitments, measured at amortised cost, on the basis of the effective interest method.

(ii)Amortised cost

The amortised cost of a financial asset or a liability is the amount at which the asset or the liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

(iii)Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, if not available, the most advantageous market to which the Bank has access to perform the transaction on that date. The fair value of an asset reflects the credit risk of the Bank itself.

When available, the fair value of an investment is measured using its quoted market price in an active market for that instrument. A market is considered active when there is sufficient frequency and volume of transactions to provide pricing information on an ongoing basis.

If there isn´t a quoted market price in an active market, the Bank employs valuation techniques which maximize the use of observable market data and minimize unobservable inputs. The chosen valuation technique embodies all the factors that a market participant would take into account to calculate a price for the transaction.

(iv)Identification and measurement of impairment

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

In accordance with IFRS, the Bank regularly assesses whether there is objective evidence that a financial asset or group of financial assets shows signs of impairment.

A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment as a result of one or more events occurring after its initial recognition, such as: (i) for shares and other equity instruments, a continuing or significant decline in their market value below acquisition cost, and (ii) for debt securities, when such event (or events) has (have) an impact on the estimated value of the future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

For held-to-maturity investments, impairment losses correspond to the difference between the carrying amount of the asset and the present value of estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the financial asset and are recognized in the income statement. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, determined on the basis of the contractual terms. Regarding held-to-maturity investments, if in a subsequent period the amount of the impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment is reversed through profit or loss.

(If there is evidence that an impairment loss on available-for-sale financial assets has occurred, the potential cumulative loss recognised in reserves, measured as the difference between the acquisition cost and the current fair value, net of any impairment loss on the financial asset previously recognised in the income statement, is taken to the income statement. If in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through profit or loss up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except for shares and other equity instruments for which gains are recognised in reserves.

v)Derecognition

The Bank derecognises its financial assets when all contractual rights to receive the cash flows from the asset expire. When assets are transferred, the derecognition may only occur once all of the risks and rewards of the asset have been substantially transferred or if the Bank has either retained or transferred substantially all of the risks and rewards but has relinquished control of the financial assets.

The Bank derecognizes financial liabilities when they are cancelled, extinguished or expired. .

(vi)Offset of financial instruments

The Bank undertakes to off-set financial assets and liabilities, stating a net amount on the balance sheet if, and only if, the Bank has unconditional and legally enforceable right to set-off the financial asset and the financial liability and intends either to settle the financial asset and the financial liability net or to realise the financial asset and settle the financial liability simultaneously.

Gains and losses are only offset when this is allowed by IFRS or for gains and losses arising from group of transactions with similar characteristics.

2.5 Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation to deliver cash or another financial asset to another entity, regardless of its legal form, evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly arising from the issuance of equity instruments are recognised in equity as a deduction from the value of issuance. The amounts paid and received from the purchase and sale of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) are recognised when the shareholder´s right to receive payment is established and deducted from equity.

2.6 Other tangible assets

I. Recognition and measurement

The tangible assets are carried at cost less accumulated depreciation and impairment. The cost includes expenses arising from the acquisition of the assets.

ii. Subsequent costs

Subsequent costs are recognised as a separate asset when it is probable that the future economic benefits associated with the asset will flow to the Bank. Costs with maintenance and repair are recognised as cost as they are incurred according to the accrual basis of accounting.

iii. Depreciation

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

	Number of years
Property for own use	50
Works on leased property	10
Vehicles	3
Office equipment	10
Machinery and tools	6 to 7
Computers and similar equipment	3
Fixtures and fittings	10

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

The recoverable amount is determined as the higher of an asset´s net selling price and its value in use, and the latter is calculated on the basis of the present value of future cash flows expected to be derived from the ongoing use of the asset or from its disposal at the end of its useful life.

2.7 Intangible assets

Software

Costs incurred in acquiring software from third parties are capitalized, as well as the additional expenses incurred by the Bank necessary for its implementation. These costs are amortized on a straight-line basis over the estimated useful life, which is normally 5 years.

All other expenses related to computer services are recognised as costs when incurred.

2.8 Non-current assets held for sale

Non-current assets or disposal group (group of assets with associated liabilities, which include at least one non-current asset) are classified as held for sale when there is an intention to dispose of the referred assets and liabilities and the assets or group of assets are available for immediate sale and the sale is highly probable.

The Bank also classifies as non-current assets held for sale all non-current assets or a group of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and the sale is highly probable. Immediately before the initial classification as non-current assets held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group is carried out in accordance with applicable IFRS. After classification, these assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

The Bank also classifies in non-current assets held for sale real estate property acquired through foreclosure, which is initially measured at the lower of its fair value less costs to sell and the carrying amount of the outstanding loan on the date of the judicial or non-judicial foreclosure.

The fair value is based on the market value which in turn is determined on the basis of the expected selling price estimated through periodical evaluation carried out by the Bank.

Subsequently these assets are measured at the lower of their carrying value and the corresponding fair value less costs to sell and are not depreciated. In case of unrealised losses , these are recognised as impairment losses in the income statement.

2.9 Corporate income taxes

The Bank is subject to the tax regime set forth in the Industrial Tax Code in force in Angola.

The corporate income tax for the year is determined by applying a 30% rate on total pre-tax profit which is adjusted according to specific additions and deductions contained in the tax legislation in force. In fiscal terms, the Bank is considered a Group A taxpayer.

With the publication of Law 19/14 which came into force on 1 January 2015, the corporation tax is subject to provisional advance payment by a single instalment made in August and calculated by applying a rate of 2% on net operating income for the first six months of the previous fiscal year, excluding income subject to capital income tax, regardless of the existence of taxable income in the year.

Income from public debt securities, resulting from Treasury Bonds and Treasury Bills issued by the Angolan State, which issuance is regulated by the Framework Law on Direct Public Debt (Law No. 16/02 of December 5) and by Decrees No. 51/03 and 52/03, of 8 July, enjoy exemption from Corporation Tax, in accordance with the provisions of paragraph c) of p. 1 of Article 23 of the respective Act, where it is expressly stated that the income derived from any Angolan public debt securities is not considered taxable income.

Tax returns are subject to review and correction by the tax authorities for a period of 5 years, which may result in possible corrections to the taxable income for the years 2013 to 2017.

The Bank is still subject to the payment of Urban Property Tax (UPT) at a 0.5% rate on the value of the properties destined for its normal operation, as defined in Law No. 18/11 of April 21.

The Bank is also subject to indirect taxes, such as customs duties, Stamp Duty, Consumption Tax, as well as other taxes.

Capital Income Tax (CIT)

Presidential Legislative Decree No. 5/11, of 30 December, introduced several legislative changes to the CIT Code, following the Tax Reform currently under way.

Capital Income Tax is levied on income from financial investments of the Bank, namely income from interbank investments, liquidity-providing operations and interest on central bank securities.

The general rate is 10% but a reduced rate of 5% (in the case of income from public debt securities with a maturity of three years or more) or a rate of 15% may be applied. Pursuant to para 1(a) of article 47, the income subject to CIT will be deducted from the taxable corporate income.

Deferred taxes

Deferred taxes are calculated according to the comprehensive balance sheet method, on temporary differences between the carrying amount of the assets and liabilities and their tax base, using the rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the temporary differences are reversed.

Deferred tax liabilities are recognized for all taxable temporary differences, except for: goodwill, not deductible for tax purposes; differences resulting from the initial recognition of assets and liabilities that do not affect neither the accounting nor the taxable profit, and differences related to investments in subsidiaries to the extent that they are not likely to reverse in the future. Deferred tax assets are recognized when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized (including unused tax losses).

As provided for in IAS 12 – Income taxes, paragraph 74, the Bank can offset deferred assets and liabilities whenever: (i) it has the legal right to settle current tax assets and current tax liabilities; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on either the same taxable entity or different taxable entities intend to settle current tax liabilities and assets on a net basis or realize the assets and settle the liabilities at the same time, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.10 Employee benefits

i. Defined contribution plans

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

ii. Short-tem employee benefits

Short-term employee benefits are recorded as a cost once the associated service has been provided. A liability is re-cognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of a service rendered in the past by the employee and such liability can be estimated reliably.

2.11 Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or constructive), arising as a result of past practices or published policies which imply the acknowledgement of certain responsibilities, (ii) it is probable that its settlement will be required in the future, and (iii) a reliable estimate of the obligation can be made.

Provisions are measured, pursuant to the principles defined in IAS 37, at the most likely amount, at a probability-weigh-ted expected value, and taking into account the risks and uncertainties inherent to the process.

If the effect of discounting is material, provisions correspond to the net present value of the expected future payments, discounted at a rate which takes into account the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate, and are reversed in profit or loss in proportion to the outflow of resources which are no longer probable.

Provisions are derecognised when they are used to settle the obligations for which were initially set up or in cases where the obligation extinguish.

2.12 Recognition of Interest income or expense

Interest income and interest expense for all financial instruments (assets and liabilities) measured at amortised cost are recognised under the heading "Interest income and similar interest" or "Interest expense and similar charges" (net interest income), using the effective interest method.

Interest calculated at the effective interest rate on available-for-sale financial assets is also recognised in net interest income as is interest on financial assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future payments cash payments or receipts through the expected life of the financial instrument (or when appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the bank estimates future cash flows considering all the contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all the commissions paid or received that are an integral part of the effective interest rate, transaction costs and all transaction-related premiums and discounts.

Regarding financial assets or a groups of similar financial assets for which impairment losses have been recognised, the interest recorded in the income statement is determined on the basis of the interest rate that was used in the measurement of the impairment loss.

2.13 Recognition of dividends

Dividends (income on equity instruments) are recognised in the income statement when the shareholder´s right to receive payment is established. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other income, depending on the classification of the underlying instrument.

2.14 Recognition of fee and commission income

Fees and commissions are recognised according to the following criteria:

- when fees and commissions are earned over the period during which the services are provided , they are recognised in the income statement in the period to which they refer;

- when fees and commissions result from a single provision of services, their recognition takes place upon completion of the referred service.

When fees and commissions are an integral part of the effective interest rate of a financial instrument, income is recognised in net interest income.

2.15 Net trading income

Net trading income include gains and losses on financial assets and financial liabilities at fair value through profit or loss, namely trading portfolios.

Net trading income also includes gains from sale of available-for-sale financial assets and financial assets held to maturity.

2.16 Cash and cash equivalents

In terms of cash flow statement, cash and cash equivalents comprise balances with a maturity of less than three months from the balance sheet date, including deposits with other credit institutions.

Cash and cash equivalents exclude the obligatory deposits with Central Banks.

2.17 Financial guarantees and Loan Commitments

Financial guarantees are contracts which oblige the Bank to make specific payments in order to reimburse the holder for a loss incurred as a result of a debtor's failure to comply with a payment. Commitments are firm commitments with

the aim of providing credit under predetermined conditions.
Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially recognised at fair value, which initial fair value is later amortised over the useful life of the guarantee or commitment. Subsequently , the liability is recognised at the higher of the amortised value and the present value of any expected payment to settle.

2.18 Earning per share

The basic earnings per share are calculated by dividing the net profit by the weighted average number of shares outstanding, excluding the average number of treasury shares.

For diluted earnings per share, the average number of shares outstanding is adjusted to reflect the effect of all potential ordinary shares treated as dilutive. Contingent or potential issues are treated as dilutive when their conversion into shares decreases earnings per share.

If earnings per share change as a result of a share issuance at a premium or a discount or any other event that may alter the potential number of ordinary shares or changes in accounting policies, the calculation of earnings per share for all the presented periods is adjusted retrospectively.

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

The IAS/IFRS set a series of accounting treatments and require the Board of Directors to make the necessary judgments and estimates as to decide which accounting treatment is most appropriate. The main accounting estimates and judgments used by the Bank in applying the accounting policies are presented in this Note, and aim to improve the understanding of how their application affects the Bank´s reported results and their disclosure. A broader description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

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

3.1 Impairment losses on loans and advances to customers

The Bank carries out a periodic review of its loan portfolio in order to assess the existence of impairment losses, as referred to in the accounting policy described in Note 2.

The assessment process applied to the loan portfolio to determine whether an impairment loss should be recognized is subject to various estimates and judgments. The probability of default, risk ratings, collateral value associated with each transaction, recovery rates and estimation of both the amount and timing of future cash flows are considered in this assessment.

Alternative methods and the use of different assumptions and estimates could result in different amounts of impairment losses being recognised thus affecting the Bank´s results for the year.

3.2 Corporate Income Tax

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

Different interpretations and estimates could result in different amounts of corporate income tax , current and deferred, than those recognised in the financial statements for the year.

The Tax Authorities can review the calculation of the taxable income made by the Bank during a period of 5 years. Therefore, it is possible that corrections to the taxable income take place mainly resulting from differences in the interpretation of tax legislation but given that it is rather unlikely, the Board of Directors considers that they will not have material effect on the amounts recognised in the financial statements.

4 – Net Interest Income

(thousands of Kwanzas)

	31.12.2017			31.12.2016		
	From assets/ liabilities at amortised cost and available-for-sale assets	From assets/ liabilities at fair value through profit or loss	Total	From assets/ liabilities at amortised cost and available-for-sale assets	From assets/ liabilities at fair value through profit or loss	Total
Interest and similar income						
Loans and advances to customers	60 624	-	60 624	97 553	-	97 553
Deposits with and loans and advances to banks	2 686	-	2 686	10 714	-	10 714
Investments held to maturity	2 020 878	-	2 020 878	1 105 990	-	1 105 990
	2 084 188	**-**	**2 084 188**	**1 214 257**	**-**	**1 214 257**
Interest and similiar expense						
Deposits from banks and customer accounts	279 603	-	279 603	176 687	-	176 687
	279 603	**-**	**279 603**	**176 687**	**-**	**176 687**
Net Interest Income	**1 804 585**	**-**	**1 804 585**	**1 037 571**	**-**	**1 037 571**

This item comprises the following:

The amount in Loans and advances to customers accounts for interest on loans and advances granted to customers.

The heading "investments held to maturity" refers to interest on public debt securities, namely Government Bonds and Treasury Bills.

Income from public debt securities, such as Government Bonds and Treasury Bills issed by the Angolan State are subject to CIT and are deducted from the taxable income amount.

The heading "deposits from banks and customer accounts" refers to mainly interest paid to customers on the funds deposited with the Bank.

5 – Net fee and commission income

thousands of Kwanz	31.12.2017	31.12.2016
Fee and commission income		
Banking Services rendered	2 600 644	2 568 820
Fee and commission expense		
Interest on customer accounts	158 799	100 389
	2 441 845	**2 468 431**

Here below as per type of commission:

(thousands of Kwanzas)	31.12.2017	31.12.2016
Fee and commission income		
Commissions on Bank transfers	1 068 197	628 317
Commissions on Loan Approval	1 129 308	1 774 782
Money Transfers – Moneygram	126 696	94 578
Granting of guarantees and collaterral	180 548	1 829
Credit facility arrangement	3 017	8 157
Standard services (cards, clearing)	12 749	47 523
Other commissions	80 129	13 634
	2 600 644	2 568 820
Fee and commission expense		
Costs of importing notes	12 815	6 070
Fees for automated clearing	19 337	11 156
Charges for other services provided by third-parties	126 647	83 163
	158 799	100 389
	2 441 845	**2 468 431**

The breakdown of this item is as follows:

6 – Income from Foreign Currency Transactions

This item comprised of the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Income from Foreign currency transactions		
Foreign Currency Operations	1 733 514	472 766
Foreign Currency Revaluation	(97 368)	208 250
	1 636 146	**681 016**

The heading Foreign Currency Transactions translates the results from purchase and sale of foreign currency, according to the accounting policy in Note 2.2.

The heading Currency Revaluation includes net gain(loss) arising from the revaluation of monetary assets and liabilities denominated in foreign currency in accordance with the accounting policy described in Note 2.2.

7 – Other income (expense)

This item is comprised of the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Other Income (Expense)		
Fines applied by other regulatory entities	(1 818)	(5 148)
Direct and indirect taxes	(51 114)	(69 921)
Other operating expenses	82 653	(630)
Other operating income	70 276	47 049
	99 997	**(28 649)**

8 – Staff costs

The total amount in this item is made up of the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Members of management and supervisory boards		
Remunerations	106 842	74 900
Holliday allowances and Benefits for Christmas	17 404	16 920
Other allowances	31 351	23 577
Other remunerations and costs	29 652	25 619
Employees		
Remunerations	154 386	114 550
Holliday allowances and Christmas allowances	16 912	16 129
Other allowances	9 893	8 650
Other staff costs		
Social security costs	17 334	12 611
Insurance against accidents at work	2 647	9 250
	386 422	**302 204**

As at 31 December 2017 and 2016, the heading "Other allowances" includes various allowances granted to the employees such as child benefit, representation allowance, housing benefit and allowance for errors.

Salary costs and other benefits attributed to the members of the management and supervisory bodies for the years 2017 and 2016 refer in their total to remunerations and other short-term benefits.

The number of Banks´ employees, considering permanent employees and those under fixed-term contracts, presents the following breakdown by professional category:

	31.12.2017		31.12.2016	
	Average for the year	End of the year	Average for the year	End of the year
Administration	3	3	3	3
Management	1	1	1	1
Head of Department	1	1	1	1
Administrative area	27	27	20	20
Commercial area	25	25	24	24
	57	**57**	**49**	**49**

9 – Utilities and contracted services:

This item is comprised of the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Consulting	253 542	265 923
Leasing and rentals	130 082	73 422
Security, conservation and repair	78 113	43 714
Communications	31 549	35 989
Materials	44 041	15 189
Transports, travel and accommodation	5 462	4 364
Water, energu and fuel	4 379	2 213
Insurances	12 083	172
Publications, advertising and publicity	1 710	49
Donations	-	814
Other utilities	-	8 117
	560 961	**449 966**

The heading "Consulting, auditing and other specialized technical services" includes audits of the annual accounts, fiscal consulting and provision of IT services.

The heading "leasing and rentals" includes costs related to buildings rented by BCH.

10 – Cash and balances at central banks

The total amount of this item is as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Cash	315 382	375 555
Deposits with Central Banks		
National bank of Angola	3 604 539	6 540 243
	3 604 539	6 540 243
	3 919 921	**6 915 798**

The heading "Deposits with Central Banks" includes deposits of a mandatory nature at the National Bank of Angola, whose purpose is to satisfy the legal requirements regarding the constitution of minimum liquid requirements. They are non-interest bearing.

The balance in "Deposits with Central Banks" comprises non-interest bearing current accounts in national and foreign currencies, which purpose is to fulfil the requirements of minimum reserves set by the BNA as well as other liabilities.

On 4 June 2010, Regulation n° 3/2010 of BNA came into force, and determined that the mandatory reserves must be made in two currencies – AKZ for the accounts in AKZ which comprise the reserve base and USD for the accounts in foreign currency which comprise the reserve base.

In 2016, the BNA issued Instruction n° 2/2016 which establishes that the reserves in national currency must be 30%, except Local Government deposits which are subject to 50% and Central Government deposits subject to 75%. The coefficient of mandatory reserves in foreign currency is 15% for customer deposit balances and 100% for Local & Central Government deposit balances, as well as for Town Halls.

In addition, Instruction No. 04/2016 of May 13 defines that the reserve base, excluding Central Government, Local Government and Municipal Administration accounts is 30%, and banks can meet up to 20% with Government Bonds belonging to the banks' own portfolio, provided that those are issued as of January 2015 and to the amount of the financing agreements signed with the Ministry of Finance, according to the weights defined in the referred Instruction.
realizados com o Ministério das Finanças, obedecendo ponderações definidas no referido Instrutivo.

11 – Deposits with other banks

The balance of the item "Deposits with other banks" is broken down per type accordingly:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Cash and deposits with other banks abroad	757 591	2 228 395
Pending operations and settlement	21 576	30 703
	779 167	**2 259 098**

As at 31 December 2017 and 2016, Cash and deposits with other banks abroad (in foreign currency), include the account balances at the respective banks and those amounts are part of the management of the Bank´s current operations without there being any associated remuneration.

12 – Loans and advances to central banks and other banks

This item, as at 31 December 2017 and 2016 is analysed as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Loans and advances to banks abroad		
Short-term loans and advances	1 382 778	–
	1 382 778	**–**
Impairment losses	–	–
	1 382 778	**–**

The grading of Loans and advances to central banks and other banks by maturity as at 31 December 2017 and 2016 is as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Up to 3 months	–	–
From 3 months to one year	1 382 778	–
From 1 year to 5 years	–	–
Over 5 years	–	–
Unlimited	–	–
	1 382 778	**–**

13 – Available-for-sale financial assets

As at 31 December 2017 and 2016 this item is analysed as follows:

thousands of Kwanzas

	Cost	Fair value reserve		Impairment losses	Carrying amount
		Positive	Negative		
Shares	43 656	-	-	-	43 656
Balance as at 31 December 2016	**43 656**	**-**	**-**	**-**	**43 656**
Shares	43 568	-	-	-	43 568
Balance as at 31 December 2017	**43 568**	**-**	**-**	**-**	**43 568**

As at 31 December 2017 and 2016, this item only includes the interest in the entity EMIS - Empresa Interbancária de Serviços, S.A.R.L. (interbank service company), with head office in Luanda, which is valued at acquisition cost since the Bank holds less than 10% of the capital.

EMIS was incorporated in Angola with the purpose to manage the electronic means of payment and complementary services.

In addition, as of this reporting date the accounts for 2017 of this company were not yet available.
During the years of 2016, 2015 and 2014 this entity did not distribute dividends.

The last available financial information on this company is as follows (amounts in thousands of AKZ):

EMIS

				Demonstrações Financeiras					
				31.12.2015			31.12.2014		
Participada	Head Office	Activity	Share Capital	Net Assets	Equity	Profit for the year	Net Assets	Equity	Profit for the year
EMIS - Empresa Interbancária de Serviços, Lda	Luanda	Banking Services	900 000	5 595 471	1 551 051	32 813	4 718 461	1 477 413	111 025

After the closing of the year ended 31 December 2017, we had access to documents related to the 28th General Meeting of EMIS containing information on the new structure of the share capital of this company and BCH´s shareholding in this company, which at the moment corresponds to 0.9%. However, we did not have access to the 2016 and 2017 financial statements that would have allowed us to check the total amount of equity, in order to assess the possibility of impairment.

In accordance with the accounting policy described in Note 2.4, the Bank regularly assesses whether there is objective evidence of impairment in its portfolio of available-for-sale assets following the judgment criteria described in Note 29. As at 31 December 2017 and 2016, there was no evidence of impairment of the Bank's shareholding in EMIS.

The analysis of the available-for-sale financial assets, less impairment losses, per levels of valorisation, as at 31 December 2017 and 2016, is presented as follows:

(thousands of Kwanzas)

	Level 1	Level 2	Level 3	At cost	Total
Shares	-	-	-	43 568	43 568
Balance as at 31 December 2016	**-**	**-**	**-**	**43 568**	**43 568**
Acções	-	-	-	43 656	43 656
Balance as at 31 December 2017	**-**	**-**	**-**	**43 656**	**43 656**

Pursuant to the provisions of IFRS 13, the financial instruments are measured according to the valorisation levels described in Note 29.

As at 31 December 2017 and 2016, the financial assets classified as available-for-sale had undetermined period in terms of maturity.

14 – Investments held to maturity

This item as at 31 December 2017 and 2016 is analysed as follows:

thousands of Kwanzas

	31.12.2017	31.12.2016
Bonds and other fixed income securities		
From public issuers		
Treasury Bills	19 089 253	5 653 964
Government Bonds in national currency	2 883 008	3 776 674
Government Bonds in foreign currency	199 670	199 645
	22 171 931	**9 630 283**

O justo valor da carteira de investimentos detidos até à maturidade encontra-se apresentado na Nota 29, no âmbito das exigências de divulgação definidas na IAS 39.

The fair value of the investments-held-to-maturity portfolio is presented in Note 29, under the disclosure requirements defined in IAS 39.

The Bank evaluated as at 31 December 2017 and 2016 its portfolio of investments held to maturity for objective evidence of impairment, and did not come upon events with impact on the recoverable amount of the estimated future cash flows from these investments.

The grading of investments held to maturity as per maturity, is as follows:

(thousands of Kwanzas)

	Less than three months	From three months to one year	From one to five years	Over five years	Total
From public issuers					
Treasury Bills	5 906 182	13 183 071	-	-	19 089 253
Government Bonds in national currency	1 398 569	1 484 439	-	-	2 883 008
Government Bonds in national foreign currency	-	-	199 670	-	199 670
Balance as at 31 December 2017	**7 304 751**	**14 667 510**	**199 670**	**-**	**22 171 931**
From public issuers					
Treasury Bills	5 653 964	-	-	-	5 653 964
Government Bonds in national currency	-	894 906	2 881 768	-	3 776 674
Government Bonds in national foreign currency	-	-	199 645	-	199 645
Balance as at 31 December 2016	**5 653 964**	**894 906**	**3 081 413**	**-**	**9 630 283**

15 — Loans and advances to customers

As at 31 December 2017 and 2016 this item has the following structure:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Internal Loans		
To companies		
Loans	50 195	122 236
Short-term loans	9 000	19 772
Overdrafts	192	–
	59 387	**142 008**
To individuals		
Loans	52 405	84 120
Overdrafts	5	2
Other	–	6 145
	52 410	**90 267**
	111 797	**232 275**
Past-due loans		
Up to 3 months	2 166	364
From 3 months to 1 year	2 114	2 661
From 1 to 3 years	48	4 132
Over 3 years	–	–
	4 328	**7 157**
	116 125	**239 432**
Accumulated impairment losses	(3 842)	(7 735)
	112 283	**231 697**

As at 31 December 2017 and 2016, the composition of the loan portfolio by residual maturity terms is as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Up to 3 months	312	20 346
From three months to one year	54 850	113 832
From one to five years	38 367	26 768
Over five years	18 268	71 332
Undetermined	4 328	7 154
	116 125	**239 432**

The Bank classifies past-due instalments of principal or interest on the due date as past-due loans.

The movements occurred in impairment losses shown in assets as a correction of the loan amounts were as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Opening balance	7 735	267 191
Additions	12 697	133 347
Write-backs	(3 231)	(392 803)
Utilazation	(13 359)	-
Closing Balance	**3 842**	**7 735**

Distribution of customer loans by type of rate is as follows :

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Fixed rate	14 672	27 011
Floating rate	97 125	205 264
	111 797	**232 275**

As at 31 December 2017 and 2016, total loans and impairment per segment and per type is as follows:

(thousands of Kwanzas)

	Exposure in 2017			Impairment in 2017		
Segment	Total exposure	Performing loans	Non-performing loans	Total impairment	Performing loans	Non-performing loans
Companies	**61 323**	**59 387**	**1 936**	**788**	**690**	**98**
Current Acounts	9 000	9 000	-	381	381	-
Overdrafts	2 128	192	1 936	107	9	98
Loans	50 195	50 195		300	300	-
Individuals	**54 802**	**52 410**	**2 392**	**3 054**	**981**	**2 073**
Overdrafts	1 015	5	1 010	324	3	321
Loans	24 136	22 754	1 382	2 172	420	1 752
Employee	29 651	29 651	-	558	558	-
Total	**116 125**	**111 797**	**4 328**	**3 842**	**1 671**	**2 171**

(thousands of Kwanzas)

	Exposure in 2016			Impairment in 2016		
Segment	Total exposure	Performing loans	Non-performing loans	Total impairment	Performing loans	Non-performing loans
Companies	**148 142**	**142 008**	**6 134**	**5 714**	**1 371**	**4 343**
Current accounts	19 772	19 772	-	1 196	1 196	-
Overdrafts	167	-	167	100	100	-
Loans	128 203	122 236	5 967	4 418	75	4 343
Individuals	**91 290**	**90 267**	**1 023**	**2 021**	**46**	**1 975**
Overdrafts	1 024	2	1 022	535	-	535
Loans	65 551	65 551	-	1 486	46	1 440
Empployee	18 809	18 808	1	-	-	-
Other	5 906	5 906	-	-	-	-
Total	**239 432**	**232 275**	**7 157**	**7 735**	**1 417**	**6 318**

As at 31 December 2017 and 2016, total loans and impairment per year of lending to Companies is the following:

(thousands of Kwanzas)

Segment	2014 and previous years			2015			2016			2017			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Companies															
Current accounts	–	–	–	–	–	–	–	–	–	2	9 000	381	2	9 000	381
Overdrafts	9	35	18	3	52	14	3	1	–	2	2 040	75	17	2 128	107
Loans	–	–	–	–	–	–	2	50 195	300	–	–	–	2	50 195	300
Individuals															
Overdrafts	145	198	67	231	297	108	447	502	149	12	18	–	835	1 015	324
Loans	5	14 860	313	4	4 999	105	3	4 277	1 754	–	–	–	12	24 136	2 172
Employee	3	13 427	305	2	3 788	80	–	–	–	2	12 436	173	7	29 651	558
Total	**162**	**28 520**	**703**	**240**	**9 136**	**307**	**455**	**54 975**	**2 203**	**18**	**23 494**	**629**	**875**	**116 125**	**3 842**

As at 31 December 2016, total loan and impairment per year of lending to Individuals is the following:

(thousands of Kwanzas)

Segment	2013 and previous years			2014			2015			2016			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Companies															
Current accounts	–	–	–	–	–	–	–	–	–	3	19 772	1 196	3	19 772	1 196
Overdrafts	17	74	45	2	43	27	5	34	22	9	16	6	33	167	100
Loans	3	9 697	–	4	2 517	164	–	–	–	2	115 989	4 254	9	128 203	4 418
Individuals															
Contas Correntes	211	81	37	241	222	129	966	669	329	348	52	40	1 766	1 024	535
Overdrafts	6	5 638	8	8	44 676	908	4	10 422	560	2	4 815	10	20	65 551	1 486
Loans	2	11 697	–	5	2 025	–	3	5 087	–	–	–	–	10	18 809	–
Employee	2	346	–	–	–	–	2	5 155	–	1	405	–	5	5 906	–
Total	**241**	**27 533**	**90**	**260**	**49 483**	**1 228**	**980**	**21 367**	**911**	**365**	**141 049**	**5 506**	**1 846**	**239 432**	**7 735**

16 – Non-current assets held for sale

The amount in this item is comprised of the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Non-current assets held for sale		
Property	6 221	6 221
Accumulated Impairment Losses	–	–
	6 221	**6 221**

Movements in this item for the years ended 31 December 2017 and 2016 are hereby presented:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Opening balance	6 221	–
Additions	–	6 221
Other movements	–	–
Closing balance	**6 221**	**6 221**

This amount refers to the transfer of property in lieu of payment.

17 — Other fixed assets

As at 31 December 2017 and 2016 this item is presented as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Property		
For own use	206 819	617 423
Works on property	413 262	50 499
	620 081	**667 923**
Equipment		
Office	74 802	55 439
Banking	47 101	34 805
Security	7 175	7 018
Vehicles	2 722	2 352
Basic	1 544	1 544
Computer	735	1 830
Other	1 764	99
	135 843	**103 086**
Work in progress		
Other	115 314	38 164
	115 314	**38 164**
Gross Tangible Assets	**871 238**	**809 173**
Accumulated depreciation	**139 025**	**67 439**
Impairment	–	–
	732 213	**741 734**

Movements in "Other Fixed Assets" for the years ended 31 December 2017 and 2016 are presented below:

(thousands of Kwanzas)

	Opening balance 31.12.2016	Aquisitions/ Additions	Disposals/ Write-offs	Transfers	Closing balance 31.12.2017
Property					
For own use	617 423	-	(410 604)	-	206 819
Works on property	50 499	362 763	-	-	413 262
	667 923	**362 763**	**(410 604)**	**-**	**620 082**
Equipment					
Office	55 439	19 363	-	-	74 802
Banking	34 805	12 296	-	-	47 101
Security	7 018	157	-	-	7 175
Vehicles	2 352	370	-	-	2 722
Basic	1 544	-	-	-	1 544
Computer	1 830	-	(1 095)	-	735
Other	99	1 665	-	-	1 764
	103 087	**33 851**	**(1 095)**	**-**	**135 843**
Work in progress					
Other	38 164	77 150	-		115 314
	38 164	**77 150**	**-**	**-**	**115 314**
	809 173	**473 764**	**(411 699)**	**-**	**871 238**
Accumulated depreciation					
Property					
For own use	(21 512)	(3 242)	(785)	-	(25 539)
Works on property	-	(55 632)			(55 632)
	(21 512)	**(58 874)**	**(785)**	**-**	**(81 171)**
Equipment					
Office	(26 616)	(4 992)	-	-	(31 608)
Banking	(14 542)	(5 212)	-	-	(19 754)
Security	(1 917)	(1 356)	-	-	(3 273)
Vehicles	(2 358)	(37)	-	-	(2 395)
Basic	(198)	-	-	-	(198)
Computer	-	(533)	533	-	-
Other	(296)	(330)	-	-	(626)
	(45 927)	**(12 460)**	**533**	**-**	**(57 854)**
Work in progress					
Other	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
	(67 439)	**(71 334)**	**(252)**	**-**	**(139 025)**
	741 734	**402 430**	**(411 951)**	**-**	**732 213**

(thousands of Kwanzas)

	Opening balance 01.01.2016	Aquisitions/ Additions	Disposals/ Write-offs	Transfers	Closing balance 31.12.2016
Property					
For own use	206 819	351 141	-	59 463	617 423
Works on property	-	50 499	-	-	50 499
	206 819	**401 641**	**-**	**59 463**	**667 923**
Equipment					
Office	49 020	6 419	-	-	55 439
Banking	31 418	3 387	-	-	34 805
Security	3 738	3 280	-	-	7 018
Vehicles	2 352	-	-	-	2 352
Basic	1 544	-	-	-	1 544
Computer	735	1 095	-	-	1 830
Other	99	-	-	-	99
	88 906	**14 181**	**-**	**-**	**103 087**
Work in progress					
Other	24 082	73 545	-	(59 463)	38 164
	24 082	**73 545**	**-**	**(59 463)**	**38 164**
	319 807	**489 366**	**-**	**-**	**809 173**
Accumulated depreciation					
Property					
For own use	(13 297)	(8 215)	-	-	(21 512)
	(13 297)	**(8 215)**	**-**	**-**	**(21 512)**
Equipment					
Office	(21 170)	(5 446)	-	-	(26 616)
Banking	(11 434)	(3 108)	-	-	(14 542)
Security	(1 290)	(627)	-	-	(1 917)
Vehicles	(2 353)	(5)	-	-	(2 358)
Basic	(208)	10	-	-	(198)
Computer	-	-	-	-	-
Other	(39)	(257)	-	-	(296)
	(36 494)	**(9 433)**	**-**	**-**	**(45 927)**
	(49 791)	**(17 648)**	**-**	**-**	**(67 439)**
	270 016	**471 718**	**-**	**-**	**741 734**

18 – Intangible assets

This item as at 31 December 2017 and 2016 is as follows:

(milhares de kwanzas)

	31.12.2017	31.12.2016
Software	153 271	111 087
Outros	81 916	8 131
Amortizações Acumuladas	(124 570)	(119 218)
	110 616	**-**

Movements in Intangible Assets for the years ended 31 December 2017 and 2016 are as shown below:

(thousands of Kwanzas)

	Opening balance 31.12.2016	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other settlements	Closing balance 31.12.2017
Intangible assets	**119 218**	**140 338**	**(24 370)**	**-**	**235 186**
Software	111 087	65 641	(23 458)	-	153 270
Outros	8 131	74 697	(912)	-	81 916
Accumulated amortisation	**(119 218)**	**(19 042)**	**13 690**	**-**	**(124 570)**
Software	(108 101)	(11 162)	12 911	-	(106 352)
Other	(11 117)	(7 880)	779	-	(18 218)
Net balance	**-**	**121 296**	**(10 680)**	**-**	**110 616**

(thousands of Kwanzas)

	Opening balance 01.01.2016	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other settlements	Closing balance 31.12.2016
Intangible assets	**104 345**	**11 516**	**-**	**3 357**	**119 218**
Software	96 214	11 516	-	3 357	111 087
Outros	8 131	-	-	-	8 131
Accumulated amortisation	**(101 765)**	**(15 835)**	**-**	**(1 618)**	**(119 218)**
Software	(93 634)	(13 276)	-	(1 191)	(108 101)
Other	(8 131)	(2 559)	-	(427)	(11 117)
Net balance	**2 580**	**(4 319)**	**-**	**1 739**	**-**

19 – Taxes

Income taxes (current or deferred) are reflected in profit or loss, except when they arise from transactions reflected in other equity items. In these situations, the corresponding tax is also charged against equity, without affecting the result for the year.

The current tax estimate for the years ended 31 December 2017 and 2016 was calculated pursuant to paragraphs 1 and 2 of article 64, of Law no. 19/14, of October 22, with applicable tax rate of 30%.

Tax returns are subject to review and correction by the taxation authorities for a period of five years, due to differences in the interpretation of tax legislation, which may result in possible corrections to the taxable income for the years 2013 to 2017.

However, it is not likely that any correction relating to these years will occur and, if it occurs, no significant impact is expected on the financial statement.

A The tax losses for a given year, as provided for in para 1 of article 48 of the Industrial Tax Code, can be deducted from the taxable profits of the three subsequent years.

The item Current Tax includes taxes payable or recoverable through tax credits from previous years.

Deferred tax is determined using tax rates enacted or substantively enacted by the balance-sheet date which are expected to apply on the date the temporary differences are reversed. Thus for the years 2017 and 2016, the deferred tax was calculated on the basis of a 30% rate. The deferred tax assets recognized in the balance sheet at 31 December 2017 and 2016 can be analysed as follows:

(thousands of kwanzas)

	Assets		Liabilities		Net	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	Líquido	31.12.2016
Impairment of loans to customers	-	-	-	(2 299)	-	(2 299)
Effective rate comissions loans	76	614	-	-	76	614
Effective rate of securities	-	-	-	(201)	-	(201)
Other fixed assets	1 177	1 405	-	-	1 177	1 405
Deferred tax asset/(liability)	**1 253**	**2 019**	**-**	**(2 500)**	**1 253**	**(481)**

The Bank assessed the recoverability of its deferred taxes on the balance sheet based on the expectation of future taxable profit.

The movements in the deferred tax items on the balance sheet were charged against the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Opening balance	(481)	3 214
Recognised in profit or loss	1 734	(3 695)
Closing balance(Asset/(Liability)	1 253	(481)

The reconciliation of the corporate income tax rate to the amount recognised in the income statement, can be analysed in the following manner:

	31.12.2017		31.12.2016	
	%	Valor	%	Valor
Profit before tax		4 935 348		3 610 255
Tax rate		30%		30%
Income tax calculated based on the tax rate		(1 480 604)		(1 083 077)
Fiscal benefits on income from public debt securities - Art 47°	12,28%	606 185	4,30%	155 166
Investment Income Tax	-112,55%	(55 548)	-30,47%	(10 999)
Other	-0,01%	(704)	-0,30%	(10 773)
Tax for the year	**-18,86%**	**(930 671)**	**-26,31%**	**(949 683)**

Income derived from public debt securities such as Government Bonds and Treasury Bills issued by the Angolan State, which issuance is regulated by Presidential Decree No. 259/10, of November 18 and Presidential Decree No. 31 / 12 of January 30, is tax exempt.

In addition, by Presidential Legislative Decree No. 5/11, of December 30 (revised and republished through Presidential Legislative Decree No. 2/14, of October 20) capital income tax (CIT) was introduced for income derived from public debt securities(Government Bonds and Treasury Bills) issued by the Angolan State.

Nevertheless, in accordance with the provisions of article 47 of the Industrial Tax Code (Law no. 19/14 of October 22), in force since 1 January 2015, in determining the taxable amount, income subject to CIT will be deducted.

Therefore, in determining taxable income for the years ended 31 December 2017 and 2016, such income was deducted from the taxable income. Likewise, the expense arising from CIT payment is not fiscally accepted for the determination of the taxable income, as provided in para 1(a) of article 18 of the Industrial Tax Code.

Notwithstanding the foregoing, with regards to income derived from public debt securities, according to the last understanding of the Tax Authority addressed to ABANC (letter with reference number 196/DGC/AGT/2016 of 17 May 2016), only income from securities issued on or after 1 January 2012 is subject to this tax.

It should also be noted that according to the position of the Tax Authority, the revaluation of the public debt securities issued in national currency but indexed to foreign currency, and issued since 1 January 2012, should be subject to corporate income tax until the National Bank of Angola is in a position to deduct at source the CIT.

20 — Other assets

The item Other assets as at 31 December 2017 and 2016 is broken down as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Art collections	–	–
Salary advances	1 650	7
Prepayments and deferred costs	61 316	30 048
Sundry debtors	33 425	474
Office Material	8 176	393
Other advance payments	2 009	300
	106 577	**31 222**

21 — Deposits from Central banks and other banks

The heading Deposits from other banks is presented as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Deposits from other banks		
Interbank Monetary Market	30 948	8 234
	30 948	**8 234**

These funds have maturities of less than 3 months.

22 – Deposits from customers and other borrowings

The balance of Deposits from customers and other borrowings, in terms of their nature, comprises the following:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Demand deposits		
In national currency	8 290 742	5 904 498
In foreign currency	1 059 081	1 104 597
	9 349 823	7 009 095
Time deposits		
In national currency	6 321 257	4 459 520
In foreign currency	57 746	307 570
	6 379 003	4 767 090
	15 728 826	**11 776 185**

The grading of Deposits from customers and other borrowings per maturity as at 31 December 2017 and 2016, is as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Sight deposits	**9 349 823**	**7 009 095**
Time deposits		
Up to 3 months	5 519 065	4 230 197
From 3months to 1 year	859 938	536 893
	6 379 003	**4 767 090**
	15 728 826	**11 776 185**

As of 31 December 2017 and 2016, time deposits in local and foreign currency bear interest at an annual average rates of 11.92% and 8.95% (2016: 4.34% and 9.38%), respectively. Demand deposits in local and foreign currency were not remunerated during the years of 2017 and 2016

23 – Provisions

The main provisions are detailed below:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Provisions		
Liabilites of tax nature	21 917	21 917
	21 917	**21 917**

In 2016, the Bank made a provision for contingent liabilities to cover tax contingencies classified as probable.

In 2017, the Bank performed a re-evaluation of the provision and considered that there is no need for additions.

24 – Other liabilities

This item is analysed as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Tax charges payable – own	3 690	295
Suppliers	60 211	39 350
Staff Costs	32 590	33 637
Tax charges payable – retained from third parties	20 003	18 546
Other creditors	1 554 359	14 289
Social Security contribution	4 002	4 996
Total	**1 674 855**	**111 114**

The balance in Other creditors includes an amount of 1,552,609 thousand AKZ referring to letters of credit.

25 – Share Capital, Capital Surplus and Own Shares

Ordinary shares

The Commercial Bank of Huambo was incorporated in 2009 with share capital of 300 million AKZ. In 2011 the Bank increased its share capital to 1 billion AKZ and in 2012 there was a paid-up increase of capital to 1.5 billion AKZ, divided into 1,500,000 shares, issued at par, with a nominal value of 1,000 AKZ each. And in 2014, the Bank increased its share capital to 2,265,249,000 AKZ, fully subscribed and paid up.

Despite the capital increase carried out, as at 31 December 2014 the Bank did not yet fulfil the minimum regulatory requirement for share capital and equity of 2.5 billion Kwanzas, imposed by BNA through Notice No. 14/2013 of November 15th. On 31 March 2016, the bank asked for BNA´s authorization to increase capital through incorporation of reserves during 2016 for which BNA granted authorization by imposing as deadline for the operation September 2016. In July 2016 the BCH recorded in its financial statements the increase of capital by 734,751 thousand Kwanzas.

As at 31 December 2017 and 2016 the share capital of the Bank is distributed among the shareholders as follows:

	31.12.2017				31.12.2016			
	Nominal Value	N°Shares	Total	% Capital	Nominal Value	N°Shares	Total	% Capital
Natalino Lavrador	1 000	1 545	1 545 000	51.5%	1 000	1 545	1 545 000	51.5%
Minoru Dondo	1 000	600	600 000	20.0%	1 000	600	600 000	20.0%
António Mosquito	1 000	600	600 000	20.0%	1 000	600	600 000	20.0%
Sebastião Lavrador	1 000	165	165 000	5.5%	1 000	165	165 000	5.5%
Carlos Oliveira	1 000	90	90 000	3.0%	1 000	90	90 000	3.0%
	5 000	**3 000**	**3 000 000**	**100,00%**	**5 000**	**3 000**	**3 000 000**	**100,00%**

On February 21, 2018, the BNA published Notice No. 02/18, which obliges commercial banks to have a minimum paid up share capital of AKZ 7,500,000 thousand by the end of 2018, in accordance with article no. 3, para 1 of the same Notice. The Bank plans to comply with the legislative amendment by incorporating the free reserves, and BCH's management is preparing the necessary procedures for appreciation and approval at the Shareholders' General Meeting.

Earnings and dividends per share

In 2017 and 2016, the earnings per share and the dividend attributed in each year, with respect to the previous year's profit, were as follows:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Net Profit for the year	**4 004 677**	**2 660 572**
Weighted average number of ordinary shares issues (thousands)	3 000 000	3 000 000
Average number of shares outstanding (thousands)	**3 000 000**	**3 000 000**
Basic earnings per share (in Kwanzas)	**1 335**	**887**

26 – Other reserves and retained earnings

Movements in this item throughout the years ended 31 December 2017 and 2016 are hereby presented:

(thousands of Kwanzas)

	Other Reserves and Retained Earnings		
	Legal Reserve	Other reserves and retained earnings	Total other reserves and retained earnings
Opening balance 1 January 2016	**221 122**	**2 094 580**	**2 315 702**
Distribution of dividends	-	(219 687)	(219 687)
Increase of share capital	-	(734 751)	(734 751)
Closing balance 31 December 2016	**221 122**	**1 140 142**	**1 361 264**
Constitution of Legal Reserve	265 196	-	265 196
Transfer to retained earnings	-	2 395 376	2 395 376
Balance at 31 December 2017	**486 318**	**3 535 518**	**4 021 836**

The applicable Angolan legislation requires that the Legal Reserve is credited annually with at least 10% of the annual net profit, until the reserves equals the share capital.

27 – Off-balance sheet accounts

Off-balance sheet liabilities and respective balances are presented in the table below:

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Documentary credits	399 500	294 233
Guarantees received	2 094 580	945 540
Committments to third parties - Revocable credit lines	327 002	-
Custody of customers securities	19 907	14 904

The documentary credits are irrevocable commitments made by the Bank on behalf of its customers, to pay / arrange to pay a determined amount to the supplier of goods or services, within a stipulated period, against the presentation of documents referring to the dispatch of the goods or provision of the service. The irrevocable condition is that its cancellation or alteration is not possible without the express agreement of all parties involved.

Revocable and irrevocable commitments are contractual arrangements for the provision of credit to customers (for example, unused lines of credit), which are generally contracted on fixed terms or with other term requirements and usually require the payment of a commission. Substantially all existing credit granting commitments require customers to maintain certain requirements met when contracting the credit.

Notwithstanding the particular nature of these commitments, the assessment of these transactions is based on the same basic principles as any other commercial transaction, namely the solvency of the customer and the business underlying it, and the Bank requires that these transactions are duly collateralized when necessary. Since most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

Financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loan portfolio, especially in regard to the assessment of the adequacy of the created provisions as described in the accounting policy described in Note 2.17, the maximum credit exposure is represented by nominal value that could be lost on contingent liabilities and other commitments assumed by the Bank in the event of default by the respective counterparties, without taking into account potential loan or collateral recovery.

The Bank provides custody, asset management, investment management and advisory services involving decision-making as to the purchase and sale of various types of financial instruments. For certain services provided, targets and profitability levels are established for assets under management.

28 – Related party transactions

According to IAS 24, entities related to the Bank are considered to be:

- Holders of qualifying participations- Shareholders who own 10% or more of the share capital;
- Entities which are directly or indirectly controlled or are members of the same group – Subsidiaries, associates and jointly controlled entities;
- Members of the Board of Directors and the Audit Committee and their spouses, descendants or first & second-degree relatives in the direct descending or ascending line, considered ultimate beneficiary owners of the transactions or the assets.

As at 31 December 2017, the balances of BCH with its related parties were as follows:

(thousands of Kwanzas)

Related Party	Demand Deposits	Term deposits	Loans
Shareholders	266 661 007	22 500 000	-
Members of the Board of Directors	25 681 268	15 000 000	-
Entities where Shareholders have significant influence	63 938 031	90 000 000	-
Entities where member of the BA have significant influence	-	-	-
	356 280 306	**127 500 000**	-

As at 31 December 2016, the balances of BCH with its related parties were as follows:

(thousands of Kwanzas)

Related Party	Demand Deposits	Term deposits	Loans
Shareholders	287 829 427	150 000 000	-
Members of the Board of Directors(BA)	31 605 105	-	-
Entities where Shareholders have significant influence	303 356 813	40 000 000	-
Entities where member of the BA have significant influence	-	-	-
	622 791 345	**190 000 000**	-

29 – Fair value of financial assets and liabilities

Fair value is based on quoted market prices, whenever these are available. If these do not exist, fair value is estimated through internal models based on cash flow discounting techniques. Generation of cash flow from different instruments is based on the respective financial characteristics, and the discount rates used incorporate both the market interest rate curve and the current levels of risk of the respective issuer.

Fair value of the financial assets and liabilities held by the Bank at 31 December 2017 and 2016 is presented as follow:

31.12.2017	Amortised cost	Valued at fair value Level 1	Level 2	Level 3	Fair Value
Assets					
Cash and balances at central banks	3 919 921	-	-	-	3 919 921
Deposits with other banks	779 167	-	-	-	779 167
Loans and advances to banks	1 382 778	-	-	-	1 382 778
Availabale-for-sale financial assets	43 656	-	-	-	43 656
Investments held to maturity	22 171 931	-	-	-	22 171 931
Loans and advances to customers	112 283	-	-	-	115 556
Total assets	28 409 736	-	-	-	28 413 009
Liabilities					
Deposits from central and other banks	30 948	-	-	-	30 948
Customer accounts and other borrowing	15 728 826	-	-	-	15 728 826
Total Liabilities	15 759 774	-	-	-	15 759 774

31.12.2016	Amortised cost	Valued at fair value Level 1	Level 2	Level 3	Fair Value
Assets					
Cash and balances at central banks	6 915 798	-	-	-	6 915 798
Deposits with other banks	2 259 098	-	-	-	2 259 098
Loans and advances to banks	-	-	-	-	-
Availabale-for-sale financial assets	43 568	-	-	-	43 568
Investments held to maturity	9 630 283	-	-	-	9 630 283
Loans and advances to customers	231 697	-	-	-	238 649
Total assets	19 080 444	-	-	-	19 087 396
Liabilities					
Deposits from central and other banks	8 234	-	-	-	8 234
Customer accounts and other borrowing	11 776 185	-	-	-	11 776 185
Total liabilities	11 784 419	-	-	-	11 784 419

The Bank uses the following three-level hierarchy in the valuation of financial instruments (assets or liabilities) which reflects the level of judgment, observable inputs and their prioritization in determining the fair value of the instrument, in accordance with the provisions of IFRS 1.

- Level 1: Fair value is determined on the basis of unadjusted quoted prices in active markets for identical financial instruments to those that are being valued. If there is more than one active market for the same financial instrument, the relevant price is the one that prevails in the principal market for the instrument or prices in the most advantageous market that can be accessed.

- Level 2: Fair value is determined through valuation techniques based on inputs observable in active markets, either direct (prices, rates, spreads, etc.) or indirect (derivatives) and valuation assumptions similar to those that an unrelated party would use in measuring the fair value of the same financial instrument. It also includes instruments which valuation is obtained through quoted prices disclosed by independent entities but whose markets have lower liquidity.

- Level 3: Fair value is determined on the basis of data, unobservable in active markets, using techniques and assumptions that market participants would use when pricing the same instruments, including assumptions about the inherent risks, the valuation technique used and the inputs used and the involved procedures for reviewing the precision of the values thus obtained.

The Bank considers that the market for a given financial instrument is active, at the measurement date, depending on the volume of transactions carried out and their liquidity, relative volatility of quoted prices and readiness and availability of the information, by observing the following preconditions:

- Existence of frequent daily trading price quotes in the last year

- The above mentioned price quotes change regularly;

- There are executable quotes from more than one entity

An input used in a valuation technique is considered to be observable if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC market and it is reasonable to assume that active market conditions exist, with the exception of the trading volume condition; and
- The value of the input can be obtained by the inverse calculation of the prices of the financial instruments and / or derivatives where the other necessary inputs for the initial valuation are observable in a liquid market or in an OTC market that comply with the previous paragraphs

The main methods and assumptions used in estimating the fair value of the financial assets and liabilities accounted for in the balance sheet at amortised cost are analysed as follows:

Cash and balances at Central Banks , Loans and advances to Central Banks and to other banks

As these are short-term assets, the book value is a reasonable estimate of their fair value.

Investments held to maturity

The fair value of these financial instruments is based on quoted market prices, when available. If they do not exist, the fair value is estimated based on the discounted expected future cash flows of principal and interest from these instruments. For the purposes of this disclosure, it was assumed that Treasury Bills have short-term residual maturities and that Government Bonds in foreign currency bear interest rates in line with comparable legal market rates, and therefore their carrying amount represents substantially the fair value of these assets.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discounted expected future cash flows of principal and interest, assuming that the instalments are paid on the dates fixed in the agreements. The interest rates and the discount rates used are the average current rates used for loans with similar characteristics in the past three months.

For the purposes of this disclosure, it was assumed that loan agreements with variable interest rate present regular adjustments to the interest rate and no relevant changes are made to the associated spreads, which is why it is assumed that the carrying amount substantially represents the fair value of these assets.

Deposits from central banks and other banks

As these are short-term liabilities, the book value is a reasonable estimate of their fair value.

Customer accounts and other borrowings

Fair value of these financial instruments is estimated based on the discounted expected future cash flows of principal and interest. The discount rate used is the one that reflects the rates charged on deposits with similar characteristics at the balance sheet date. Considering that, for the vast majority of the customer accounts and other borrowings portfolio held by the Bank, the applicable interest rates are renewed for periods of less than one year, there are no material differences in their fair value.

30 – Risk Management

The Bank is subject to different types of risks in the course of its operations. Risk management is centralized in relation to the specific risks of each business.

The risk management policy aims to define the profile for each risk identified as material for the Bank, aiming to protect the Bank's solidity, as well as to establish guidelines for the implementation of a risk management system that allows the identification, evaluation , monitoring, control and reporting of all material risks inherent in the Bank's activity. In this context, major importance is attributed to the monitoring and control of the principal financial risks - credit, market and liquidity - and non-financial risks- operational - to which the Bank's activity is exposed.

Principal Risk Categories

Credit – Reflects the likelihood of negative impacts on results or capital due to the inability of a counterparty to meet its contractual obligations to the institution, including possible restrictions on the transfer of payments from abroad.

Market – The concept of market risk reflects the likelihood of negative impacts on results or capital due to adverse movements in interest and foreign currency exchange rates and/or prices of the different financial instruments that comprise it, considering both the correlations between them and the respective volatilities. Thus, the Market Risk encompasses interest and foreign currency exchange rate risks and other price-related risks.

Liquidity – This risk reflects the likelihood of negative impacts on results or capital arising from the institution's inability to have sufficient liquid resources available to meet its financial obligations as they fall due.

Operational – Operational risk means the probability of negative impacts on results or capital arising from failures in the analysis, processing or settlement of operations; internal and external fraud; the use of resources under a subcontracting regime; inefficient decision-making processes; insufficient or inadequate human resources; or the inoperability of the infrastructures.

Risk assessment
Credit Risk

The Risk Management Office is responsible to define and monitor the credit lines and exposure limits applied to Customers and/or Economic Groups, by taking into account the maximum regulatory exposure limits; the internal risk limits defined by the Bank, according to the profile and risk appetite, as well as the risk analysis carried out; and the identification of global exposure limits and specific limits by type of product or operation.

Credit risk analysis models play a key role in the credit decision process. In order to identify if a Customer is eligible for a credit line, and if it falls within the overall credit exposure limits defined by the Bank, the Risk Management Office issues an opinion on the risk quality of the Customer and evaluates the Bank's global exposure and the possibility that the use of the credit line may cause non-compliance with defined internal limits and regulatory limits.

For the purposes of the above, a monitoring and control chart is elaborated on a monthly basis according to Notice No. 03/2016.

Credit risk models play a key role in the credit decision process. Thus, the decision-making process for credit allocation is based on a set of policies and parameters that are embodied in internal models.

The following is the information on the Bank's exposure to credit risk:

(thousands of kwanzas)

	31.12.2017		
	Gross accounting value	Impairment	Net accounting value
Cash and balances at central banks	3 919 921	-	3 919 921
Deposits with other banks	779 167	-	779 167
Investments held to maturity	22 171 931	-	22 171 931
Loans and advances to customers	116 125	(3 842)	112 283
	26 987 144	(3 842)	26 983 302

(thousands of Kwanzas)

	31.12.2016		
	Gross accounting value	Impairment	Net accounting value
Cash and balances at central banks	6 915 798	-	6 915 798
Deposits with other banks	2 259 098	-	2 259 098
Investments held to maturity	9 630 283	-	9 630 283
Loans and advances to customers	239 432	(7 735)	231 697
	19 044 611	(7 735)	19 036 876

Market Risk

The Risk Management Office is responsible for the control of the market risks to which the Bank is exposed, and must ensure the functions of identification, quantification, monitoring, evaluation, control, reporting and mitigation of these risks.

Foreign exchange risk management is based on the identification of the impact that changes in the exchange rates relevant to the Bank may have on the value of the exposures and their respective cash inflows and outflows.

In order to identify the impact that movements in exchange rates may have on these cash flows and in this way estimate the possibility of financial losses, the Bank periodically prepares an analysis of possible scenarios and simulations of movements in exchange rates, arising from an internal analysis and expectations that the Bank has about their evolution.

With regard to exchange risk information and analysis, regular reporting on net foreign currency exposures is ensured on a monthly basis in accordance with Notice No. 4/2016.

The control of the interest rate risk is ensured by the Risk Management Office. This type of risk occurs in the Bank's activity whenever it enters into transactions with financial cash flows sensitive to changes in the interest rate. There is therefore a real interest rate risk, arising from changes in market interest rates, associated with mismatches in the timings of assets and liabilities´ interest rate repricing, decreasing their expected profitability (net interest income) or increasing their financial cost. The Bank's exposure to interest rate risk is monitored on the basis of the analysis of the level of compliance with the limits and maximum tolerable limits set for exposure to this risk. In this risk aspect, assessment is made as to what is the impact of shocks applied to interest rates on total exposure.

The quantification of the interest rate risk is based on the calculation of the total exposure to interest rate risk, i.e. the total amount of assets and liabilities sensitive to changes in interest rates.

The assets and liabilities of the Bank are presented by type of rate as of 31 December 2017 and 2016 as follows:

(thousands of kwanzas)

	31.12.2017			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Floating rate		
Assets				
Cash and balances at central banks	–	–	3 919 921	3 919 921
Deposits with other banks	–	–	779 167	779 167
Loans and advances to central and other banks	1 382 778	–	–	1 382 778
Avalable-for-sale financial assets	–	–	43 656	43 656
Investments held to maturity	22 171 931	–	–	22 171 931
Loans and advances to customers	22 372	89 911	–	112 283
	23 577 081	**89 911**	**4 742 744**	**28 409 736**
Liabilities				
Deposits from central and other banks	30 948	–	–	30 948
Customer accounts and other borrowings	15 728 826	–	–	15 728 826
	15 759 774	**–**	**–**	**15 759 774**
Total	**7 817 307**	**89 911**	**4 742 744**	**12 649 962**

(thousands of kwanzas)

	31.12.2016			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Floating rate		
Assets				
Cash and balances at central banks	–	–	6 915 798	6 915 798
Deposits with other banks	–	–	2 259 098	2 259 098
Avalable-for-sale financial assets	–	–	43 568	43 568
Investments held to maturity	9 630 283	–	–	9 630 283
Loans and advances to customers	14 886	216 811	–	231 697
	9 645 169	**216 811**	**9 218 464**	**19 080 444**
Liabilities				
Deposits from central and other banks	8 234	–	–	8 234
Customer accounts and other borrowings	11 776 185	–	–	11 776 185
	11 784 419	**–**	**–**	**11 784 419**
Total	**(2 139 250)**	**216 811**	**9 218 464**	**7 296 025**

The following table shows the average interest rates for the major categories of financial assets and liabilities of the Bank for the years ended 31 December 2017 and 2016, as well as the respective average balances and income and expenses for the year:

(thousands of kwanzas)

	31.12.2017			31.12.2016		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
Loans						
Loans and advances to customers	5 417 860	60 624	1.1%	7 129 454	97 553	1.4%
Deposits with and loans to	7 628 381	2 686	0.04%	9 218 394	10 714	0.1%
Portfolio of securities	15 944 719	2 020 878	12.7%	6 066 208	1 105 990	18.2%
Total loans	**28 990 960**	**2 084 188**	7.2%	**22 414 056**	**1 214 257**	5.4%
Deposits						
Customer accounts and deposits fr	27 505 011	279 603	1.0%	9 347 462	176 687	1.9%
Financial liabilities	**27 505 011**	**279 603**	1.0%	**9 347 462**	**176 687**	1.9%
Net Interest income	**1 485 949**	**1 804 585**		**13 066 594**	**1 037 571**	

Pursuant to article 6 of Notice no. 08/2016 of June 22, the Bank must inform the BNA whenever the banking book´s economic value is potentially reduced by more than 20% of regulatory capital or of net interest income as a result of a 2% change in the interest rate. During the years 2017 and 2016, the Bank complied with this requirement.

The breakdown of assets and liabilities as at 31 December 2017 and 2016 by currency is as follows:

(thousands of Kwanzas)

	31.12.2017				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	3 657 412	173 888	88 621	-	3 919 921
Disponibilidades em outras instituições de crédito	55 005	143 358	563 059	17 745	779 167
Aplicações em bancos centrais e em outras instituições de crédito	-	-	1 382 778	-	1 382 778
Available-for-sale Financial Assets	43 656	-	-	-	43 656
Investments held to maturity	21 972 324	199 607	-	-	22 171 931
Loans and advances to customers	112 283	-	-	-	112 283
Non-current assets held for sale	6 221	-	-	-	6 221
Other tangible assets	732 213	-	-	-	732 213
Intangible assets	110 616	-	-	-	110 616
Current Tax assets	-	-	-	-	-
Deferred tax assets	1 253	-	-	-	1 253
Other assets	98 234	-	8 343	-	106 577
	26 789 217	**516 853**	**2 042 801**	**17 745**	**29 366 616**
Liabilities					
Deposits from Central banks and other banks	30 948	-	-	-	30 948
Customer accounts and other borrowings	14 281 379	1 339 173	108 274	-	15 728 826
Provisions	21 917	-	-	-	21 917
Current tax liabilities	883 557	-	-	-	883 557
Deferred tax liabilities	-	-	-	-	-
Other liabilities	93 578	-	1 581 277	-	1 674 855
	15 311 379	**1 339 173**	**1 689 551**	**-**	**18 340 103**
	11 477 838	**(822 320)**	**353 250**	**17 745**	**11 026 513**

(thousands of kwanzas)

	31.12.2016				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and balances at central banks	6 700 076	142 677	73 039	6	6 915 798
Disponibilidades em outras instituições de crédito	65 465	181 332	1 986 707	25 594	2 259 098
Available-for-sale Financial Assets	43 568	-	-	-	43 568
Investments held to maturity	9 430 536	199 747	-	-	9 630 283
Loans and advances to customers	231 697	-	-	-	231 697
Non-current assets held for sale	6 221	-	-	-	6 221
Other tangible assets	741 734	-	-	-	741 734
Intangible assets	-	-	-	-	-
Current Tax assets	26 135	-	-	-	26 135
Other assets	30 851	-	371	-	31 222
	17 276 283	**523 756**	**2 060 117**	**25 600**	**19 885 756**
Liabilities					
Deposits from Central banks and other banks	7 863	-	371	-	8 234
Customer accounts and other borrowings	10 377 135	1 385 456	13 162	432	11 776 185
Provisions	21 917	-	-	-	21 917
Current tax liabilities	945 989	-	-	-	945 989
Deferred tax liabilities	481	-	-	-	481
Other liabilities	103 699	-	7 415	-	111 114
	11 457 084	**1 385 456**	**20 948**	**432**	**12 863 920**
	5 819 199	**(861 700)**	**2 039 169**	**25 168**	**7 021 836**

Liquidity Risk

The Risk Management Office monitors the mismatches arising from the use of short-term liabilities to hedge medium and long-term assets in order to avoid impacts and liquidity shortages and to ensure that the institution's reserves are sufficient to meet daily cash needs, both cyclical and non-cyclical, as well as the long-term needs. Incorporated in the process of quantification and evaluation of the liquidity risk, the BCH periodically evaluates the resources in national currency and foreign currency, aiming to maintain a satisfactory level of available funds to meet the financial needs in the short, medium and long both in a normal scenario and in a crisis scenario.

Following Instruction 19/2016, the bank draws up biweekly and monthly charts to control possible liquidity outflows and inflows in various time buckets and currencies in order to prevent future shortages and better approach and manage capital.

As at 31 December 2017 and 2016, the liquidity gap of the Bank's balance sheet presented the following structure:

(thousands of kwanzas)

	31.12.2017						
	Sight	**Up to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Assets							
Cash and balances at central banks	3 919 921	-	-	-	-	-	3 919 921
Deposits with other banks	779 167	-	-	-	-	-	779 167
Loans and advances to central banks and other banks	-	-	1 382 778	-	-	-	1 382 778
Available-for-sale financial assets	-	-	-	-	-	43 656	43 656
Investments held to maturity	-	7 304 751	14 667 510	199 670	-	-	22 171 931
Loans and advances to customers	-	312	54 850	38 367	18 268	4 328	116 125
	4 699 088	**7 305 063**	**16 105 138**	**238 037**	**18 268**	**47 984**	**28 413 578**
Liabilities							
Deposits from central banks and other banks	-	30 948	-	-	-	-	30 948
Customer accounts and other borrowings	9 349 823	5 519 065	859 938	-	-	-	15 728 826
	9 349 823	**5 550 013**	**859 938**	**-**	**-**	**-**	**15 759 774**
	(4 650 735)	**1 755 050**	**15 245 200**	**238 037**	**18 268**	**47 984**	**12 653 804**

(thousands of kwanzas)

	31.12.2016						
	Sight	**Up to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Activos							
Cash and balances at central banks	6 915 798	-	-	-	-	-	6 915 798
Deposits with other banks	2 259 098	-	-	-	-	-	2 259 098
Available-for-sale financial assets	-	-	-	-	-	43 568	43 568
Investments held to maturity	-	5 653 964	894 906	3 081 413	-	-	9 630 283
Loans and advances to customers		20 346	113 832	26 768	71 332	7 154	239 432
	9 174 896	**5 674 310**	**1 008 738**	**3 108 181**	**71 332**	**50 722**	**19 088 179**
Passivos							
Deposits from central banks and other banks	-	8 234	-	-	-	-	8 234
Customer accounts and other borrowings	7 009 095	4 230 197	536 893	-	-	-	11 776 185
	7 009 095	**4 238 431**	**536 893**	**-**	**-**	**-**	**11 784 419**
	2 165 801	**1 435 879**	**471 845**	**3 108 181**	**71 332**	**50 722**	**7 303 760**

Operational Risk

The operational risk management covers the whole of the bank's activities, making the various business units responsible for identifying and managing the risks associated with their activities. The risk management office identifies and evaluates specific instances of the principal risks that may jeopardize the achievement of the bank's objectives, and performs ongoing monitoring and development of risk mitigation measures. The quantification of operational risk is determined in accordance with Instructions No. 16/2016 and No. 17/2016, corresponding to 15% of the average of the last three years of the annual exposure indicator if positive and calculated by the basic indicator approach, which considers the sum of several items on the income statement, such as net interest income, net investment income, net trading income of securities held for trading, net income from foreign currency transactions and net income from provision of financial services, which in turn is constant until the end of the period, suffering change only in December. The amounts in these accounts have to do with the good functioning and commitment of all the areas of the institution and a periodic monitoring is performed with monthly reporting to the regulatory body.

Capital Management and Solvency Ratio

The Bank's own funds are calculated in accordance with the following applicable regulations: Notice no. 05/2007 of 12 September, Instruction no. 03/2011 of 08 June, Notice no. 2/2015 of 26 January and Notice nº 10/2014 of 5 December.

Financial institutions must maintain a level of own funds compatible with the nature and scale of operations that are properly weighted by the risks inherent in the operations, and must meet the minimum required Core Tier 1 ratio of 10%. Tier 1 and Tier 2 capital comprise:

1. Original Own Funds – include (i) Paid-up capital; (ii) Reserve to record the adjusted value of the paid up capital; (iii) retained earnings from previous years; (iv)legal, statutory and other reserves from undistributed profits, or created to increase capital, and (v) net profit for the year.

2. Additional Own Funds – include: (i) redeemable preference shares; (ii) generic funds and provisions; (iii) reserves from capital gains from sale of own-use properties; (iv) subordinated debt and hybrid securities; (v) other authorized value by the BNA.

3.Deductions – include: (i) treasury shares subject to repurchase; (ii) redeemable preference shares and with fixed and cumulative dividends; (iii) loans granted with capital nature (iv) loans granted with capital nature ;value of the participations; (v) tax credits resulting from tax losses; (vi) goodwill; (vii) other intangible assets net of amortizations; and (viii) other values, by determination of the BNA.

The BNA´s Notice No. 09/2016 establishes that for the purpose of calculating the Core Tier 1 Ratio the excess verified in the risk exposure limit per customer should be deducted from the Regulatory Capital.

(thousands of Kwanzas)

	31.12.2017	31.12.2016
Tier 1 plus Tier 2 capital	10 557 116	6 523 678
Risk-weigthed assets	1 477 473	1 240 711
Regulatory capital requirements	741 776	N/A
Own Funds Requirements for Credit Risk	88 595	N/A
Own Funds Requirements for Market Risk	196 770	N/A
Own Funds Requirements for Operational Risk	456 410	N/A
Core Tier 1 ratio – Base	142,32%	154,22%
Core Tier 1 ratio– Adjusted	142,32%	154,22%

31 – Impacts of the transition to IAS/IFRS

Main impacts of the transition to IAS / IFRS on equity and net profit for the year ended 31 December 2016.

The enforcement of IAS/IFRS, as of 1 January 2017, as set forth in Notice No. 6/16 of 22 June of BNA, required introduction of adjustments resulting from the application of the new accounting principles, which determine amendments to the amounts in the Balance Sheet, Equity and Net Profit for the year 2016 that were prepared in accordance with the previous accounting standards laid down in the Accounting Plan for Financial Institutions ("CONTIF").

These are the Bank's first separate annual financial statements prepared in accordance with IAS/IFRS and the provisions of IFRS 1 have been complied with for the purpose of determining transition adjustments, with reference to 1 January 2016. The reconciliation of Net Profit and Equity for 2016, in accordance with CONTIF and IAS/ IFRS, as defined in IFRS 1. In preparing the financial statements on the transition date, the Bank has decided to opt for some of the exceptions permitted under IFRS 1 hereby presented:

(i) Derecognition of financial assets

According to the option of IFRS 1, the Bank decided to apply the derecognition requirements of IAS 39 only for operations carried out as from 1 January 2016. Thus, assets derecognised up to that date, in accordance with previous accounting standards were not restated in the balance sheet.

(ii) Valuation of fixed assets

The Bank decided to consider as cost of the fixed assets, with reference to 1 January 2016, the book value determined in accordance with the accounting policies previously applied.

With the exception of the abovementioned situations, the bank adopted the remaining IAS/IFRS, retrospectively. The impacts of the transition to IAS / IFRS on the Bank's financial position are presented below.

Balance as at 1 January 2016

Thousands of AKZ

Description CONTIF	01.01.2016 CONTIF	Transition adjustments	Reclassif.	01.01.2016 IFRS	Description FRS
Assets					
Cash and cash equivalents	9 253 730	-	8 162	7 343 109	Cash and balances at central banks
				1 918 783	Deposits with other banks
Financial assets	43 568	-	(43 568)	-	Investments in subsidiaries, associates and joint ventures
Item in course of collection from other banks	6 929	-	(6 929)	-	N
Loans and advances to customers	430 212	3 145	(13 889)	419 468	Loans and advances to customers
Securities held to maturity	2 414 997	-	-	2 414 997	Investments held to maturities
Available-for-sale securities	-	-	43 568	43 568	Available-for-sale assets
Fixed assets	275 456	(5 441)	(24 631)	245 384	Other fixed assets
Intangible Assets	2 580	-	24 082	26 662	Intangible assets
	-	3 214	-	3 214	Deffered tax assets
	-	-	10 008	10 008	Current tax assets
Other current assets	49 142	-	3 197	52 339	Other assets
Total Assets	**12 476 614**	**918**	**-**	**12 477 532**	**Total assets**

Description CONTIF	01.01.2016 CONTIF	Transition adjustments	Reclassif.	01.01.2016 IFRS	Description FRS
Liabilities					
Deposits	6 882 588	-	-	6 882 588	Customer accounts and other borrowings
Short-term wholesale funding	-	-	27 916	27 916	Deposits from central and other banks
Items in the course of collection due to other banks	27 916	-	(27 916)	-	N
Other liabilities	977 660	-	-	977 660	Other liabilities
Provisions for probable liabilities	-	8 417	-	8 417	Provisions
Total liabilities	**7 888 164**	**8 417**	**-**	**7 896 581**	**Total Liabilities**
Equity					
Share capital	2 265 249	-	-	2 265 249	Share Capital
Other reserves and retained earnings(losses)	2 323 201	(7 499)	-	2 315 702	Other reserves and retained earnings(losses)
Total Equity	**4 588 450**	**(7 499)**	**-**	**4 580 951**	**Total Equity**
Total equity + Liabilities	**12 476 614**	**918**	**-**	**12 477 532**	**Total Equity + Liabilities**

Balance as at 31 December 2016

Thousands of AKZ

CONTIF	31.12.2016 CONTIF	Transition adjustment	Reclassif.	31.12.2016 IFRS	IFRS
Assets					
Cash and Cash equivalents	9 143 204	-	31 691	6 915 798	Cash and balances at central banks
				2 259 098	Deposits with other banks
Financial assets	43 568	-	(43 568)	-	Investments in subsidiaries, associates and joint ventures
Item in course of collection from other banks	30 703	-	(30 703)	-	*N*
Loans and advances to customers	236 196	5 614	(10 113)	231 697	Loans and advances to customers
Securities held to maturity	9 629 613	670	-	9 630 283	Investments held to maturities
Available-for-sale securities	-	-	43 568	43 568	Available-for-sale assets
	-	-	6 221	6 221	Non-current assets held for sale
Fixed assets	699 275	(4 682)	47 141	741 734	Other fixed assets
Intangible Assets	47 141	-	(47 141)	-	Intangible assets
	-	3 214	(3 214)	-	Deferred tax assets *
		-	26 135	26 135	Current tax assets
Other current assets	54 453	-	(23 231)	31 222	Other assets
Total assets	**19 884 153**	**4 816**	**(3 214)**	**19 885 756**	**Total do Activo**

CONTIF	31.12.2016 CONTIF	Ajustamentos de transição	Reclassif.	31.12.2016 IFRS	IFRS
Liabilities					
Deposits	11 776 185	-	-	11 776 185	Customer accounts and other borrowings
Short-term wholesale funding	-	-	8 234	8 234	Deposits from central and other banks
Items in the course of collection due to other banks	8 234	-	(8 234)	-	*N*
Current tax liabilities	-	-	945 989	945 989	Current tax liabilities
	-	3 695	(3 214)	481	Deferred tax liabilities
Other liabilities	1 057 103	-	(945 989)	111 114	Other liabilitites
Provisions for probable liabilities	21 917	-	-	21 917	Provisions
Total Liabilities	**12 863 439**	**3 695**	**(3 214)**	**12 863 920**	**Total Liabilities**
Equity					
Share capital	3 000 000	-	-	3 000 000	Share capital
Legal reserve	221 123	-	(221 123)	-	Legal reserve
Other reserves	14 794	-	(14 794)	-	Other reserves
Retained earnings/losses	1 132 845	(7 499)	235 917	1 361 264	Retained earnings/losses
Net profit	2 651 952	8 621	-	2 660 572	Net profit
Total equity	**7 020 714**	**1 122**	**-**	**7 021 836**	**Total equity**
Total Equity + Liabilities	**19 884 153**	**4 817**	**(3 214)**	**19 885 756**	**Total Equity + Liabilities**

Income Statement as at 31 December 2016

Thousands of AKZ

CONTIF	31.12.2016 CONTIF	Transition adjustments	Reclassif.	31.12.2016 IFRS	IFRS
Income form Financial Instruments-Assets	1 209 206	5 052		1 214 258	Interest and similar income
(-) Interest expense -deposits	(176 687)	-	-	(176 687)	Interest and similar expense
Net Interest Income	**1 032 519**	**5 052**	**-**	**1 037 571**	**Net Interest Income**
Net Income from the provision of financial services	2 468 431	-	100 389	2 568 820	Fee and commission income
			(100 389)	(100 389)	Fee and commission expense
				-	Income from available-for-sale financial assets
Net income from foreign currency transactions	681 016	-		681 016	Income from foreign currency transactions
Other operating income and expenses	71 623	-	(100 272)	(28 649)	Other income (expense)
Non-profit taxes and fees	(69 921)	-	69 921	-	N
Fines charged by regulatory entities	(5 148)	-	5 148	-	N
Other administration and general expenses	(630)	-	630	-	N
Cost Revovery	-	-	-	-	N
Non-operating loss	(24 573)	-	24 573	-	
	4 153 317	**5 052**	**-**	**4 158 369**	**Net Operating Income**
Staff	(301 053)	(1 151)	-	(302 204)	Staff Costs
Utilities	(449 966)	-	-	(449 966)	Utilities and Contracted services
Depreciations and Amortizations	(34 242)	759	-	(33 483)	Depreciations and Amortizations for the year
Provisions and other liabilities	(21 917)	-	-	(21 917)	Provisions net of write-offs
(-) Provisions for bad debt and guarantees	251 801	7 655	-	259 456	Impairment losses on loans, net of reversals and recoveries
	3 597 940	**12 315**	**-**	**3 610 255**	**Profit before tax**
Income tax	(945 988)	(3 695)	-	(949 683)	Tax expense - current
				-	
Net Profit	**2 651 952**	**8 621**	**-**	**2 660 572**	Profit for the Year

The differences between CONTIF and IAS / IFRS, with impact on the financial statements as of 1 January and 31 December 2016 and the reconciliation of equity and results on the referred dates, are presented as follows:

Thousands of AKZ

Description	Notes	Equity 01.01.2016	Net Profit for 2016	Equity 01.01.2017
Loacl standards (CONTIF)		4 588 450	2 651 952	7 020 714
Impairment for loans and advances to customers	a)	8 423	(762)	7 661
Iimpairment for loans and advances to customers - I	a)	(8 417)	8 417	-
Effective rate commissions loans	b)	(5 278)	3 231	(2 047)
Effestive rate securities	c)	-	670	670
Fixed assets	d)	(5 441)	759	(4 682)
Adjustments -Sub-total		(10 713)	12 315	1 602
Deffered tax 30%	*e)*	3 214	(3 695)	(481)
Total transition adjustments		(7 499)	8 621	1 122
Equity (IAS/IFRS)		4 580 951	2 660 572	7 021 836

Notes:

a)Pursuant to IAS 39, the loan portfolio is measured at amortised cost and is subject to impairment tests. Impairment losses result from the difference between the carrying amount of the loans and the present value of estimated cash flows discounted at the effective interest rate of the loans, calculated at the beginning of the contract (effective rate calculated individually for each contract). The value of the expected cash flows is based on the recoverable amount of the loan, as a result from performed economic analysis.

The Bank´s policy is to regularly assess whether there is objective evidence of impairment in its loan portfolio. Identified impairment losses are recognised in the income statement and are subsequently reversed through profit or loss if the amount of the impairment losses decreases in a subsequent period.

The application of the impairment model on the Bank´s loan portfolio had a positive impact in the amount of 7,661 on total equity with reference to 31 December 2016 when compared to the application of regulatory provisions determined in accordance with the notices issued by the BNA.

b) Instruction no. 07/2016 of 08 August establishes the procedures that financial institutions must follow as to the application of the effective interest method in recognition of income and expenses associated with financial instruments, in accordance with International Accounting Standard 39 - Financial Instruments: Recognition and Measurement, hereinafter referred to as IAS 39.

The "effective interest method" of a financial asset or a financial liability (or group of financial assets or financial liabilities) is intended to allocate interest income or interest expense during the relevant period. The calculation includes commissions and other eligible transaction costs, paid or received between the contractual parties.

Therefore it is necessary to determine the "effective interest rate", a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Taking into account the need to adapt the computer systems for the calculation of loan commissions according to the effective rate method, it has not yet been possible, to date, to determine the adjustment based on this method, and the Bank has opted for the linear deferral of commissions over the remaining life of the performing loans at balance sheet date.

An adjustment amount was determined in the amount of AKZ 2,047 thousand, with reference to 31 December 2016. This amount is recognized in net interest income in the following years, over the remaining period to maturity of the loans. This calculation included all commissions and expenses associated with loans granted to customers.

c) Adjustment resulting from financial instruments classified as held-to-maturity, in accordance with the criteria established by IAS 39, in which the effective rate is determined individually for each of the securities included in the investment portfolio. It is through the application of this rate, up to the date of derecognition of the security, that the original premium or discount is recognized in profit or loss.

d)Considering the rules defined by IAS 38, the Bank had a group of assets recorded under the heading "Fixed assets", which were not eligible to be capitalized and therefore were written-off, resulting in an adjustment.

e) In accordance with the criteria defined in IAS 12, deferred taxes are calculated considering the temporary differences between the carrying amount of the assets and liabilities for accounting purposes and the amounts used for tax purposes using the tax rates enacted or substantively enacted at the balance sheet date , which are expected to be applied on the date the temporary differences are reversed.

Deferred taxes are recognized when there is a reasonable expectation that future taxable profit will be available to absorb the temporary differences deductible for tax purposes (including carried-forward tax losses).

In this context, the transition adjustments with reference to 1 January 2016 and 31 December 2016 result in negative equity variations. According to the Industrial Tax Code in force, negative equity variations are not of relevance to the determination of tax payable, that is, for current tax purposes. As at 31 December 2017, the tax effects of the transition adjustments were recognized.

As conversion adjustments are reversed, for example, as commissions associated with credit are recognized in profit or loss, the amount of deferred tax assets must also be reversed through profit or loss for the year.

It should be noted that the BNA has defined that for the purposes of: (i) the preparation of the opening balance sheet in accordance with IFRS and; (ii) reconciliation between equity in accordance with generally accepted accounting principles and equity under IFRS, financial institutions should consider the tax framework in force in Angola, which is why the Bank has defined this accounting treatment.

32 – Relevant facts

Application of IAS 29 to the Financial Statements for 2017

IAS 29 is the standard applicable to the financial statements of entities whose functional currency is that of a hyperinflationary economy. Hyperinflation is indicated by characteristics of a country's economic environment which include (but are not limited to) the following situations:

a) people generally prefer to keep their savings in non-monetary assets or in a relatively stable foreign currency. The amounts held in local currency are immediately invested to maintain purchasing power.

b)people generally think of monetary amounts not in terms of local currency but in terms of a stable foreign currency. Prices can be quoted in this stable currency;

c) sales and purchases on credit occur at prices that compensate for the expected loss of purchasing power during the credit duration, even if the period is short.

d)interest rates, wages and prices are linked to a price index.

e) three-year cumulative inflation rates approach or exceed 100%.

The Angolan Banking Association (ABANC), following a concertation meeting with the associates, issued a memorandum stipulating the non-applicability of the IAS 29 standard in Angola, essentially based on the following:

- the number of entities that have converted their liquidity into non-monetary assets is not significant, as evidenced by the excess supply in the real estate sector that has been verified, and also by the behaviour of deposits in the banking sector.

- deposits in domestic currency grew between 2014 and the end of 2017 by the same percentage as M3, without evidence of any change in the behaviour of deposit holders.

- sales and purchases on credit are practices not known to exist in the Angolan market.

- interest rates have not kept pace with the rise of the inflation rate, and negative real interest rates have persisted during the last few years.

- Wages in Angola are not indexed to the price index, so that, the national minimum wage has grown at a rate well below the inflation rate of recent years, and public sector wages have grown below inflation rate.

Accordingly, ABANC concluded that the necessary conditions for the applicability of IAS 29 in the country were not met.

The National Bank of Angola, in its correspondence with reference number 139/DRO/18, dated 7 February 2018, stood by the position of ABANC. In the light of the abovementioned positions, and considering that it is a member of ABANC, the Bank did not apply the provisions of IAS 29 to its statements for the year ended 31 December 2017 and respective comparative year.

33 –Recently issued accounting standards and interpretations

The recently issued accounting standards and interpretations are as follows :

IFRS 9 – Financial Instruments

This standard, which is mandatorily effective as of 1 January 2018, and following its adoption by the National Bank of Angola, replaces IAS 39 "Financial Instruments: Recognition and Measurement."

IFRS 9 introduced amendments to the way financial institutions calculate impairment of financial instruments, mainly with regard to Loans and advances to customers. IFRS 9 uses the Expected Credit Loss – ECL model which replaces the incurred loss model used by IAS 39.

According to this new model, entities must recognize expected losses before the occurrence of loss events. There is also a need to include forward-looking information in the expected loss estimates, including future macroeconomic trends and scenarios.

Under the ECL model, assets are classified in one of the following stages, according to changes in credit risk since initial recognition and not according to credit risk at the reporting date.

- Stage 1 – Includes assets for which there had not been a significant increase of credit risk since initial recognition. For these assets 12-month expected credit losses are recognized, as from the reporting date;

- Stage 2 – In case there has been a significant increase in risk since initial recognition, the assets are classified in stage 2. In this stage, lifetime ECL are recognized for these assets. The concept of significant credit risk degradation, as envisaged in IFRS 9, introduces a higher level of subjectivity in the impairment calculation, and also requires a greater connection with the entity's credit risk management policies. The lifetime and forward-looking perspectives introduce challenges in the modelling of credit risk parameters

- Stage 3 - assets that are impaired must be classified in this stage, with lifetime ECL recognised. In relation to stage, the difference is that interest revenue is calculated on the net carrying amount whereas in stage 2 it is on the gross carrying amount.

In order to prepare in advance the relevant updates introduced by the enforcement of IFRS 9, BNA sent to the Financial Institutions an implementation plan for the year 2018. The Bank therefore considers it advisable that the disclosure of impacts be made only when further work developments permit the obtaining of stable and reliable estimates as to the accounting of financial instruments within the scope of the new standard and calculation of impairment losses thereon.

The summary of IFRS 9 by subject is as follows:

The summary of IFRS 9 by subject is as follows:

Classification and measurement of financial assets

- All financial assets are measured at fair value on the date of initial recognition, adjusted for transaction costs if the instruments are not accounted for at fair value through profit or loss (FVTPL). However, customer accounts without a significant financing component are initially measured at their transaction price, as defined in IFRS - 15 Revenues from contracts with customers.

- Debt instruments are subsequently measured based on the contractual cash flows and the business model under which they are held. If a debt instrument has cash flows that are solely payments of principal and interest on the principal amount outstanding and if it is held within a business model which objective is to hold the assets to collect the contractual cash flows, then the instrument is measured at amortised cost. If a debt instrument has cash flows that are solely payments of principal and interest on the principal amount outstanding and if it is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets , then the instrument is measured at fair value through other comprehensive income (FVTOCI) with subsequent reclassification to profit and loss.

- All other debt instruments are measured at fair value through profit and loss (FVTPL). In addition, there is an option that allows financial assets to be designated, at initial recognition, as measured at FVTPL if doing so eliminates or significantly reduces significant accounting mismatch in the results for the year.

- Equity instruments are generally measured at FVTPL. However, the entities have an irrevocable option on a case-by-case basis to present value changes of non-commercial instruments in other comprehensive income (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

- For financial liabilities designated as FVTPL using the fair value option, the amount of the change in the fair value of these financial liabilities that is attributable to changes in credit risk must be presented in the statement of comprehensive income. The remaining amount of change in fair value shall be presented in profit or loss unless he presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

- All other classification and measurement requirements for financial liabilities of IAS 39 were carried forward to IFRS 9, including the requirement to separate embedded derivatives and the criteria for using the fair value option.

Impairment

- Impairment requirements are based on the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS.

- The ECL model applies to: (i) debt instruments measured at amortised cost or at fair value through other comprehensive income, (ii) the majority of loan commitments (iii) contracts of financial guarantees, (iv) contractual assets within the scope of IFRS 15 and (v) lease payments receivable within the scope of IAS 17 - Leases.
- Generally, entities are required to recognize 12-month or lifetime ECLs, depending on whether there has been

a significant increase in credit risk since the initial recognition (or when the commitment or guarantee was entered into). For accounts receivable without a significant financing component, and depending on the entity´s choice of accounting policy for other loans and advances to customers and for lease receivables a simplified approach can be applied in which the lifetime ECLs are always recognized. ECL measurement should reflect probability-weighted outcome, the effect of time value of money and be based on reasonable and supportable best information available without undue cost or effort.

Hedge accounting

- Hedge effectiveness tests should be prospective and can be qualitative, depending on the complexity of the hedge, without the test of 80% - 125%.

- A risk component of a financial or non-financial instrument can be designated as a hedged item if the risk item is separately identifiable and measurable in a reliable manner.

- The time value of an option, which is the forward element of forward contracts and any foreign currency spread base may not be designated as hedging instruments but be recognised as hedging costs.

- Larger sets of items can be designated as hedged items, including layer designations and some net positions.

Derecognition and modification of contracts

- IFRS 9 incorporates the requirements of IAS 39 for derecognition of financial assets and liabilities without substantial amendments.

- The standard contains a specific guidance for recognition when the modification of a financial instrument not measured through FVTPL does not result in derecognition of the same.

- The institution shall recalculate the gross carrying amount of the financial asset (or amortized cost of the financial liability) by discounting the contractual cash flows modified at the original effective interest rate and recognizing any resulting adjustment in profit or loss as income or expense.

- Gains or losses arising from modifications of financial liabilities and problematic financial assets which do not lead to their recognition will not be recognised in profit or loss.

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 – Revenue from contracts with customers. IFRS 15 was adopted by Regulation of the European Commission No 1905/2016 of 22 September 2016. With mandatory application for periods beginning on or after 1 January 2018.

Early adoption is permitted. This standard supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 determines a 5-step model of analysis in order to determine when the revenue should be recognized and what is the amount. The model specifies that revenue must be recognized when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of some criteria, revenue is recognized:

i) At the exact moment when the control over the goods or services is transferred to the customer; or

ii) Over time, as performance obligations are satisfied.

The Bank initiated in 2017 a process to evaluate the potential effects of this standard.

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IFRS 16 – Leases

The IASB, issued on 13 January 2016 the standard IFRS 16 – Leases, which must be applied for period beginning on or after 1 January 2019. Early adoption is permitted provided that IFRS 15 is also adopted. This standard replaces IAS 17 – Leases.

IFRS 16 removes the classification of leases as operating or finance (for the lessor), and treats all leases as finance leases. Short-term leases (of less than 12 months) and leases where the underlying assets have a low value (such as personal computers) are exempt from the requirements of the standard.

The Bank initiated in 2017 a process to evaluate the potential effects of this standard.

Other alterations

The IASB has also published the following:

- On 19 January 2016 and applicable to periods beginning on or after 1 January 2017, amendments to IAS 12 aimed at clarifying when deferred tax assets should be recognized for unrealized losses to resolve differences of application (adopted by European Commission Regulation No 1989/2017 of 6 November).

- On 29 January 2016 and applicable to periods beginning on or after 1 January 2017, amendments to IAS 7, disclosure initiative, requiring entities to provide information on changes in liabilities arising from financing activities as to enable investors to evaluate corporate indebtedness. (adopted by European Commission Regulation 1990/2017 of 6 November).

- Annual improvements of 2014-2016 cycle, issued by the IASB on 8 December 2016, introduce amendments to IFRS 12 (clarification of the scope of the standard), with an effective date on or after 1 January 2017.

None of these amendments had impact on the Bank's financial statements.

Standards, amendments and interpretations issued but not yet effective for the Bank

IFRIC 22 – Foreign currency transactions and advance consideration

The IFRIC 22 interpretation was issued on 8 December 2016, and is effective for periods beginning on or after 1 January 2018. The new IFRIC 22 provides that, in the event of advances in foreign currency for purposes of acquisition of assets, expense support or income generation, when applying paragraphs 21 to 22 of IAS 21, the date considered as the date of the transaction for the purpose of determining the exchange rate to be used in the recognition of the asset, and the inherent expense or income(or part of it) is the date on which the entity initially recognizes the non-monetary asset or liability resulting from the payment or receipt of advance consideration in the foreign currency (or in case of multiple advances, the rates in force at each advance consideration).
The Bank initiated in 2017 a process to evaluate the potential effects of this standard.

IFRIC 23 – Uncertainty over Income Tax Treatments

An interpretation was issued on 7 June 2017, on how to handle, in accounting terms, uncertainties about the tax treatment of income taxes, especially when tax legislation requires that a payment is made to the authorities in the context of a tax dispute and the entity intends to appeal against the agreement in question which led to such payment.

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criteria of probability defined by the standard as to the favourable outcome in favour of the entity on the matter concerned. In this context, the entity may use the most probable amount method or, if the decision can dictate ranges of values, use the expected value method.

IFIRC 23 is applied for periods beginning on or after 1 January 2019 and can be adopted in advance.
The Bank initiated in 2017 a process to evaluate the potential effects of this standard.

External Auditor´s Report

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Independent Auditor´s Report

To the Board of Directors of Banco Comercial do Huambo, S.A

Introduction

1. We have audited the attached financial statements of Banco Comercial do Huambo, S.A, hereby referred to as "Bank", which comprise Balance Sheet as at 31 December 2017 showing total assets of 29,366,616 thousand Kwanza and equity of 11,026,513 thousand Kwanza, including profit after tax of 4,004,677 thousand Kwanza; Income Statement; Statement of Cash Flows, Statement of Changes in equity, for the year then ended and the Notes to the Financial Statements.

Responsibility of the Board of Directors for the Financial Statements

2. The Board of Directors is responsible for the adequate preparation and presentation of these financial statements in accordance with accounting principles and policies generally accepted in Angola and for the maintenance of an appropriate internal control system in order to permit that the financial statements are prepared free of material misstatements due to fraud or error.

Responsibility of the Auditor

3. Our responsibility consists in expressing an opinion about these financial statements, on the basis of the audit which we conducted according to the International Standards on Auditing. Those Standards require that we comply with ethic requirements and plan and conduct such examination as to obtain reasonable assurance about whether the financial statements are free from material misstatements.

4. An audit involves procedures as to obtaining evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor´s judgment, including the assessment of risk of material misstatements in the financial statements due to fraud or error. By conducting those risk assessments, the auditor considers the internal control relevant for the adequate preparation and presentation of the financial statements by the Bank

in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the efficiency of the Bank´s internal control. An audit also includes assessment of the adequacy of the applied accounting policies and their disclosure, reasonableness of significant accounting estimates made by the Board of Directors and assessment of the overall presentation of the financial statements.

5. We believe that our audit provides a reasonable basis for our opinion.

Bases for qualified opinion

6. The Angolan Banking Association (ABANC) and the National Bank of Angola (BNA) expressed an interpretation that all requirements of IAS 29 – Financial Reporting in hyperinflationary economies (IAS 29) were not met in order to consider the Angolan economy a hyperinflationary one for the year ended 31 December 2017, and consequently, the Bank did not apply the provisions of that standard to the financial statement on that date. As of 31 December 2017 the cumulative inflation rate for the last three years approaches or exceeds 100%, depending on the index used, and it is also expected that it will continue to cumulatively exceed the 100% mark in 2018, which is an objective quantitative condition that makes us consider that in addition to other conditions established in the IAS 29, the functional currency of the Bank´s financial statements as at 31 December 2017 is a currency of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements for the year then ended on that premise and in accordance with the provisions of that standard, which also establish the restatement of the financial statements for the previous year for comparative purposes. We did not obtain sufficient information as to be able to quantify rigorously the effects of this situation on the Bank´s financial statements as at 31 December 2017, which we consider significant.

Qualified Opinion

7. In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph (6), the financial statements referred to in p. 1 above give a true and fair view, in all material respects, of the financial position of Banco Comercial do Huambo S.A [Commercial Bank of Huambo] as of 31 December 2017, of its financial performance and cash flows for the year then ended, in conformity with the International Financial Reporting Standards.

Emphasis of Matter

8. In compliance with the provisions of Notice no.6/2016 of 16 May, issued by the National Bank of Angola, the Bank adopted the International Financial Reporting Standards(IFRS). In the process of transition from the previously adopted accounting standards (Accounting Plan for the Financial institutions – Contif) to the IFRS, the Bank followed the requirements set out in International Financial Reporting Standard 1 – First-time Adoption of International Financial Reporting Standards. The date of transition was reported as at 1 January 2016, previously presented in accordance with CONTIF, it was translated into IFRS for comparative purposes. The disclosures concerning the effects of transition to

IFRS are presented in Note 31.

9. Without prejudice to our qualified opinion in paragraph 7, we emphasize that, as described in Note 25 of the Notes to the Financial Statement, on 21 February the National Bank of Angola published Notice no. 2/2018 which sets a minimum capital requirement of 7.5 billion Kwanzas for the commercial banks until the end of 2018. The Bank intends to comply with this provision through incorporation of the free reserves to be submitted for approval at the Shareholders' General Meeting.

Other matters

10. As mentioned in the Directors´ Report, the Bank has undertaken several initiatives towards the improvement of formalization and implementation of policies and procedures within the corporate governance model and internal control and the process of preventing money laundering and financing of terrorism, including strengthening of the functions of monitoring of the Bank´s internal control. Despite the evident efforts, through procedures of follow-up we conducted, we found out that there are procedures that have not been totally implemented thus the requirements of Notice no. 1 and no. 2/2013 and Instruction n°1/2013 issued by the National Bank of Angola in relation to Corporate Governance and Internal Control are not totally satisfied.

Luanda, 30 April 2018

Ernst & Young, Lda
Represented by: Daniel Guerreiro – Partner (Chartered accountant n° 20120082 -signature illegible)
and António Filipe Dias da Fonseca Brás - Partner (signature illegible)

Audit Committee´s Report & Opinion

To the shareholders of
BANCO COMERCIAL DO HUAMBO, S. A.
Luanda

Pursuant to legal provisions and the power vested in us, we hereby submit to your attention our Report and Opinion which includes the work we performed and the documents of the financial reporting of BANCO COMERCIAL DO HUAMBO, S.A. (hereby referred to as Bank), for the year ended 31 December 2017, which are a responsibility of the Board of Directors. The Balance Sheet shows total assets of 29,366,616 thousand Kwanza and equity of 11,026,513 thousand Kwanza including profit after tax of 4,004,677 thousand Kwanza.

Throughout the financial year, we followed regularly the Bank´s activity by checking to the extent considered adequate – the asset values, accounting records and respective supporting documents which comply with legal provisions and with the Articles of Association.

The Bank´s management and departments provided on time the explanations and information we needed.

The Directors´ Report explains with sufficient clarity the activity performed by the Bank throughout the financial 2017 and we entirely stand by the proposed appropriation of profit made by the Board of Directors.

We consider that the Balance Sheet, the Income Statement, Statement of changes in equity, Statement of cash flows and respective Attachments are in accordance with the legal and company requirements, and give a true and fair view, in all material respects, of the financial position of the Bank, as stated in the Reports of the External and Independent Auditor from 30 April 2018, with which we agree.

The valuation criteria used for the preparation of the accounts correspond to the correct valuation of the assets.

The legal formalities and those in the Memorandum of association for disclosure of information and monitoring were met.

In the light of the foregoing, in the Audit Committee´s opinion the referred Financial Statements and Directors' Report as well as the proposal for appropriation of profit made by the Board of Directors comply with applicable accounting and company law requirements for the purpose of approval by the General Meeting of Shareholders.

We would also like to express our thanks to the Board of Directors and the Bank´s departments for their collaboration.

Banco Comercial do Huambo

Luanda, 30 April 2018

The AUDIT COMMITTEE

Signed: Mr. Armando Nunes Paredes – President (Chartered accountant nº 20152347)

Signed: Mr. Mário Castelo Branco - Deputy-chairman

Signed: Mr. Francisco Miguel Paulo – Deputy-chairman