Annual Report & Accounts 2021

By your side every step of the way

Contents

BCH Banco Comercial do Huambo

Message from the Chairman

Dear stakeholders,

Another year has gone by and now it's time to evaluate the financial year of 2021.

Despite the continuity observed in the process of fiscal and budgetary consolidation in Angola, through the structural reform program that has been implemented by the Angolan authorities with the support of the International Monetary Fund (IMF), the year 2021, like the previous year, was once again marked by the COVID-19 pandemic, which had very significant impacts on the world economy and, particularly, on the Angolan economy.

However, despite the difficulties and challenges posed by the COVID-19 pandemic, it is important to point out the positive and encouraging signs of recovery of the Angolan economy in 2021, which reached a real – although minor – GDP growth, and thus exited a long recessionary cycle that had its most severe effect in recent times with the economic contraction registered in 2020, at the peak of the COVID-19 crisis, which worsened the financial difficulties and living conditions of many Angolans who had already been facing high levels of poverty and shrinking wages.

Indeed, this progress is especially important as it is based on the recovery of the Angolan non-oil sector throughout 2021, a sector that has been one of the development priorities set by the government in an attempt to reduce Angola's economic dependence on the oil sector and promote diversification of the country's economy, and which benefited from the gradual removal of COVID-19 related restrictions and the lagged impact of structural economic reforms, implemented by the Angolan authorities (e.g. exchange rate flexibility and Value Added Tax (VAT) changes) that offset the renewed contraction of the oil sector.

Despite these favourable indicators, there are significant challenges currently faced by the Angolan economy that cannot go unmentioned, such as the high level of inflation which has increased in relation to 2020 due to supply-side bottlenecks related to the COVID-19 pandemic, in addition to the sudden increase in energy prices – a phenomenon that will probably tend to worsen with the outbreak of the military conflict in Ukraine, also the over-indebtedness of the Angolan State, the increased external debt in 2021 and trade imbalances.

In this economic context, the banking sector also remains vulnerable, operating in a highly challenging environment, characterized by continuous rise of regulatory requirements and supervisory initiatives (which will certainly become more stringent with the National Bank of Angola (BNA) obtaining supervisory equivalence together with the implementation of initiatives such as the Supervisory Review and Evaluation Process (SREP)), in particular the establishment of limits and restrictions regarding the management of certain areas (e.g. foreign currency management), high inflationary pressures and a continued depreciation of the Kwanza.

Regarding the increase in regulatory pressure, it is important to highlight the fact that financial regulation was enhanced by the approval of a new Financial Institutions Law in May 2021 which strengthens the resolution powers of the National Bank of Angola (BNA) and includes enhanced corporate governance requirements– which further complement the stringent regulatory requirements that have been recently issued by the supervisor regarding the governance model and internal control system of credit institutions.

Banco Comercial do Huambo

Angolan banks register increasing levels of non-performing loans (NPLs) and the quality of their assets has been permanently put to the test, mainly by the effects caused by the COVID-19 pandemic, which is reflected in the recognition of increasing amounts of impairment. In this respect, although according to the IMF the levels of capitalization of Angolan banks continue to be generally adequate, there are still clear challenges for the Angolan banking sector that limit the ability of the banks to distribute dividends to their shareholders.

In view of the above, in our opinion, and despite the positive signs for recovery of the Angolan economy, the year 2021 continued to present a number of serious setbacks for the banking sector, which nevertheless proved to be relatively resilient and had the capacity to reasonably overcome them. As for BCH, given the levels of the main economic and financial indicators, we conclude that we continue to stand as a solid institution.

In 2021, the net result reached 6,355,589 thousand kwanzas which, compared to 2020, shows a slight increase of 2.4%. Net interest income grew by about 7.3% and regulatory capital by about 22%. The solvency ratio reached 205%, when the minimum required is 10%.

The year 2022 is foreseen to be challenging for the financial system. In fact, although there is a number of positive signs, such as the economic recovery in Angola seen in 2021 with an improvement in the performance of the non-oil sector and the visible positive impact of the structural reforms related to the agreement established between the Angolan State and the IMF, the recent military conflict in Ukraine brings a significant number of risks and uncertainties regarding the achievement of the defined objectives.

In this context, as we strive to maintain a coherent policy and a prudent and responsible management strategy, we shall not be paying shareholders any dividends this year.

Yet despite this bleak scenario, BCH will continue to support the country's economy, companies and individuals, as it has always done, by seeking to grow in a sustained manner and striving to keep its ratios within acceptable levels.

Thus, BCH wants to express its deep appreciation and gratitude to its employees for their dedication and commitment. It is our employees, through their exceptional professionalism, who manage to keep BCH at the top of the country's financial system. Our deepest thanks.

We cannot but express our special thanks to our customers for their loyalty, to whom we can assure we are committed to the constant improvement of our service quality. We also thank our shareholders for their vote of confidence regarding the implementation of the outlined management policies.

To all we express our sincere gratitude,

Natalino Bastos Fernandes

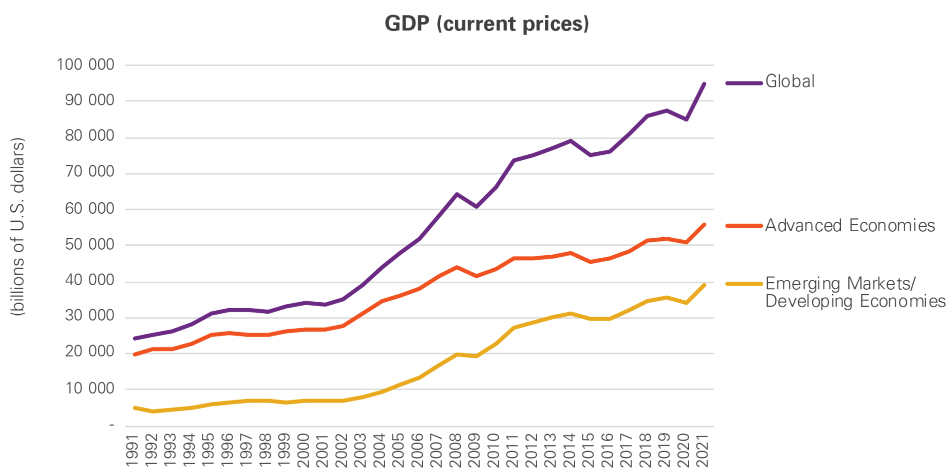
Macroeconomic Framework

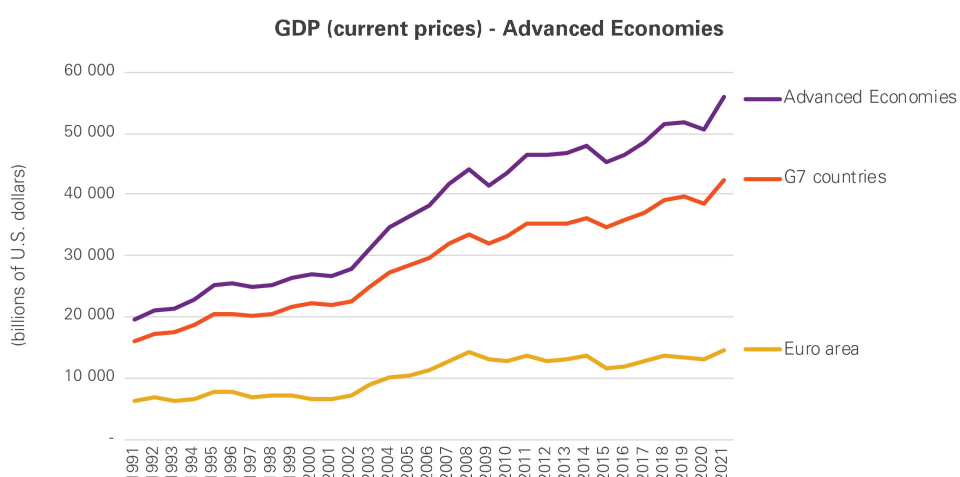
Macroeconomic Framework

International Economy

Like 2020, the year 2021 was affected by the COVID-19 pandemic, including, on the one hand, the rapid and large-scale spread of more contagious variants of the virus (e.g. Delta, Omicron), lockdowns, mobility restrictions and closing of borders and, on the other hand, the global vaccination initiatives that have demonstrated their effectiveness in mitigating the health impacts of the disease.

Nevertheless, the year 2021 saw a global economic recovery, reflecting a continued adaptation of economic activity to the effects of the pandemic and associated restrictions, as well as the support measures defined and implemented in many countries.





In this sense, the global economic growth projected by the International Monetary Fund (IMF) for 2021 was 5.9% (-4.2% in 2020), the fastest pace recorded in a post-recession situation in the last 80 years, based on the easing of COVID-19-related lockdown restrictions, which helped to stimulate demand.

However, in 2022, as the world enters year three of the pandemic, and although some developments in 2021 were encouraging, others are still worrying, as they are underpinned by a number of risks and negative signs, as well as considerable uncertainty.

In many countries, the gross domestic product recovered in 2021 after the huge decline in 2020. Advanced economies and many middle-income countries have achieved substantial COVID-19 vaccination rates. International trade improved and high commodity prices have benefited many developing economies.

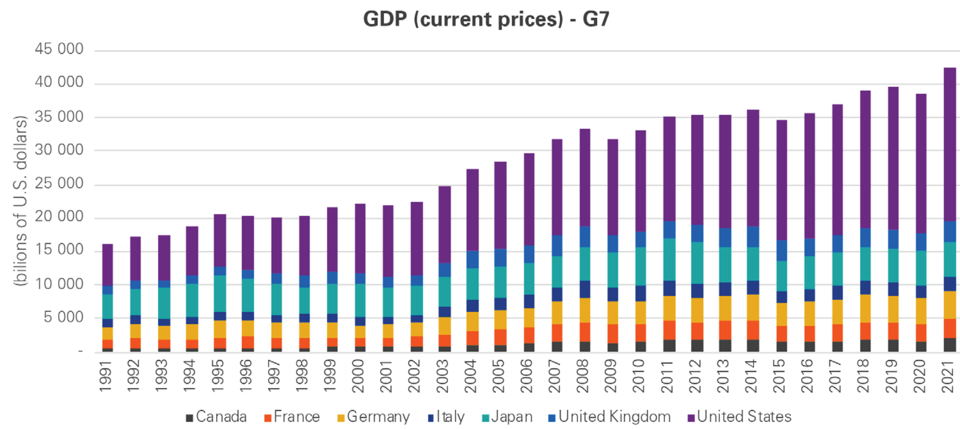
Domestic financial crises and debt restructurings were less frequent than would probably be expected in a period marked by severe global shocks, but even so, for many developing economies, progress towards recovery has been hampered by significant challenges, such as the resurgence of COVID-19 in certain areas of the world, bottlenecks in the supply of certain goods and products, a slower vaccination process against COVID-19, a more limited response in terms of support measures, and the scars and marks left by the pandemic.

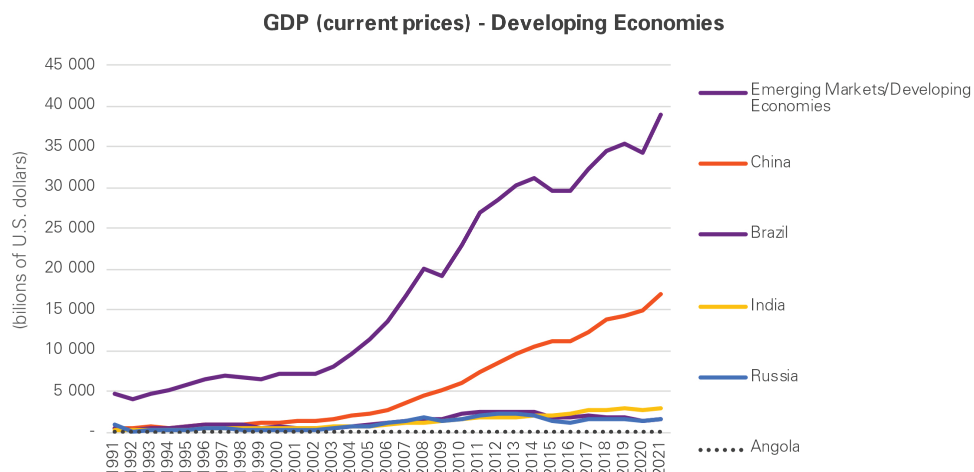
In this context, the economic growth projected by the IMF in 2021 for advanced economies is 5% (-4.9% in 2020) and for emerging markets and developing economies 6.5% (-4.7% in 2020).

For the United States of America (USA), the economic growth projected by the IMF in 2021 is 5.6% (-2.9% in 2020). Economic activity in the US grew in the last months of 2021, at a slower pace than expected, with significant decelerations in private consumption and industrial production. Indeed, the US economy has faced a number of unanticipated headwinds, including new outbreaks of COVID-19, increasing supply shortages and rising energy prices, as well as a drop in benefits from fiscal support policies related to the pandemic. Meanwhile, inflation grew sharply, spreading to other sectors, while a retracting labour market exerted upward pressure on wages.

Macroeconomic Framework

International Economy (continued)





After a remarkable recovery recorded in the third and fourth quarters of 2021, there was a growth deceleration in the fourth quarter of 2021, partly attributed to the sharp resurgence of COVID-19, to persistent production obstacles caused by supply-side bottlenecks in economies highly exposed to global supply chains, and to the sharp rise in energy prices.

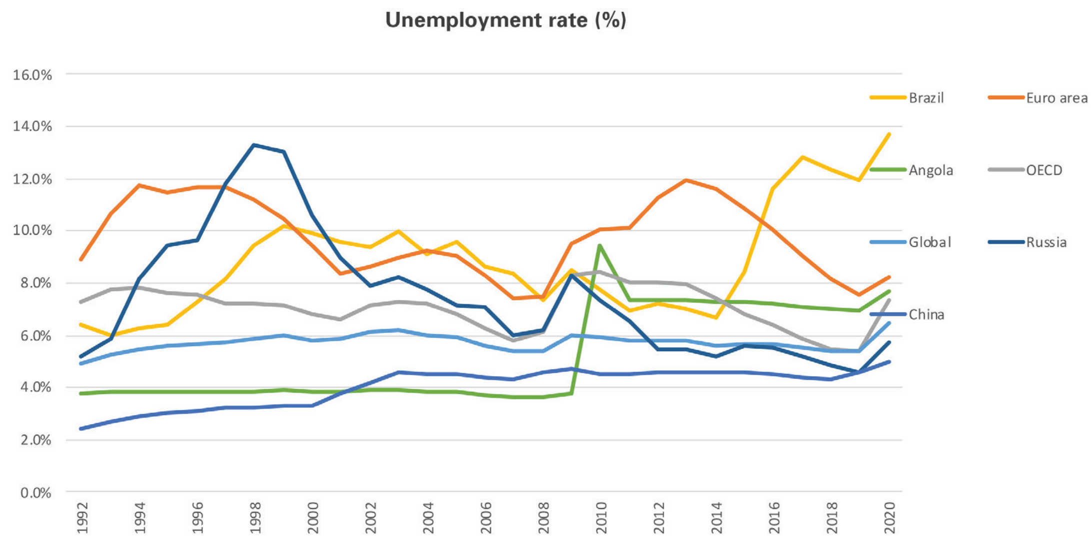
Nevertheless, the Eurozone is estimated to have registered solid economic growth at the end of 2021 – the economic growth projected by the IMF in 2021 for the Eurozone is 5.2% (-4.9% in 2020).

The rapid reopening of the European economy, the aforementioned supply constraints and the high energy prices have increased pressure on inflation (although with important differences across Eurozone countries).

Monetary policy in the Eurozone remains largely accommodative despite the expectation of a gradual reduction in the level of accommodation resulting from the Pandemic Emergency Purchase Program (PEPP).

Macroeconomic Framework

International Economy (continued)



The European Central Bank (ECB) maintained very favourable financing conditions, both for the public and private sectors, throughout the COVID-19 crisis. Longer-term refinancing operations, whether targeted or untargeted, as well as the expansion of the PEPP, have played a key role in the economic recovery of the Eurozone.

In China, growth has decelerated more than previously expected – the economic growth projected by the IMF in 2021 for China was 8.1% (3.2% in 2020). Recurring COVID-19-related restrictions on mobility, as well as the legal and regulatory constraints imposed on the real estate and financial sectors, have restricted consumption and residential investment. On the other hand, despite interruptions in the supply chain and the scarcity of energy resources, industrial activity was generally solid and export growth accelerated. Macroeconomic policy action helped to prevent further economic slowdown and mitigated financial stress. The People's Bank of China made short-term liquidity injections and reduced regulatory reserve requirements, while the government accelerated infrastructure investment and stepped-up efforts to support financially sound property owners and economic developers.

Macroeconomic Framework

Angolan Economy

As the second largest oil producer in Africa and having the fifth largest Gross Domestic Product (GDP) in sub-Saharan Africa, Angola has recorded, since the end of the long civil war, one of the highest rates of economic growth in the world, driven by oil wealth.

In 2021 – and after a few years in which Angola was being severely affected by the drop in oil prices in international markets, as well as by the reduction in world demand (especially China) – the Angolan economy showed signs of recovery and is estimated to have exited the long recessionary cycle, achieving real GDP growth.

The Angolan non-oil sector recovered in 2021, benefiting from the gradual removal of COVID-19 related restrictions and limitations, as well as the lagged impact of macroeconomic reforms that have been introduced by the Angolan authorities, which offset the renewed contraction of the oil sector (despite the increase in oil prices).

The economic growth projected by the IMF in 2021 for Angola is 0.1% (-5.2% in 2020), and it is estimated that the Angolan economy will grow again by 2.9% in 2022.

Income per capita has been gradually rising (USD 2,200 per capita at current rates as per the IMF in 2021 [USD 1,880 in 2020], and USD 6,443 per capita by the Purchasing Power Parity [PPP] method, according to the World Bank in 2020), especially in metropolitan regions. But poverty and unemployment rates remain high. According to the African Development Bank (AfDB), the COVID-19 pandemic is expected to have exacerbated the official poverty index, which was at 40.6% in 2019. Poverty is more prevalent in rural areas than in urban areas. Also, according to the AfDB, the estimated unemployment rate in the third quarter of 2020 was 34%, which continues to be significantly higher among the youth (56.4%).

According to the IMF, in 2021, the average inflation rate was around 24.4%, a rise from the 22.3% rate recorded in 2020 – it remains very high.

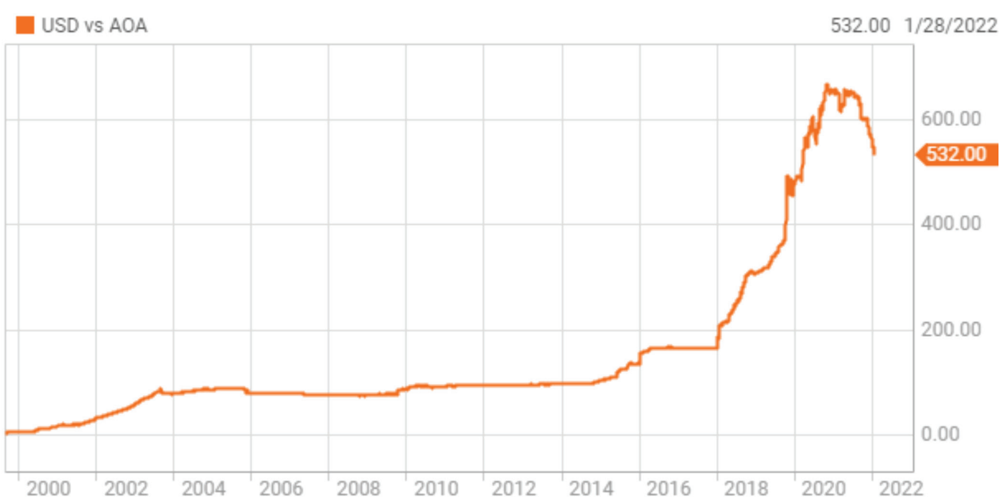
Despite efforts to implement the aforementioned structural reforms (e.g., the introduction of the Value Added Tax [VAT], exchange rate liberalization and conservative supplementary budgets), the Angolan economy continued to bear the consequences of the oil sector's unfavourable outlook in 2021.

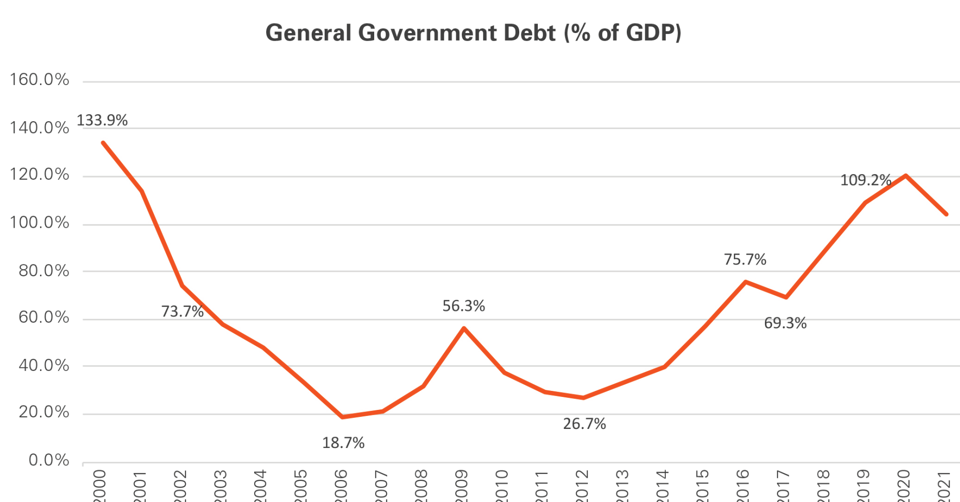
Macroeconomic Framework

Angolan Economy (continued)

In 2021, according to the IMF estimate, the government budget recorded a surplus amounting to 3.2% of the GDP, when compared to the budget deficit of -1.9% of the GDP recorded in 2020.

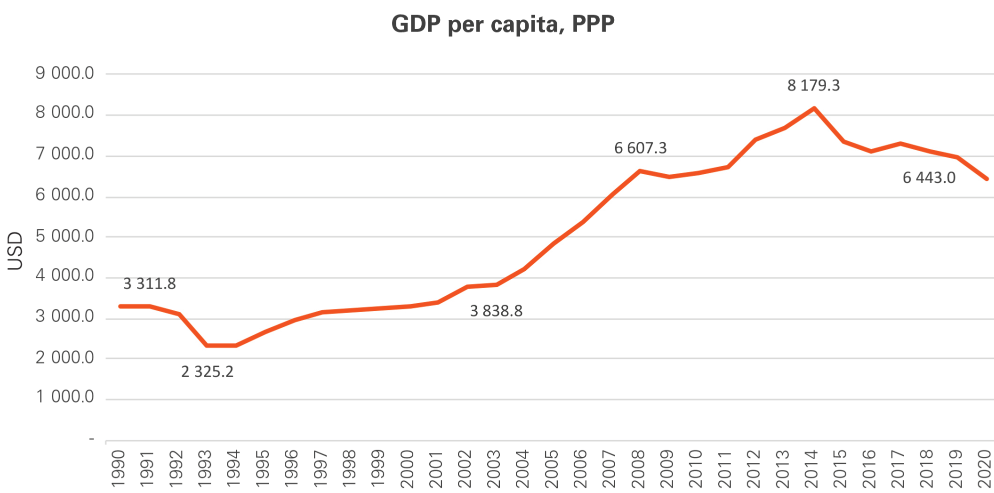
After peaking at 120.3% of the GDP in 2020, mainly due to the depreciation of the kwanza, public debt decreased to 103.7% of the GDP in 2021, according to the IMF. The risk of over-indebtedness remains significant, given that debt is very vulnerable to currency depreciations, as well as to changes in oil prices.

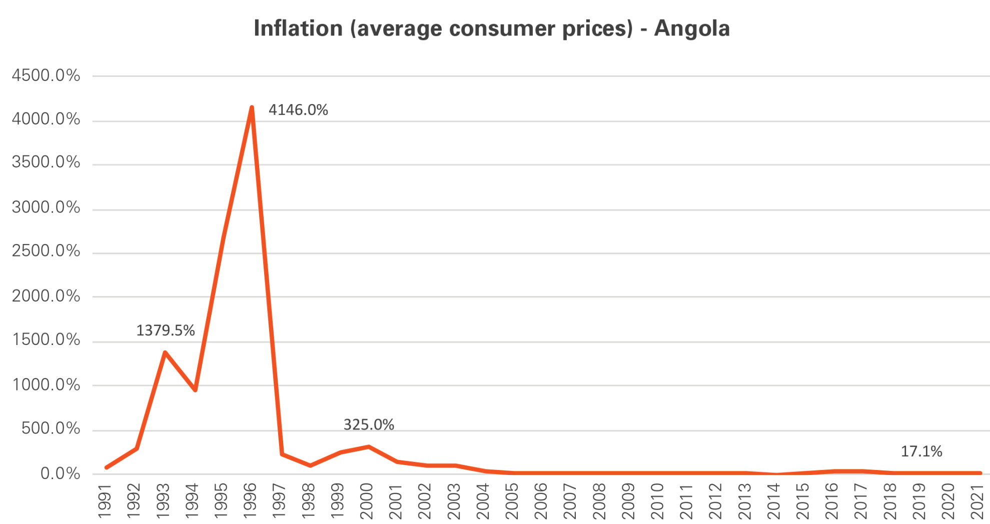




Macroeconomic framework

Angolan Economy (continued)





External debt grew again in 2021, after having already reached a peak in 2020. This evolution is explained by the decline in oil production and prices, which has caused a drop in export earnings over the last few years. The increase in external debt is also the result of the depreciation of the kwanza, as well as Angola's dependence on external financing to fund public investment projects.The main risks associated with external debt are: the potential further depreciation of the kwanza, a lower economic growth than expected, changes in oil prices in international markets and the contraction of financial conditions.

Macroeconomic framework

Angolan Economy (continued)

In 2021, foreign direct investment in Angola remained negative. The main investors in the Angolan market continue to be Portugal, the Netherlands, South Africa and China. In 2018, the Angolan government established the Program for Support to Production, Diversification of Exports and Import Replacements (PRODESI) which is based on seven key initiatives that focus on reducing imports, increasing Angola's economic self-sufficiency and export diversification in order to reduce the country's historial dependence on oil and oil products. One of the most interesting initiatives aims to improve and make the environment for doing business in Angola more attractive, namely through the creation of favourable economic conditions for expansion of international trade and attraction of foreign investment, as well as encouraging local businesses to connect with global consumers.

In the banking sector, Angolan banks account for increasing levels of non-performing loans (NPLs) and the quality of their assets has been consistently put to the test, particularly by the COVID-19 pandemic, which becomes clear when looking at the increasing amounts of impairment by the banks in Angola. In that respect, although according to the IMF the capitalization levels of Angolan banks remain generally adequate, the country's banking sector is clearly struggling.

Angolan authorities remain committed to the implementation of the structural reform program, supported by the IMF. In December 2018, the IMF approved a three-year credit line (Extended Credit Facility Agreement) totalling US$3.7 billion. The critical pillars of this structural reform program include fiscal consolidation in order to bring debt down to sustainable levels, increased exchange rate flexibility to regain competitiveness and supportive monetary policy to reduce inflation. Other pillars of the program include strengthening the banking system, enabling a better business environment and improving governance. In addition to the tightening of monetary policy and resumption of fiscal consolidation, the Angolan government also took first steps to reform public utilities and oil prices, cut subsidies and began the privatization and liquidation of some state-owned companies. In order to enhance the business climate and competitiveness, relevant legislation (private investment laws, anti-monopoly laws) was adopted. The National Development Plan for 2018-2022 aims to address the structural bottlenecks in the Angolan economy and to promote human development, public sector reform, diversification and inclusive growth. Angolan authorities have also been reaffirming their commitment to improving governance and fighting corruption.

According to the IMF's recent reviews of Angola's economic program (the 6th review was recently completed), despite considerable challenges, it continues to be adequately implemented, even if with some delays in a number of aspects.

Macroeconomic Framework

Legal framework

Regulation approved by BNA in 2021

Instrument	N.°	Status	Subject	Published on	In force since	Applicable to
Notices	Notice n.° 12/2021 (December 23)	In force	Exchange Rate Policy – Limit on Foreign Exchange Position	27 December2021	26 December 2021	Financial Institutions
Notices	Notice n.° 11/2021, of December 23	In force	Exchange Rate Policy – New Procedures for External Investment by Foreign Exchange Non-Residents	23 December 2021	22 December 2021	Financial Institutions
Instruction Notice	Instruction Notice n.° 24/2021 of December 7	In force	Payment System – Transaction limits within the Payment Systems	8 December 2021	7 January 2022	Financial Institutions
Circular letter	Circular letter n.° 07-DCF-2021	In force	Customer Service	26 November 2021	29 November 2021	Financial Institutions
Directives	Directive n.° 13/2021, November 22	In force	Financial System – Eligible External Credit Assessment Institutions	22 November 2021	21 November 2021	Financial Institutions
Directives	Directive n.° 14-DSB-DRO-2021, November 22	In force	Financial System – Most relevant and diversified Stock Market Indexes	22 November 2021	21November 2021	Financial Institutions
Instructions	Instruction n.° 23/2021 of October 29	In force	Exchange Policy – Purchase and Sale of Foreign Currency on the Bloomberg FXGO Platform by Companies in the Aviation and Insurance Sectors	3 November 2021	2 November 2021	Financial Institutions
Instructions	Instruction n.° 18-2021, October 27	In force	Financial System – Calculation of Regulatory Own Funds for Credit Valuation Adjustment Risk	28 October 2021	29 October 2021	Financial Institutions
Instructions	Instruction n.° 17/2021, October 27	In force	Financial System – Calculation of Regulatory Own Funds for Settlement Risk and Incomplete Transactions	28 October 2021	29 October 2021	Financial Institutions
Instructions	Instruction n.° 16/2021, October 27	In force	Financial System – Calculation of Regulatory Own Funds for Market Risk and Respective Periodic Disclosure	28 October 2021	29 October 2021	Financial Institutions
Instructions	Instruction n.° 19/2021, October 27	In force	Financial System – Disclosure of Composition of Regulatory Own Funds and Capital Ratio	27 October 2021	27 October 2021	Financial Institutions
Instructions	Instruction n.° 15/ 2021, October 27	In force	Financial System – Calculation of Regulatory Own Funds for Credit Risk and Counterparty Credit Risk and Respective Periodic Disclosure	27 October 2021	30 October 2021	Financial Institutions
Instructions	Instruction n.° 20/2021, October 27	In force	Financial System – Leverage Ratios	27 October 2021	27 October 2021	Financial Institutions
Instructions	Instruction n.° 21/2021, October 27	In force	Instruction n.° 03/17, of January 30 on the Disclosure of Prudential Information on ESG risks	27 October 2021	27 October 2021	Financial Institutions
Instructions	Instruction n.° 22/2021, October 27	In force	Financial System – Interest Rate Risk in the Banking Book	27 October 2021	30 December 2021	Financial Institutions
Directives	Directive n.° 11 DSB-DRO – 2021, October 5	In force	Financial System – Business Continuity Management Guideline for Financial Institutions	5 October 2021	4 March 2022	Financial Institutions
Instructions	Instruction n.° 14/2021, September 27	In force	Financial system – Liquidity Risk	27 September 2021	27 September 2021	Financial Institutions

Fonte: Website do Banco Nacional de Angola – http://www.bna.ao/

BCH Banco Comercial do Huambo

Macroeconomic Framework

Legal framework (continued)

Regulation approved by BNA in 2021

Instrument	N.º	Status	Subject	Published on	In force since	Applicable to
Instructions	Instruction n.º 13/2021, September 27	Em vigor	Financial System – Calculation of Regulatory Own Funds for Credit Risk and Counterparty Credit Risk and Respective Periodic Disclosure	27 September 2021	27 September 2021	Financial Institutions
Instructions	Instruction n.º 12/2021, September 14	In force	Payment System – Cash withdrawal at POS Terminals	15 September 2021	15 September 2021	Financial Institutions
Directives	Directive n.º 10/DIF/DRO-2021, September 14	In force	Financial System – Change in the Interest Rate on the Savings Account Bankita a Crescer	14 September 2021	14 September 2021	Financial Institutions
Directives	Directive n.º 09/DSP/DCF/2021, September 14	In force	Financial System – Customer Service	3 September 2021	3 September 2021	Financial Institutions
Circular letter	Circular Letter n.º 01/DRO/2021	In force	Financial System – Opening of Bank Accounts Held by Supervised Entities	12 August 2021	12 August 2021	Financial Institutions
Circular letter	Circular Letter n.º 05/DCF/2021	In force	Financial System – Declaration Form in the Process of Residential Address Change	2 August 2021	2 August 2021	Financial Institutions
Notices	Notice n.º 10/2021, July 14	In force	Financial System – Corporate Governance Code for Financial Institutions	14 July 2021	14 July 2021	Financial Institutions
Circular Letter	Circular letter n.º 04-DCF-2021	In force	Financial System – Savings Products Incentives and Adjustment of the interest Rates	7 July 2021	7 July 2021	Financial Institutions
Instructions	Instruction n.º 11/2021, of July 7	In force	Financial System – Internal Liquidity Adequacy Assessment Process (ILAAP)	7 July 2021	7 July 2021	Financial Institutions
Instructions	Instruction n.º 10/2021, July 7	In force	Financial System – Internal Capital Adequacy Assessment Process (ICAAP)	7 July 2021	7 July 2021	Financial Institutions
Instructions	Instruction n.º 09-2021, of July 7	In force	Payment System – Payment card Protection Service	7 July 2021	7 July 2021	Financial Institutions
Directives	Directive n.º 08/DMA/2021, of July 6	In force	Financial System - Benchmark Interest rate (BNA rate) - Permanent Marginal Lending and Liquidity Absorption Facility	6 July 2021	6 July 2021	Financial Institutions
Directives	Directive n.º 07/DMA/2021, July 6	In force	Financial System – Requirements for Calculating and Complying with the Reserve Requirements in Foreign Currency	6 July 2021	6 July 2021	Financial Institutions
Notices	Notice n.º 09/2021, of July 5	In force	Financial System – External Audit	5 July 2021	5 July 2021	Financial Institutions
Notices	Notice n.º 08/2021, of July 5	In force	Financial System – Prudential Requirements – Own Funds Requirements – Supervisory Review Process – Market Discipline	5 July 2021	5 July 2021	Financial Institutions
Notices	Notice n.º 07/2021, May 31	In force	Financial System – Prudential Treatment of Loans Subject to Moratorium in the Scope of the Covid-19 Pandemic	4 June 2021	4 June 2021	Financial Institutions
Instructions	Instruction n.º 08/2021, May 14	In force	Financial System – Central Government Balances Recorded in the Balance Sheets of Banking Financial Institutions	14 May 2021	14 May 2021	Financial Institutions

Fonte: Website do Banco Nacional de Angola – http://www.bna.ao/

Macroeconomic Framework

Legal framework (continued)

Regulation approved by the BNA in 2021

Instrument	N.°	In force	Subject	Published on	In force since	Applicable to
Instructions	Instruction n.° 07/2021, of May 10	In force	Exchange Policy – Foreign Exchange Auctions organized by the National Bank of Angola	10 May 2021	10 May 2021	Financial Institutions
Directives	Directiva n.° 06/DMA/2021, de 06 de Maio	In force	Financial System – Procedures for Administering Central Government Balances in National Currency	6 May 2021	6 May 2021	Financial Institutions
Directives	Directive n.° 05/DMA/2021, May 6	In force	Financial System – Data Reporting on Credit Granted to Holders of Qualifying Holdings	6 May 2021	6 May 2021	Financial Institutions
Directives	Directive n.° 04/DMA-2021, May 6	In force	Financial System – Information Reporting Deadlines via the Financial Institutions Portal	6 May 2021	6 May 2021	Financial Institutions
Directives	Directive n.° 03/DMA/2021, May 6	In force	Financial System –Statistical Reporting on Simplified Bank Accounts	6 May 2021	6 May 2021	Financial Institutions
Directives	Directive n.° 02/DMA/2021, May 5	In force	Exchange Policy – Suspension of the Demand Maps – Transaction Registration on the Bloomberg FXGO Platform	5 May 2021	5 May 2021	Financial Institutions
Directives	Directive n.° 5/DMA/2021, May 5	In force	Financial System - Calculation and Fulfilment of the Required Reserve Requirement	5 May 2021	5 May 2021	Financial Institutions
Circular letter	Circular Letter n.° 02/DSP/2021	In force	Social Security Payments in the Real-time Payments System	28 April 2021	28 April 2021	Financial Institutions
Instructions	Instruction n.° 06/2021, April	In force	Financial System- Annual Premium Contributions from the Banking Financial Institutions participating in the Deposit Guarantee Fund in Angola	15 April 2021	15 April 2021	Financial Institutions
Notices	Notice n.° 06/2021, April 14	In force	Credit-granting to the Real Sector of the Economy – Extension of the Validity Period of Notice n.° 10/2020	14 April 2021	14 April 2021	Financial Institutions
Notices	Notice n.° 05/2021, April 14	In force	Exchange Policy – Rules and Procedures for Foreign Exchange Operations carried out by Individuals	14 April 2021	14 April 2021	Financial Institutions
Notices	Notice n.° 04/2021, of April 14	In force	Exchange Policy – Rules and Procedures Applicable to Foreign Exchange Operations of Import and Export of Goods	14 April 2021	14 April 2021	Financial Institutions
Notices	Notice n.° 03/2021, of April 12	In force	Exchange Policy – Specific Exchange Rules Applicable to the Sale of Natural Gas	12 April 2021	12 April 2021	Financial Institutions
Notices	Notice n.° 02/2021 (March 24)	In force	Exchange Policy – Payment of Port Services and Goods supplied in the Country to Foreign-Exchange Non-residents	23 March 2021	23 March 2021	Financial Institutions
Notices	Notice n.° 01/2021 (February 12)	In force	Financial System – Credit Risk Information Centre	11 February 2021	11 February 2021	Financial Institutions
Directives	Directive n.° 01/DMA/DSP/2021, of February 2	In force	Financial System – Procedures for Operationalization of Commercial Banks' Reserve Accounts in National Currency	1 February 2021	1 February 2021	Financial Institutions
Directives	Directive n.° 01/DRO/2021, of January 6	In force	Financial System – Constitution of Impairment Exposure to the Government, Expressed in Foreign Currency	5 January 2021	5 January 2021	Financial Institutions

Fonte: Website do Banco Nacional de Angola – http://www.bna.ao/

Macroeconomic Framework

Prospects

The outlook for 2022 for the Angolan economy is favourable, especially due to the recent rise in oil prices and a temporary rise of production levels. As the transformation of a state-led economic model financed primarily by the oil sector to a private sector-led growth model is a complex and long-term process, the oil sector will continue to play an important role during this transition period. However, the continued government efforts to diversify the economy have been boosting non-oil sector growth and the results are evident.

Over the past years, macroeconomic stability has been safeguarded through a more flexible exchange rate regime, appropriate monetary policy, fiscal prudence and debt reprofiling with major creditors. Key reforms delivered since 2017 include the entry into force of:

- the Law on Preventing and Combating of Money Laundering;
- the Fiscal Responsibility Law; and
- the Privatization Law.

Financial regulation was enhanced by the approval of a new Financial Institutions Law in May 2021 which strengthens the resolution powers of National Bank of Angola (BNA) and includes enhanced corporate governance requirements. In addition, the BNA's organic law was amended in 2021 to strengthen its autonomy. A one-stop shop for investors was also set up to improve the business climate.

Moreover, BNA continued its efforts to keep the exchange rate flexible by allowing an increasing number of companies to sell foreign exchange directly to commercial banks. As a result, the exchange rate had appreciated by 23% year-on-year in February 2022. However, it should be noted that inflation remains high, reaching 27.3% in February 2022, compared to 24.9% a year prior, driven by import restrictions and supply-side constraints related to COVID-19 pandemic and rising global commodity prices.

Overall, the structural macroeconomic reforms introduced in Angola are already producing some positive results as non-oil economic activity expanded in the context of the Angolan economy, before and after the COVID-19 shock, as indicated by the 41% growth in non-oil exports in 2021.

Despite these positive and hopeful signs regarding the development and strengthening of Angola's economy, it is important to point out, on the one hand, the challenges related to the negative effects of the COVID-19 pandemic that still persist and, on the other hand, the uncertainty and potential adverse impacts that the military conflict in Ukraine could have.

The data presented in this macroeconomic framework was taken from the websites of the following institutions: IMF, World Bank, OECD and African Development Bank (AfDB).

BCH

BCH

Vision, Mission and Values

Vision

BCH aims to be a benchmark in providing services to customers and in prudent management.

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, stability and soundness of the Institution.

BCH

The Board of Directors, Board Committees and Shareholder Structure

The Board of Directors and Board Committees

The Board of Directors comprises the Chairman and two Directors.

Board for the General Meeting of Shareholders

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

The 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
1st Committee Voting Member	Mário Silva Castelo Branco
2nd Committee Voting Member	Carlos Deosvaldo Fragoso Vaz

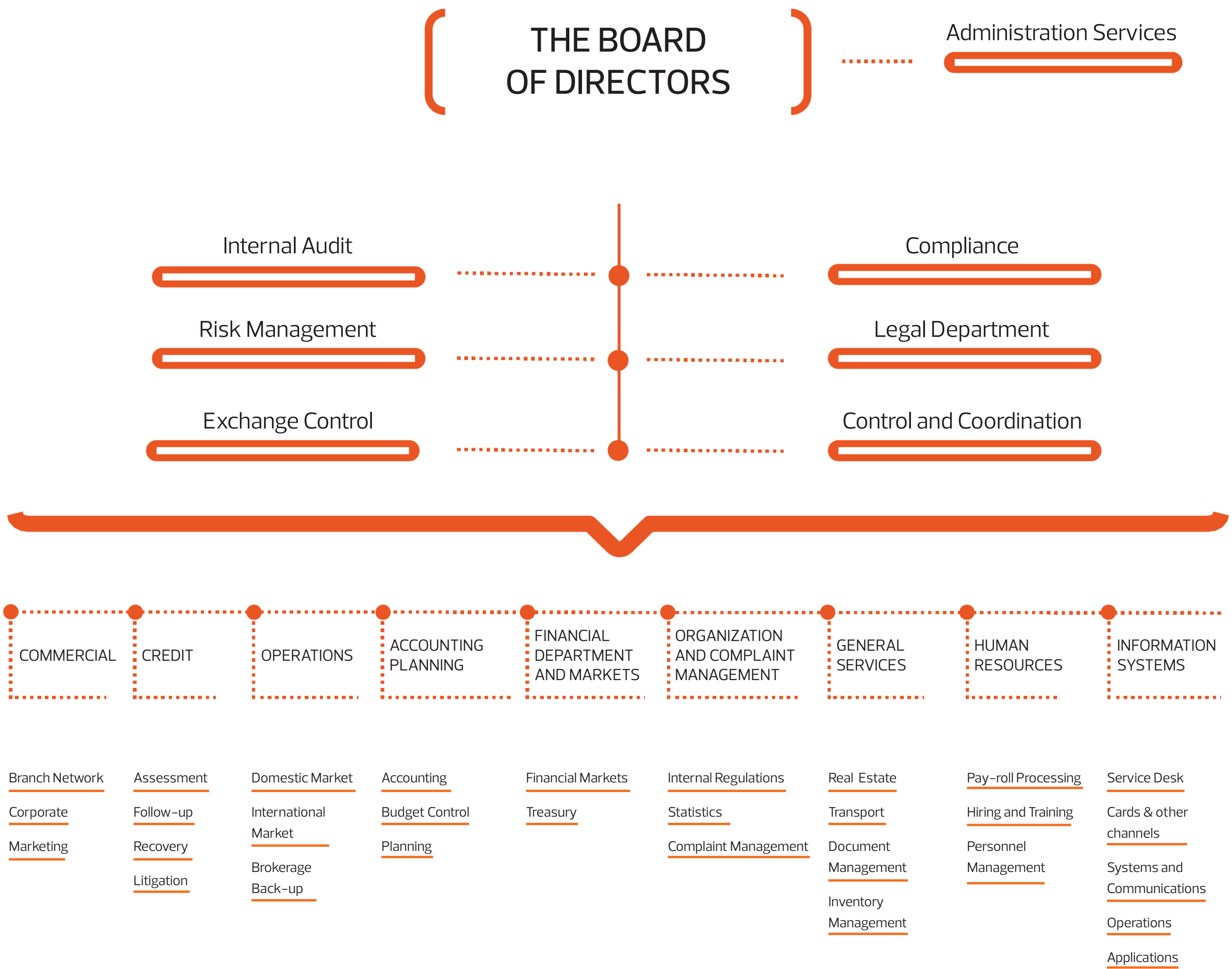
Shareholder Structure

On December 31, 2021, the capital of Banco Comercial do Huambo was owned by 5 shareholders:

Shareholders	Shareholding
Natalino Bastos Lavrador	51.50%
Valdomiro Minoru Dondo	20.00%
António Mosquito	20.00%
Sebastião Bastos Lavrador	5.50%
Carlos Saturnino Guerra Sousa e Oliveira	3.00%

BCH

The Board of Directors, Board Committees and Shareholder Structure



Activity in 2021

BCH Banco Comercial do Huambo

Activity in 2021

Key Indicators

Amounts in thousands of kwanzas

	2018	2019	2020	2021	Var 18 - 19	Var. 19 - 20	Var. 20 - 21
INDICATORS							
Total Assets	37 796 794	45 665 043	48 636 124	56 374 427	20.82%	6.51%	15.91%
Credit to the Economy	**19 234 267**	**30 444 295**	**38 363 618**	**32 071 234**	**58.28%**	**26.01%**	**-16.40%**
Loans and advances to customers	1 316 865	69 761	847 969	2 099 633	-94.70%	1115.53%	147.61%
Loans and advances to the Government	17 917 402	30 374 534	37 515 649	29 971 601	69.53%	23.51%	-20.11%
Customer deposits	14 448 356	18 267 547	15 782 351	17 175 586	26.43%	-13.60%	8.83%
Regulatory capital	17 204 408	24 408 700	30 463 513	37 196 969	41.87%	24.81%	22.10%
Net operating income	9 653 346	10 172 042	9 761 919	9 263 674	5.37%	-4.03%	-5.10%
Net interest income	3 724 449	5 057 140	6 280 789	6 740 347	35.78%	24.20%	7.32%
Net profit	6 630 044	7 163 989	6 208 266	6 355 589	8.05%	-13.34%	2.37%

	2018	2019	2020	2021	Var 18 - 19	Var. 19 - 20	Var. 20 - 21
Financial ratios							
Cost to Income ratio	14.93%	18.51%	16.19%	23.89%	24.00%	-12.57%	47.59%
Loan/deposit ratio	9.11%	0.38%	5.37%	12.22%	-95.81%	1306.94%	127.52%
Solvency ratio	107.52%	189.20%	205.33%	205.22%	75.97%	8.53%	-0.06%
Return on total Assets (ROEI)	17.54%	15.69%	12.76%	11.27%	-10.56%	-18.63%	-11.68%
Return on equity (ROE)	37.57%	28.93%	20.05%	17.03%	-22.99%	-30.71%	-15.06%
Overdue loans/ Total loans	0.29%	0.00%	0.00%	0.02%	-100.00%	0.00%	0.02%
Loan provisions / Overdue loans	40.47%	0.00%	-25942.79%	-381.09%	-100.00%	-25942.79%	-98.53%

	2018	2019	2020	2021	Var 18 - 19	Var. 19 - 20	Var. 20 - 21
Business Development							
No. of branches	6	6	6	6	0.00%	0.00%	0.00%
No. of employees	57	62	66	64	8.77%	6.45%	-3.03%
Customers	14 893	17 586	18 658	19 486	18.08%	6.10%	4.44%

	2018	2019	2020	2021	Var 18 - 19	Var. 19 - 20	Var. 20 - 21
Administrative costs	**1 381 963**	**1 883 137**	**1 580 057**	**2 213 026**	**36.27%**	**-16.09%**	**40.06%**
Staff costs	471 978	572 308	680 420	851 835	21.26%	18.89%	25.19%
Third party costs	787 063	1 081 147	1 205 073	1 727 611	37.36%	11.46%	43.36%
Amortisation and depreciation	122 922	229 682	(305 436)	(366 420)	86.85%	-232.98%	19.97%
Other	-	-	-	-	0.00%	0.00%	0.00%

BCH has been stabilizing its commercial network and strengthening its resources, as well as its customer base, as shown by the statistics below, maintaining good levels of profitability and efficiency, particularly when compared to other credit institutions in the Angolan banking system.

–3.03%

+4.44%

Branches

No new branches were opened in 2021. However, BCH intends to continue to expand its commercial network with the opening of new branches.

Team Reinforcement

At the end of 2021, the Bank's staff had 64 employees, 2 fewer than in 2020.

Customer Growth

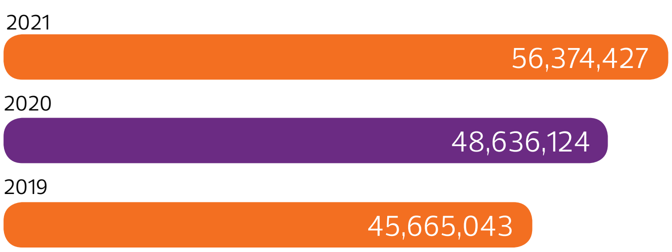
The number of customers in 2021 increased by 828 and had reached a total of 19,486 by December 31, 2021.

Activity in 2021

Business Development

Total Assets

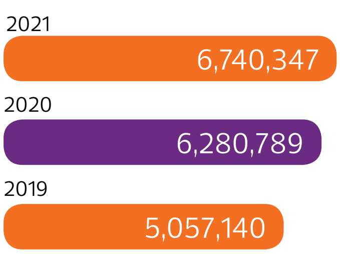
In 2021, BCH recorded an increase in total assets of around 16%, which reflects the growth in activity.



Amounts in thousands of kwanzas

Amounts in thousands of kwanzas

In 2021, the Bank increased its net interest income by about 7%, reaching 6,740,347 thousand kwanzas by December 31, 2021.



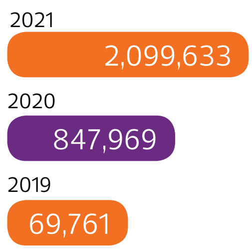
Amounts in thousands of kwanzas

ROE and ROA

Return on Equity decreased by 15.06%, from 20.05% in 2020 to 17.03% in 2021. Return on Assets fell by 11.68%, from 12.76% in 2020 to 11.27% in 2021.

Loans and Advances to Customers

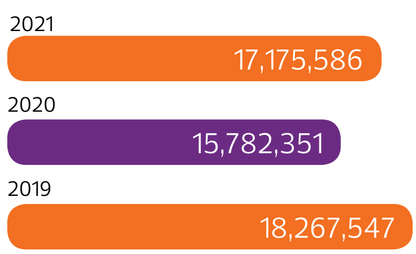
Contrary to 2020, loans and advances to customers increased from 847,969 thousand kwanzas to 2,099,633 thousand kwanzas. The loan portfolio impairment levels continue to be residual, which reveals the quality of the Bank's portfolio and its conservative risk policy.



Amounts in thousands of kwanzas

Customer Deposits

In 2021, the amount of customer deposits increased by 8.83%, from 15,782,351 thousand kwanzas in 2020 to 17,175,586 thousand kwanzas in 2021.



Amounts in thousands of kwanzas

Solvency Ratio

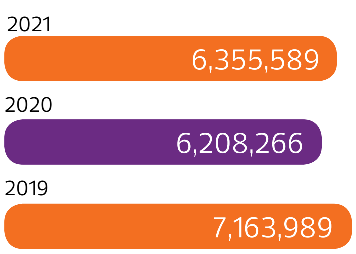
The Bank maintains high financial soundness, on the basis of the formula defined in art. 1 of Notice N.º 02/16 of 15 July. This ratio at the end of 2021 stood at 205.22% (205.33% in 2020), a percentage well above the minimum requirement of 10% set by the National Bank of Angola.

Activity in 2021

Business Development

Net result

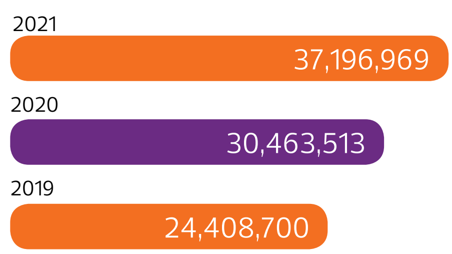
The Bank's net profit amounted to 6,355,589 thousand kwanzas, an increase of 147,323 thousand kwanzas (about 2%) from the amount recorded in the financial year of 2020.



Amounts in thousands of kwanzas

Regulatory capital

In 2021, own funds amounted to 37,196,969 thousand kwanzas, which is an increase of 6,733,457 thousand kwanzas – a significant 22.1% rise when compared to 2020.



Amounts in thousands of kwanzas

Administrative Costs

In 2021, the Bank recorded an increase of 40.06% in its cost structure compared to 2020. The main administrative costs items are staff costs up by around 25.19% and utilities costs which rose by 43.36%.

Administrative costs 2018 – 2021

	2018	2019	2020	2021	Var 18 - 19	Var. 19 - 20	Var. 20 - 21
Administrative costs	**1 381 963**	**1 883 137**	**1 580 057**	**2 213 026**	**36.27%**	**-16.09%**	**40.06%**
Staff costs	471 978	572 308	680 420	851 835	21.26%	18.89%	25.19%
Third party costs	787 063	1 081 147	1 205 073	1 727 611	37.36%	11.46%	43.36%
Amortisation and depreciation	122 922	229 682	(305 436)	(366 420)	86.85%	-232.98%	19.97%
Other	-	-	-	-	0.00%	0.00%	0.00%

607 POS operating as of 31 December 2021

11 ATMs between Luanda and Huambo

4,549

POS

At the end of 2021, BCH had a total of 607 operating POS.

ATMs

BCH has 11 ATMs available to the public, eight of which strategically placed in different locations in Luanda and three in the province of Huambo.

Debit cards

In 2021, the Bank recorded an average of 1 card for every 4 customers.

Activity in 2021

Risk Management , Compliance and Internal Audit

In 2017, after having already implemented its Risk Management System on the basis of the Three Lines of Defence model, the Bank consolidated 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 the adequacy, strengthening and operation of te Bank's internal control system. These measures seek to mitigate risks according to te complexity of the business venture.

The Risk Management function is thus responsible for developing practices which permit the identification, quantification, control, monitoring and reporting of the different types of relevant risks inherent to 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 updating 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.

In 2019, the Risk Management function implemented the process of sensitivity analysis for the various risks to which the Bank is exposed, such as exchange rate, interest rate and market risk.

The years 2018, 2019 and 2020 consolidated 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 2021, with the mechanisms, methodologies and tools already in place and at its disposal, the Risk Management function was able to operate normally — without introducing any significant changes — and adequately respond to present challenges, making it better prepared to handle future ones.

The Compliance function, which has also been officially independent since 2016, was equally able to consolidate, by 2020, the efficiency and effectiveness of the tasks it was assigned. The following tasks are part of the scope of activities carried out by the Compliance function:

- Monitor the commercial network when accepting customers, performing certain operations or selling 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 unauthorised 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 Terrorist Financing (CFT), the Compliance function performs the following important tasks:

- Monitoring of internal and external customer lists.
- Analysis of Anti-Money Laundering (AML) forms.
- Analysis and approval of account opening.
- Ensure the adequacy of internal rules and procedures for the prevention of money-laundering and counter-terrorist financing (PBC/CFT).
- Follow-up of domestic and international operations.
- Monitor the commercial network when accepting customers, performing certain operations or selling 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 BC/FT.
- Contribute to knowledge sharing in PBC/CFT matters.

Therefore, in 2021, and with the mechanisms, methodologies and tools already in place and at its disposal, the Compliance function operated normally — without introducing any significant changes — and responded adequately to present challenges, being hence better prepared for future ones.

Lastly, the Audit function, fully-functioning since 2014, continued to carry out its activity in accordance with the Internal Audit Strategic Plan defined for the triennium 2019-2021 and aligned with BCH's global strategy.

The Internal Audit function carried out the envisaged business plan, which was developed on the basis of risk assessment criteria. Activities carried out included audit actions performed on the commercial network, business processes, back-up processes and IT.

Moreover, 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, as well as periodic follow-up reports on the recommendations of the audit actions which have been approved by management.

Therefore, in 2021, and with the mechanisms, methodologies and tools already in place and at its disposal, the Audit function operated normally — without introducing any significant changes — and responded adequately to present challenges, being hence better prepared for future ones.

Prospects

Prospects

Considering the global economic environment, including the war in Ukraine, and the prospects 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 that allows a fast and efficient response to the demanding business and regulatory challenges in the financial sector. Therefore, in 2022, BCH is committed to:

- Continuing to offer a structure of differentiated financial products which can continue to meet the needs of our customers;
- Keeping its focus on the Bank's sustained growth while preserving the profit margin;
- Making a significant investment in software and training to support the commercial department, so that BCH can respond quickly and effectively to the needs of customers, either through facilitated access to products and services or through the creation and development of alternative mechanisms of connecting customers with the commercial department;
- Working towards 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;
- Monitoring and implementing in a rigorous and effective manner all regulatory changes applicable to the financial sector and the Bank;
- In the regulatory context, proceed with the necessary developments in risk management so that BCH is able to adequately respond to the challenges and additional requirements which will result from BNA's equivalence process (e.g. SREP, ICAAP, ILAAP);
- Further developing and implementing training plans to bolster our employees' skills and keep our teams highly motivated;
- Taking into account the deterioration of the country's economic and social situation, mainly due to the COVID-19 pandemic as well as the negative impacts of the military conflict in Ukraine, the upcoming year is expected to bring more challenges, and BCH will take containment measures and try to maintain the same level of profitability.

Proposed Appropriation of Profit

The profit, after tax, obtained in 2021, which amounts to 6,355,589 thousand kwanzas, will be applied as follows:

- 10% to Legal Reserves;
- The remainder will be transferred to Retained Earnings.

The Board of Directors

BCH Banco Comercial do Huambo

Financial Statements

Income Statement

Income Statement as at 31 December 2021 and 2020

(thousands of kwanzas)

	Notes	31.12.2021	31.12.2020
Interest and similar income	4	7 134 020	6 594 552
Interest expense and similar charges	4	(393 673)	(313 763)
Net Interest Income		**6 740 347**	**6 280 789**
Fee and commission income	5	1 117 548	1 555 464
Fee and commission expense	5	(252 573)	(509 578)
Income from foreign currency transactions	6	2 291 434	3 605 173
Gains from sale of other assets		-	3 779
Other operating income (expense)	7	(633 083)	(1 173 708)
Net operating income		**9 263 673**	**9 761 919**
Staff costs	8	(851 835)	(680 420)
Utilities and contracted services	9	(1 755 204)	(1 205 073)
Depreciations and amortizations for the year	16 e 17	(338 826)	(305 436)
Impairment losses on loans, net of reversals and recoveries	15	(139)	(51 651)
Impairment losses on other financial assets, net of reversals and recoveries	10, 11, 12 e 14	814 140	(1 058 764)
Profit before tax		**7 131 809**	**6 460 575**
Corporate income tax			
Current	18	(776 220)	(252 309)
Deferred	18	-	-
Net profit for the year		**6 355 589**	**6 208 266**
Average number of issued ordinary shares		10 000 000	10 000 000
Basic earnings per share (in kwanzas)	23	636	621
Diluted earnings per share (in kwanzas)	23	636	621

The accompanying notes are an integral part of these financial statements

BCH Banco Comercial do Huambo

Balance Sheet

Balance Sheet as at 31 December 2021 and 2020

(thousands of kwanzas)

	Notes	31.12.2021	31.12.2020
Assets			
Cash and deposits with central banks	10	4 372 809	5 718 579
Deposits with other banks	11	657 137	1 535 500
Loans and advances to central and other banks	12	17 356 320	928 857
Financial assets at fair value through other comprehensive income	13	43 656	43 656
Financial assets at amortised cost	14	29 971 601	37 515 649
Loans and advances to customers	15	2 099 633	847 969
Other tangible assets	16	748 201	1 012 714
Intangible assets	17	603 253	515 902
Deferred tax assets	18	6 015	6 015
Other assets	19	515 802	511 283
Total Assets		**56 374 427**	**48 636 124**
Liabilities			
Customer accounts and other borrowing	20	17 175 586	15 782 351
Provisions	21	21 917	21 917
Current tax liabilities	18	707 474	201 859
Other liabilities	22	1 145 431	1 661 567
Total Liabilities		**19 050 408**	**17 667 694**
Equity			
Share Capital	23	10 000 000	10 000 000
Other reserves and retained earnings	23	20 968 430	14 760 164
Net profit		6 355 589	6 208 266
Total Equity		**37 324 019**	**30 968 430**
Total Liabilities and Equity		**56 374 427**	**48 636 124**

The accompanying notes are an integral part of these financial statements

BCH Banco Comercial do Huambo

Statement of Comprehensive Income

Statements of income and other comprehensive income for the years ended 31 December 2021 and 2020

(thousands of kwanzas)

	Notes	31.12.2021	31.12.2020
Net profit for the year		6 355 589	6 208 266
Other comprehensive income		-	-
Separate comprehensive income for the year		**6 355 589**	**6 208 266**

The accompanying notes are an integral part of these financial statements

Statement of Changes in Equity

Statement of changes in equity for the years ended 31 December 2021 and 2020

(thousands of kwanzas)

	Notes	Share Capital	Other Reserves and Retained earnings				Net Profit (loss)	Total Equity
			Legal Reserve	Effect of Changes in Accounting Policies	Other Reserves and Retained Earnings	Total Other Reserves and Retained Earnings		
Balance as at 1 January 2020		10 000 000	1 549 790	(8 289)	6 054 674	7 596 175	7 163 989	24 760 164
Appropriation of net profit	23 and 24	-	716 399	-	6 447 590	7 163 989	(7 163 989)	-
Distribution of profit	23 and 24	-	-	-	-	-	-	-
Net profit	23 and 24	-	-	-	-	-	6 208 266	6 208 266
Other movements	23 and 24	-	-	-	-	-	-	-
Balance as at 31 December 2020		10 000 000	2 266 189	(8 289)	12 502 264	14 760 164	6 208 266	30 968 430
Balance as at 1 January 2021		10 000 000	2 266 189	(8 289)	12 502 264	14 760 164	6 208 266	30 968 430
Appropriation of net profit	23 and 24	-	620 827	-	5 587 439	6 208 266	(6 208 266)	-
Distribution of profit	23 and 24	-	-	-	-	-	-	-
Net profit	23 and 24	-	-	-	-	-	6 355 589	6 355 589
Other movements	23 and 24	-	-	-	-	-	-	-
Balance at 31 December 2021		10 000 000	2 887 016	(8 289)	18 089 703	20 968 430	6 355 589	37 324 019

The accompanying notes are an integral part of these financial statements

Cash flow Statement

Cash flow statement for the years ended December 2021 and 2020

(thousands of kwanzas)

	Notes	31.12.2021	31.12.2020
Cash flows from operating activities			
Interest and similar income received		6 565 618	5 572 561
Interest expense and similar charges paid		(338 282)	(193 900)
Fees and commissions received		1 111 994	1 555 958
Fees and commissions paid		(247 018)	(510 072)
Cash payments to staff and suppliers		(2 607 040)	(1 885 493)
		4 485 272	**4 539 054**
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		2 291 434	3 605 173
Loans and advances to banks		(16 171 603)	3 365 021
Deposits from banks		21 914	21 208
Loans and advances to customers		(1 261 492)	(822 855)
Customer deposits and other borrowings		1 418 836	(2 522 006)
Other operating assets and liabilities		(853 157)	(854 833)
Net cash from operating activities before corporate income tax		**(10 068 796)**	**7 330 762**
Corporate income tax paid		(270 605)	(1 120 252)
Net cash from operating activities		**(10 339 401)**	**6 210 510**
Cash flows from investing activities			
Financial assets at amortised cost		8 680 421	(7 747 939)
Sale of non-current assets held for sale		-	10 000
Purchase/sale of plant, property and equipment		(271 052)	(199 071)
Lease transactions		(294 101)	85 669
Net cash from investing activities		**8 115 268**	**(7 851 341)**
Cash flows from financing activities			
Dividends paid on ordinary shares		-	-
Net cash from financing activities		**-**	**-**
Net increase (decrease) in cash and cash equivalents		**(2 224 133)**	**(1 640 831)**
Cash and cash equivalents at beginning of year		**7 254 079**	**8 894 910**
Net increase (decrease) in cash and cash equivalents		(2 224 133)	(1 640 831)
Cash and cash equivalents at end of year		**5 029 946**	**7 254 079**
Cash and cash equivalents comprise:			
Cash and deposits with central banks	10	4 372 809	5 718 579
Deposits with other banks	11	657 137	1 535 500
Total		**5 029 946**	**7 254 079**

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1 – Introductory note

Banco Comercial do Huambo was incorporated by a public deed on 17 June 2009, hereinafter referred to as "Bank" or "BCH". The bank started its commercial activity on 16 July 2010.

As it is originally and in its essence a regional bank, with headquarters in the city of Huambo, and banking activity centred on supporting small and medium-sized companies while contributing to the socio-economic development of the region in which it is based, more recently and over the past few years the Bank has diversified its activity in an attempt to offer a wider range of products and services with greater added value to its customers, namely the more sophisticated ones and which is also more in line with the positioning of the Bank in the city of Luanda, the country's capital.

It is in this context that the Bank also supports, for example, its customers, in terms of technical assistance, from setting up a company to preparation of project feasibility study. This is an innovative service in the Angolan financial system, available at the Bank's branches in Huambo and Luanda.

Concerning the ownership structure and as mentioned in Note 23, the Bank is owned by Angolan shareholders, further details on which are provided in the same note.

2 – Accounting Policies

2.1 Bases of presentation

Under the provisions of Notice n. ° 6/2016 of June 22 of the BNA (National Bank of Angola), the Bank's financial statements are prepared on a going concern basis by using the Bank's accounting books and records and in compliance 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 2021 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 2021.

The accounting policies presented in this note were applied in a manner consistent with those used in the financial statements at 31 December 2020.

The financial statements are stated in thousands of kwanzas, rounded to the nearest thousand and were prepared in accordance with the historical cost principle, except for the assets recorded at fair value, namely financial assets held for trading, at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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.

The financial statements for the year ended 31 December 2021 were approved at the annual meeting of the Board of Directors on 22 April 2022.

2.2 Foreign 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 (functional currency) at the rate ruling on the date of the transaction.

Monetary assets and liabilities in foreign currency are translated into Kwanzas (functional currency) 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 average exchange rate ruling at the date the fair value is determined with fair value changes in profit or loss, except for financial assets at fair value through other comprehensive income, which difference is reported in equity.

The Bank's financial statements for the years ended 31 December 2021 and 2020 are expressed in Angolan kwanzas, and the assets and liabilities denominated in other currencies are translated into the national currency on the basis of the average indicative exchange rate published by the National Bank of Angola on those dates. At 31 December 2021 and 2020, the average exchange rates of the Angolan Kwanza (AOA) against the US dollar (USD) and the Euro (EUR) were as follows:

	2020	2021
USD	656.225	554.981
EUR	805.117	629.015

2.3 Financial instruments

The financial instruments are presented, classified and measured pursuant to the principles established in IAS 32 – Financial Instruments: Presentation and IFRS 9 – Financial Instruments.

The classification of financial assets is determined at initial recognition and reclassifications are expected to be very infrequent. A financial asset can only be reclassified if there is a change in the business model for managing financial assets and, therefore, this reclassification requires approval and updating of the accounting policy.

According to IFRS 9 – "Financial Instruments", financial assets can be classified into three categories with different measurement criteria– Amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL).

2.3.1 Investments in equity instruments

Investments in equity instruments are mandatorily measured at fair value, with value changes recognised in profit or loss, i.e. they are classified in FVTPL. Investments in equity instruments are considered to be held for trading when the entity intends to trade positions with a view to realizing a profit in the short term.

At initial recognition, an irrevocable election can be made however, on an instrument-by-instrument basis, to classify investments in equity instruments as FVOCI. This option is only applicable to instruments that are not held for trading and are not contingent consideration recognised by an acquirer in a business combination to which IFRS 3 – 'Business Combinations' applies.

With the application of the FVOCI election, fair value gains and losses on investments in equity instruments designated as FVOCI are recognized in other comprehensive income and can never be subsequently reclassified from equity to profit or loss (even when investments are derecognised). Dividends are recognized as income in profit or loss when the right to receive payment is established.

2.3.2 Debt instruments

The classification of debt instruments depends on the contractual cash flow characteristics and the business model for managing the debt instruments.

2.3.2.1 Solely payments of principal and interest on the principal amount outstanding (SPPI)

In the HTC and HTC and Sell business models, the classification and measurement of debt instruments also depends on the contractual cash flow features.

In this way, the Bank determines, for each financial asset, whether the expected contractual cash flows correspond, exclusively, to the payment of principal and interest on the principal outstanding, by carrying out SPPI tests.

2.3.2.2 Business model

Definition and documentation of the business model

The business model refers to how the Bank manages its financial assets in order to generate cash flows which according to IFRS 9 can be through the collection of contractual cash flows (Hold-to-Collect – HTC), a mixed model of both collecting contractual cash flows and selling when identifying market opportunities (HTC and Sell) or other business models (for example trading).

Measurement categories are applied according to the business model used for managing debt instruments – business model decision-making.

Business models do not depend on management's intentions for an individual instrument (i.e. this is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation (i.e. on a portfolio-by-portfolio basis). The institution may opt to have more than one business model for managing its debt instruments.

The assessment of the business model requires judgment based on facts and circumstances. Thus, both quantitative factors (frequency and expected value of sales) and qualitative factors (the purpose of acquiring the financial assets, the reasons for any sale, how performance is managed and how employees are remunerated, etc.) must be considered.

According to IFRS 9, the following business models can be identified:

- Business model the objective of which is achieved by holding the asset in order to collect contractual cash flows (Hold-to-Collect);
- Business model the objective of which is achieved by both collecting contractual cash flows and selling the asset (Hold-to-Collect and Sell);
- Other business models.

Hold-to-collect (HTC)

Financial assets included in an HTC model are managed in order to realise cash flows by collecting principal and interest payments over the life of the instruments. In this business model, sales are incidental to achieving the objective of the business model. It typically involves a lower level of sales compared to other business models, both in terms of frequency and volume.

Although the objective of the HTC business model is to hold financial assets in order to collect contractual cash flows, the entity does not need to hold all assets to maturity. A business model can be HTC even when some sales of financial assets occur or are expected to occur, provided that these sales are not significant.

In this way, the Bank has defined the following threshold limits for holding instruments under this category:

- 10% of the value of the portfolio is sold during the period.
- More than one monthly sale.

Hold-to-collect and sell (HTC & sell)

Both collecting contractual cash flows and selling are integral to achieving the business model's objective. For the HTC and Sell category, the business model is often to hold a portfolio of liquid assets in order to meet expected or unexpected commitments or to finance anticipated acquisitions. In this case, the classification of debt instruments does not focus on the business model itself but rather on the way these instruments are managed in order to meet the objectives of the business model.

A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets will typically involve a greater frequency and value of sales than a HTC business model. This is because selling financial assets is integral to achieving the business model's objective, rather than only incidental to it. However, there is no threshold for the frequency or number of sales that have to occur in this business model, as both forms are integral to achieving its objective.

Other business models

Other business models are those that do not fall into any of the categories described above.

Financial assets and liabilities are recognized in the Bank's balance sheet at their trading or contractual date, unless it is established in the contract or imposed by legal or regulatory regime that rights and obligations inherent to the transacted values are transferred at a different date, in which case this latter date becomes the relevant date.

Financial assets and liabilities are initially recognized at fair value plus transaction costs directly attributable to the acquisition or issue, except for assets and liabilities at fair value through profit or loss where transaction costs are immediately recognized in the income statement.

2.3.3 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 recognised in net interest income.

For the calculation of the effective interest rate the future cash flows are estimated considering all the contractual terms of the financial instrument. The calculation includes fees and commissions which are an integral part of the effective tax rate, such as opening fee, management fee, renewal fee, transaction costs and all discounts directly related to the transaction.

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 advances 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.

The classification and measurement of the Bank's financial assets under IFRS 9 results from the combination between the business model chosen for the management of these assets and the result from the tests carried out to assess compliance with SPPI (Solely Payments of Principal and Interest) criterion.

In that sense, the business model defined for the BCH's credit portfolio is Hold-to-Collect (HTC) and accordingly all loans and advances to customers will be classified as HTC and measured at amortised cost, except for when there is non-compliance with the SPPI criteria. When credit operations do not comply with the SPPI criteria, they must be classified into Fair Value through Profit or Loss (FVTPL).

2.3.3.1 Modification of customer credit exposures

Restructuring of a loan is any modification to the initial terms of a customer loan due to financial difficulties of the borrower, which results in modification of the rights and obligations of the parties.

The majority of loans undergoing restructuring due to financial difficulties of the borrower is subject to a minimum cure period of 12 months. In case of successive modifications, the cure period restarts at the date of the last restructuring.

If a new financial asset is recognised as a result of contractual modification of a financial asset, previously designated as restructured, it will keep this designation and the cure period is also restarted after at the date of the last restructuring.

2.3.3.2 Written-off loans

The writing-off of loans is performed when there is 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.

2.3.4 Determining the measurement method of financial assets

Financial assets are included for valuation purposes in one of the following categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

2.3.4.1 Financial assets at amortised cost

The portfolio of financial instruments at amortised cost contains financial assets which meet both of the following conditions:

- Business model: asset is held within a business model whose objective is to hold the instrument in order to collect contractual cash flows (HTC); and
- Meet the SPPI criterion: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Initial recognition

Financial instruments designated at amortized cost are, upon initial recognition, recorded at fair value plus any transaction cost directly attributable to their acquisition or issue. The initial fair value of a financial asset or liability designated at amortized cost is normally the transaction price provided the asset does not bear a below-market interest rate (IFRS 13 – Fair value management and disclosure).

Subsequent measurement

Income and expense arising from financial instruments at amortised cost are recognised according to the following criteria:

- Interest income is recognised in the income statement, by applying the effective interest rate of the transaction to the gross carrying amount of the transaction (except for credit impaired assets in which the interest rate is applied to the carrying amount net of impairment allowance);
- Other changes in value will be recognised as income or expense when the financial instrument is derecognised from the balance sheet, when it is reclassified, and in the case of financial assets, when there are impairment losses or recovery gains. Debt instruments issued in national currency indexed to the US dollar and those indexed to the Consumer Price Index are subject to revaluation of the nominal value of the security according to the variation of the respective indexes. Thus, the result of the referred revaluation of the security is reflected in the income statement of the year in which it takes place under the item "Results from foreign exchange".
- Foreign exchange gains and losses are also recognized in profit or loss under "Results from foreign exchange". In the subsequent measurement, the instruments are subject to impairment (recognized in the income statement under "Impairment losses on loans, net of reversals and recoveries).

2.3.4.2 Financial assets at fair value through other comprehensive income

The portfolio of financial instruments at fair value through other comprehensive income contains financial assets that meet both of the following conditions:

- Business model: if the debt instrument is held within a business model whose objective is to collect contractual cash flows and eventually profit from its sale (HTC and Sell); and
- Meet the SPPI criterion: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Initial recognition

Financial assets at FVOCI are, at initial recognition, recorded at fair value plus transaction costs in accordance with IFRS 13 – 'Fair value measurement and disclosure'.

Subsequent measurement

The subsequent measurement requirements for assets measured at FVOCI arise from the application of IFRS 13.

Income and expenses of financial instruments at fair value through other comprehensive income are recognized in accordance with the following criteria:

- Gains and losses on debt instruments classified as at FVOCI resulting from changes in their fair value are recognized in other comprehensive income, and on disposal cumulative gains and losses in other comprehensive income are reclassified to profit or loss under "Net gains (losses) arising on financial assets at fair value through other comprehensive income";
- Interest income is recorded in the income statement under "Interest and similar income". For interest income, the procedure is the same as for assets at amortised cost using the effective interest rate method;
- Foreign exchange differences are recognized in profit or loss for monetary financial assets, and in other comprehensive income for non-monetary financial assets;
- For debt instruments, impairment losses or reversals are recognized under the item "Net gains (losses) arising on financial assets at fair value through other comprehensive income" or "impairment of other financial assets" in the income statement;
- The remaining changes in value are recognized in other comprehensive income.

With respect to debt securities, when the asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss under "Net gains (losses) on financial assets at fair value through other comprehensive income".

2.3.4.3 Financial assets mandatorily accounted for at fair value through profit or loss

All financial assets that are not measured in accordance with the previously defined criteria, at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. For example, if an asset is not held within an HTC or HTC and Sell business model, then the asset is classified as FVTPL.

The portfolio of financial instruments that are mandatorily accounted for at fair value through profit or loss contains all instruments within a HTC or HTC and Sell business model for which the SPPI criterion referred to above is not met.

Initial recognition

Financial assets at FVTPL are, at initial recognition, recorded at fair value in accordance with IFRS 13 – 'Fair value measurement and disclosure'.

Subsequent measurement

The subsequent measurement requirements for assets measured at FVTPL arise from the application of IFRS 13.

Income and expense of financial instruments at fair value through profit or loss are recognised according to the following criteria:

- Changes in fair value are recorded directly in the income statement by separating the part attributable to income from the instrument, which is recorded as interest income, from the remaining part which is recorded as net gains (losses) on assets and liabilities measured at fair value through profit or loss.
- Interest on debt instruments is calculated using the effective rate method.

As at 31 December 2021 and 2020, the bank does not hold any financial asset at fair value through profit or loss.

2.3.5 Impairment of financial assets

The impairment model developed in accordance with IFRS 9 is applicable to the following financial assets:

- All financial assets measured at amortised cost (including lease contracts in which the Bank acts as a lessor – IFRS 16 – Leases);
- Debt instruments measured at fair value through other comprehensive income (FVOCI);
- Documentary credits and guarantees provided; and
- Contract assets as referred to in IFRS 15 – 'Revenue from Contracts with Customers', for the cases which this standard refers to be accounted for according to IFRS 9.

The Bank's policy is to apply an impairment model that should be applied to all financial instruments represented by debt instruments. Identified impairment losses are recognised in the income statement and are subsequently reversed through profit or loss if there is a reduction in the amount of the expected loss in a subsequent year.

Financial assets are subject to impairment tests on a monthly basis in accordance with the requirements of IFRS 9 – Financial Instruments. This standard determines that a financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the expected future cash flows of the financial asset.

The impairment model determined in accordance with IFRS 9 is the ECL (Expected Credit Losses) model which considers expected losses over the life of the financial assets. Thus, in determining the ECL, macroeconomic factors are taken into account, changes in which impact the expected losses.

In the expected loss model, assets subject to impairment calculation must be categorized into one of the following categories (stages), depending on the change in credit risk since the initial recognition of the asset:

- Stage 1 – Assets are classified in Stage 1 on initial recognition and as long as there is not a significant increase in credit risk since initial recognition. For these assets 12-month expected credit losses are recognised, 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 recognised for these assets.
- Stage 3 – Assets in default are classified in this category with impairment allowance based on lifetime ECL. IFRS 9 – "Financial instruments" does not define the term "default", however, the Bank applies the criterion of more than 90 days past due. In relation to stage 2, the difference is the way the effective interest rate is recognized which should be on net carrying amount (gross carrying amount in stage 2).

The classification into Stage 2 is based on the observation of a significant increase in credit risk (SICR) since initial recognition. The SICR is identified through qualitative criteria such as payments being more than 30 days past due, restructured loans due to financial difficulties.

Depending on the classification of operation's stage, credit losses are estimated according to the following criteria:

- 12-month expected credit losses: expected loss that results from a default event occurring within 12 months after the reporting date, applied for operations in stage 1;
- Lifetime expected credit losses: expected credit losses that result from default events over the expected life of the instrument, applied for operations in stage 2; and
- Expected credit losses for credit-impaired instruments: expected credit loss obtained through the difference between the contractual cash flows of the credit-impaired instrument and the cash flows that the entity expects to receive prior to contractual maturity, applied for operations in stage 3.

Expected credit losses are a probability-weighted estimate of the present value of cash shortfalls, resulting from a default event over a given time horizon and are the difference between the contractual cash-flows and the expected cash-flows from financial assets. This estimate is an unbiased, weighted average, determined by evaluating a range of possible outcomes. Expected losses are discounted to the reporting date using the effective interest rate.

The calculation of ECL is based on reasonable, reliable and supportable information that is available, without undue cost or effort, about past events and current conditions, but should also consider forecasts of future conditions.

The impairment calculation of IFRS 9 is complex and requires management decisions, estimates and assumptions, particularly in the assessment of the existence of a significant increase in risk from initial recognition.

Instruments with low credit risk

A financial instrument has low credit risk if the borrower has a low probability of defaulting, has a strong capacity to meet its contractual obligations in the near term, and if adverse changes in economic and business conditions in the longer term may reduce the ability of the customer to fulfil its contractual cash flow obligations. Financial instruments are not considered to have low credit risk when they are regarded as having a low risk of loss simply because of the value of the collateral and the financial instrument without that collateral would not be considered low credit risk.

To determine whether a financial instrument has low credit risk, the Bank uses its internal credit risk ratings. These instruments should be considered as having low credit risk, by taking into account all terms and conditions of the financial instrument and not just its internal or external risk rating.

POCI Assets (Purchased or Originated Credit Impaired)

POCI assets are assets that are credit-impaired on initial recognition which can be originated according to one of the following criteria:

(i) New financial assets originated from modification of contractual conditions which result in derecognition of the original asset and recognition of a new asset; and

(ii) New contracts of defaulting customers. The ECL calculation for assets classified as POCI is based on the following principles:

These financial assets are initially recognised at fair value, and the corresponding effective interest rate is determined by reference to its expected future cash flows and not its contractual cash flows. The resulting effective interest rate is, therefore, credit-adjusted effective interest rate.

All changes in the expected cash flows of these financial assets, subsequent to their initial recognition, are treated as changes in the impairment losses on the assets.

In the years 2021 and 2020 there were no assets classified as POCI.

The Bank calculates impairment losses either by individual assessment of loans or by collective assessment of homogeneous groups of loans.

2.3.5.1 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 institution's own funds
Customers/economic groups for which there is not objective evidence of impairment	0.5% of the institution's own funds

The overall amount of exposure of each customer/economic group does not take into account conversion factors for off-balance sheet exposures [CCF].

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. For loans with a variable interest rate, the used discount rate is the annual effective interest rate, applicable for the year in which the impairment was determined.

Evidence that a financial asset is credit-impaired include observable data about the following events:

a. Significant financial difficulty of the issuer or borrower;

b. A breach of contract, such as a default or past-due event;

c. The lenders for economic or contractual reasons relating to the borrower's financial difficulty granting the borrower a concession that would not otherwise be considered;

d. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

e. The disappearance of an active market for the financial asset because of financial difficulties; or;

f. The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

2.3.5.2 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 assessment allows the Bank to recognise losses which in individual assessment would only have been identified in future periods.

Impairment losses based on the collective assessment are calculated through homogeneous groups of loans that are considered individually insignificant. 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; and
- 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.

Loan portfolio segmentation for collective assessment

Pursuant to IFRS 9, individually insignificant loans are included in homogeneous groups of loans 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 (homogeneous populations) and risk buckets. Customers/operations are classified at each time point according to these two vectors, which are the basis for subsequent estimation of credit risk parameters by segment.

For the purpose of defining homogeneous populations, within the scope of the estimation of risk parameters, some characteristics of credit operations were considered as relevant segmentation factors, such as the type of customer and the type of product.

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	Segment
Individual customers	Overdrafts – individuals
	Consumer credit
	Mortgages
	Personal loans
	Employees
Corporate customers	Current accounts
	Overdrafts – companies
	Corporate loans
	Guarantees given and CDI

In the financial asset portfolio, impairments are determined by assigning:

- A probability of default (PD) which derives from the credit rating of the issuer or the counterparty, respectively and:
- Loss given default (LGD) which results from market parameters.

2.3.5.3 Collateral Assessment Process

Collateral valuation 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 identified type of collateral or guarantee 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 valuation of 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.

Within the scope of the impairment model, the Bank defined a set of guarantees that can back up the credit operations, meanwhile, contracted.

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 its management.

2.4 Financial Liability

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.

Financial liabilities that are held for trading are subsequently measured at fair value through profit or loss.

Financial guarantees are contracts that oblige the Bank to make specific payments in order to reimburse the holder for a loss it incurred as a result of a debtor failing to make a payment. Financial guarantees are subsequently measured at the higher of the corresponding expected credit losses and the amount of the initial commission received less the amounts already recognized as revenue in line with the provisions of IFRS 15.

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.

2.6 Other Tangible Assets

Recognition and measurement

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

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, under "General Administrative Expenses".

Depreciation

Land is not depreciated. Depreciation is calculated using the straight-line method over the useful life of the item of property and equipment, which corresponds to the period that the asset is expected to be available for use, according to the following expected useful life periods:

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

Depreciation of the remaining assets is recorded in costs for the year.

IAS 36- Impairment of assets requires that its recoverable amount is calculated and an impairment loss should be recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised 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 capitalised, as well as the additional expenses incurred by the Bank necessary for its implementation. These costs are amortised on a straight-line basis over the estimated useful life, which is normally 5 years.

Expenditure on internally developed software, which is expected to generate future economic benefits beyond one financial year, is recognised and recorded as intangible assets.

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.

In order for an asset (or a group of assets and liabilities) to be classified under this heading, the following requirements must be met:

- The sale is highly probable;
- The asset is available for immediate sale; and,
- It should be expected that the sale will take place up to 12 months after the asset's classification under this heading. The assets in this item are not amortised and are measured at the lower of carrying amount and fair value less costs to sell. The fair value of these assets is determined on the basis of expert assessments. If the carrying amount is greater than the fair value less costs to sell, impairment losses are recognised under "Impairment of other assets net of reversals and recoveries".

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 remaining assets and liabilities included in the disposal groups are, after their classification, measured in accordance with the applicable IFRS.

An extension of the period during which the sale is required to be completed does not exclude an asset from being classified as held for sale, if the delay is caused by events and circumstances beyond the control of the Bank and there is sufficient evidence that the Bank continues committed to its plan to sell the asset. Furthermore, under the current legislation of the National Bank of Angola, BCH after 12 months from recognising the asset as "Non-current asset held for sale" asks the BNA for a permission to continue recognition under this item and reports on the efforts made towards its sale. If consequently the BNA does not grant permission, the BCH will transfer the asset from "Non-current assets held for sale" to "Other Assets" at the same carrying amount, continuing the efforts towards its sale.

2.9 Leases

At the beginning of a contract, the Bank determines whether an arrangement is, or contains, a lease. A lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a certain period of time, in exchange for consideration. To assess whether an arrangement conveys the right to control the use of an identified asset, the Bank assesses whether:

- The arrangement involves the use of an identified asset – the asset can be identified either explicitly or implicitly and must be physically distinct or represent substantially all of the capacity of an asset that is not physically distinct. Even if an asset is specified, the Bank would not have the right to use an identified asset if the supplier has a substantive right to substitute the asset throughout the period of use;
- The Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset, throughout the period of use; and
- The Bank has the right to direct the use of the identified asset. The Bank has that right when it has the most relevant decision-making rights to changing how and for what purpose the asset is used throughout the period of use. When decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if:
    - The bank has the right to operate the identified asset (or to instruct others to operate the asset in a way it determines) without the supplier having the right to change those operating instructions; or
    - The Bank has designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Bank applied IFRS 16 to contracts entered into or amended on or after 1 January 2019.

At the inception or upon a reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each component of the lease on the basis of its stand-alone price. However, for the leases of buildings, ATMs and equipment in which it is a lessee, the Bank chose not to separate the non-lease components and account for the lease and non-lease components as a single component.

2.9.1 As lessee

The Bank recognizes the right-of-use asset and the lease liability at the inception date of the lease. The right-of-use asset is initially measured at cost which comprises the amount equal to the lease liability at its initial recognition, adjusted for all lease payments made at or before inception date (less any lease incentives received), plus any initial direct costs incurred and an estimate of costs for dismantling and removing the underlying asset, restoring the underlying asset or restoring the site on which it is located.

Subsequently, the right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The estimated useful life of the right-of-use assets is determined according to the same principles of the tangible assets. Additionally, the right-of-use asset is periodically reduced due to impairment losses, if any, and adjusted for any remeasurement of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Bank's incremental borrowing rate shall be used. As a rule, the Bank uses its incremental borrowing rate as a discount rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset over the lease term which have not been made on that date:

- Fixed payments (including in-substance fixed payments), less any lease incentives;
- Variable payments which depend on an index or a rate, initially measured using the index or rate as at the inception date;
- Amounts which are expected to be paid as residual value guarantees;
- The exercise price of a purchase option, if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising an option to terminate the lease.

Lease liabilities are measured on an amortised cost basis using an effective interest method. The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or a rate, there is a change in the amounts the Bank expected to be payable under a residual value guarantee, or whenever the Bank changes its assessment about exercising or not a purchase option, an option to terminate or extend the lease.

Whenever the lease liability is remeasured, the Bank recognizes the remeasurement amount of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Bank recognises such reduction in profit & loss.

The Bank records right-of-use assets that do not correspond to the definition of investment property in "Other Tangible Assets" and the lease liabilities in "Other Liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets

The standard permits the lessee not to recognise right-of-use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low-value assets, with payments associated with these leases recognised as an expense on a straight-line basis over the lease term.

The Bank elected to apply the recognition exemption defined in IFRS 16 to right-of-use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low value assets. In that way, the Bank recognizes the expenses associated with these contracts directly in "General administrative expenses" in the Income Statement.

2.9.2 As lessor

When the Bank acts as a lessor, at the inception of the lease it determines whether it should be classified as an operating lease or a finance lease.

In order to classify each lease, the Bank performs an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If the lease transfers substantially all the risks and rewards of ownership of the underlying asset, it is classified as finance lease; otherwise, as operating lease. As part of this assessment, the Bank considers some indicators such as whether the lease term is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in a head lease and a sublease separately. The sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the original lease is a short-term lease to which the Bank applies recognition exemption described above, the Bank classifies the sublease as an operating lease.

If a contract contains both lease and non-lease components, the Bank shall apply IFRS 15 to allocate the consideration provided for in the contract.

The Bank recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "General administrative expenses".

2.10 Corporate Income Tax

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.

Tax returns are subject to review and correction by the tax authorities for a period of 10 years, which may result in possible corrections to the taxable income for the years 2014 to 2021.

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.

Investment Income Tax

The Presidential Legislative Decree No. 5/11, of 30 December introduced several legislative changes to the Investment Income Tax Code, following the tax reform currently under way.

Investment 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% can be applied. Pursuant to para 1(a) of article 47, the income subject to IIT will be deducted from the taxable corporate income.

Notwithstanding the foregoing, with regard 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.

We also notice 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 IIT.

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 recognised 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 recognised when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (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 realise 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.

2.11 Employee benefits

I. Defined contribution plans

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

In 2020 and 2021, the Bank does not have defined benefit plans.

II. Short-term employee benefits

Short-term employee benefits are recorded as a cost once the associated service has been provided. A liability is recognised 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.

2.12 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-weighted 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 obligations extinguish.

2.13 Recognition of interest

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 financial assets at fair value through other comprehensive income is also recognised in net interest income as is interest on financial assets and liabilities at fair value through profit or 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.

2.14 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.

2.15 Recognition of fee and commission income

Fee and commission income includes fees and commissions not included in the effective interest rate of financial assets. This income includes, among others, commissions charged in relation to loan instalments, commissions related to non-use of credit lines and commissions related to availability of means of payment and cards.

This income is recognized in accordance with the provisions of IFRS 15 – Revenue from contracts with customers. The price associated with these transactions is generally fixed and does not have a significant financing component. The corresponding revenue is recognized when control over the services provided is transferred to customers which normally happens when the amounts in question are charged to customers.

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

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 compulsory deposits with Central Banks.

2.17 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary 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 judgements 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 recognised 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.

The Bank considers that the impairment determined based on the methodology described in Note 2 makes it possible to adequately reflect the risk associated with its customer loan portfolio, taking into account the rules defined by IFRS 9.

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 10 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 impact on the amounts recognised in the financial statements.

3.3 Leases

The application of IFRS 16 requirements demands a number of judgements which may have material impact on the financial statements. In particular, the carrying amount of right-of-use assets and lease liabilities is largely dependent on the estimate corresponding to the lease term and, more specifically, the number of renewals of the respective contracts.

4 – Net interest income

This item is comprised according to the table below:

(thousands of kwanzas)

	31.12.2021			31.12.2020		
	From assets/ liabilities at amortised cost	From assets/ liabilities at fair value through profit or loss	Total	From assets/ liabilities at amortised cost	From assets/ liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest from loans and advances to customers	230 246		230 246	292 951		292 951
Interests from deposits with and loans and advances to banks	1 476 076		1 476 076	108 247		108 247
Interest from financial assets at amortised cost	5 427 698		5 427 698	6 193 354		6 193 354
	7 134 020	**-**	**7 134 020**	**6 594 552**	**-**	**6 594 552**
Interest expense and similar charges						
Interest on customer deposits and deposits from Central banks	313 237		313 237	214 863		214 863
Interest on leases	80 436		80 436	98 900		98 900
	393 673	**-**	**393 673**	**313 763**	**-**	**313 763**
Net interest income	**6 740 347**	**-**	**6 740 347**	**6 280 789**	**-**	**6 280 789**

The captions "Interest and similar income" and "Interest and similar expense" result from the application of the effective interest method.

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

The caption "Financial assets at amortised cost" refers to interest on public debt securities, namely treasury bonds and treasury bills. Income from public debt securities, obtained from treasury bonds and treasury bills, issued by the Angolan government, is subject to taxation of investment income and capital gains (IIT) and is deducted from the taxable income amount.

The caption "deposits from banks and customer accounts" refers to mainly interest paid to customers on the funds deposited with the Bank. This line item shows a cost of AOA 313,237,000 in the financial year of 2021 (31 December 2020: AOA 214,863,000), which is higher than last year due to the increase in interest paid on term deposits and in volume of customer resources throughout, which reflects the pattern verified in this portfolio.

The increase in net interest income is mainly due to interest generated by treasury bills during 2021.

5 – Net fee and commission income

The amount in this line item is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Fee and commission income		
Banking Services rendered	1 117 548	1 555 464
Fee and commission expense		
Commissions charged to customers	252 573	509 578
	864 975	**1 045 886**

And the breakdown of commission per type is as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Fee and commission income		
Commisions on sale of banknotes	9	45
Commissions on bank transfers	601 936	793 183
Commissions on Loan Approval	88 514	266 132
Money Transfers – Moneygram	7 222	24 640
Comissions on guarantees and collaterral	47 694	76 138
Comissions on credit facility arrangement	10 086	1 473
Commissions on standard services (cards, clearing)	52 911	138 813
Other commissions	309 176	255 040
	1 117 548	1 555 464
Fee and commission expense		
Costs of importing banknotes	-	7 248
Fees for automated clearing	52 997	44 625
Commissions for wealth management	4 982	840
Commissions for payment processing	20	92
Commissions on fund availability	192 086	267 298
Charges for other services provided by third-parties	2 488	189 475
	252 573	509 578
	864 975	**1 045 886**

The reduction in the final amount of this item results mainly from the decrease in the fees and commissions receivable within the scope of transfer operations, as well as from reduction in fees charged for mortgage loans as there was a decrease in this activity during the year of 2021.

6 – Income from foreign currency transactions

The amount in this line is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Income from foreign currency transactions		
Foreign Currency Transactions	2 234 092	3 500 613
Foreign Currency Revaluation	57 342	104 560
	2 291 434	**3 605 173**

The caption "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 operating income

The amount in this line is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Fines applied by regulatory entities	(43 745)	(114 588)
Direct and indirect taxes	(504 592)	(623 043)
Other operating expenses	(116 893)	(264 758)
Other operating income	32 147	(171 319)
	(633 083)	**(1 173 708)**

The caption "Direct & Indirect Tax" includes the amount of AOA 498,171,000 (31 December 2020: AOA 563,047,000) related to taxation of investment income and capital gains (IIT).

The line item "Other operating expenses" includes donations and sponsorships, cancellations of interest on subsidized loans charged in excess and settlement of borrowing operations in the amount of AOA 500,000.

8 – Payroll

The amount in this line item is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Members of management and supervisory boards		
Remunerations	185 418	150 097
Holiday allowances and Benefits for Christmas	35 000	29 000
Other allowances	52 524	42 624
Other remunerations and costs	76 890	70 560
	349 832	292 281
Employees		
Remunerations	366 765	278 771
Holiday and Christmas allowances	43 057	40 888
Other allowances	24 670	16 346
	434 492	336 005
Other staff costs		
Social security costs	62 957	51 828
Insurance against accidents at work	4 554	306
	67 511	52 134
	851 835	**680 420**

As at 31 December 2021 and 2020, 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 2021 and 2020 refer in their total to remuneration and other short-term benefits.

Remuneration of the members of the management and supervisory bodies are as follows:

(thousands of kwanzas)

	31.12.2021			31.12.2020		
	Board of Directors	Audit Committee	Total	Board of Directors	Audit Committee	Total
Remunerations and short-term benefits	19 952	1 696	21 648	16 627	1 951	18 578
Variable remunerations	-	-	-	-	-	-
Total	**19 952**	**1 696**	**21 648**	**16 627**	**1 951**	**18 578**

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

	31.12.2021		31.12.2020	
	Average for the year	Final for the year	Averag for the year	Final for the year
Administration	3	3	3	3
Management	2	2	1	1
Head of Department	-	-	1	1
Administrative area	34	35	33	34
Commercial area	27	24	27	27
	66	**64**	**65**	**66**

9 – Utilities and contracted services

The amount in this line item is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Consulting	1 242 687	852 198
Leasing and rentals	12 755	12 554
Security, conservation and repair	252 533	142 537
Communications	103 285	59 387
Materials	46 703	39 648
Transport, travel and accommodation	760	7 266
Water, energy and fuel	3 544	6 478
Insurances	84 966	82 064
Publications, advertising and publicity	7 882	1 911
Other utilities	89	1 030
	1 755 204	**1 205 073**

In 2021, the variation in the balance of the item "Utilities and Contracted Services" results mainly from increase in the balances of the items "Consulting and audit" and "Insurances".

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

As at 31 December 2021, the line item "Rental and leasing" corresponds to short-term leases not included in the measurement of the lease liability, as described in accounting policy 2.9.1.

10 – Cash and deposits with Central Banks

The total amount in this line item is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Cash		
Banknotes in agencies	872 354	663 102
Banknotes in ATM	139 090	152 316
	1 011 444	815 418
Deposits with Central Banks		
National Bank of Angola	3 242 565	4 263 305
	3 242 565	4 263 305
Checks to collect		
Checks to collect	118 800	643 500
	118 800	643 500
Impairment losses		
Checks to collect	-	(3 644)
	-	(3 644)
	4 372 809	**5 718 579**

The line item "Deposits with Central Banks" includes compulsory deposits on accounts with the National Bank of Angola, which purpose is to meet the minimum reserve requirements. It is important to point out that they are non-interest bearing.

As at 31 December 2021 and 2020, here below is a breakdown of the minimum reserves held in current accounts with the National Bank of Angola:

(thousands of kwanzas)

	31.12.2021			31.12.2020		
	USD	EUR	AOA	USD	EUR	AOA
Mandatory reserves						
Kwanzas	-	-	1 892 863	-	-	1 667 736
U.S. dollars	789 698	-	503 760	791 198	-	514 208
Euros	-	250 000	187 420	-	250 000	199 182
	789 698	250 000	2 584 042	791 198	250 000	2 381 126
Free reserves	-	-	658 522	-	-	1 882 179
			3 242 565			**4 263 305**

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

The movements occurred in the impairment losses shown as an adjustment to the asset amount, were as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Opening balance	(3 644)	-
Charges net of reversals	3 644	(3 644)
Utilizations and other movements	-	-
Closing balance	**(0)**	**(3 644)**

All exposures related to Deposits with central banks are in Stage 1.

On 4 June 2010, Regulation nº 3/2010 of BNA came into force, and determined that the mandatory reserves must be made in two currencies – AOA for the accounts in kwanzas which comprise the reserve base and USD for the accounts in foreign currency which comprise the reserve base.

In 2016, the BNA issued Instruction nº 2/2016 which establishes that the reserves in national currency must be 30%, except for Local Government deposits which are subject to 50% and Central Government deposits subject to 75%. The coefficient of required 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.

11 – Deposits with other banks

The balance of the line item "Deposits with other banks" is comprised in terms of its nature, as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Cash and deposits with other banks abroad	624 305	1 459 353
Pending operations and settlement	33 130	76 409
	657 435	1 535 763
Impairment losses		
Cash and deposits with other banks abroad	(298)	(263)
	657 137	**1 535 500**

At 31 December 2021 and 2020, the line item "Deposits with other banks abroad" includes 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.

The movements occurred in the impairment losses shown as an adjustment to the asset amount, were as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Opening balance	(263)	-
Charges net of reversals	(35)	(263)
Utilizations and other movements	-	-
Closing balance	**(298)**	**(263)**

All exposures related to Deposits with other banks are in Stage 1.

12 – Loans and advances to central and other banks

The breakdown of this item as at 31 December 2021 and 2020 is as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Loans and advances to banks abroad		
Short-term loans and advances	165 673	195 558
Operations with resale agreement	17 212 800	733 293
Interest receivable	35	41
	17 378 507	**928 893**
Impairment losses	(22 188)	(35)
	17 356 320	**928 857**

These loans and advances were constituted as collateral for the issuance of documentary credits at the correspondent banks.

The operations with repurchase agreement refer to repos involving Angolan public debt securities, expressed in national currency, with a maturity of up to 3 months.

The breakdown of loans and advances to central and other banks by maturity as at 31 December 2021 and 2020 is as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Up to 3 months	17 212 835	928 857
From 3 months to one year	143 485	-
	17 356 320	**928 857**

The changes occurred in impairment losses shown as an adjustment to the asset amount were as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Opening balance	(35)	-
Charges net of reversals	(22 153)	(35)
Utilizations and other movements	-	-
Closing balance	**(22 188)**	**(35)**

All exposures related to loans and advances to other banks are in Stage 1.

13 – Financial assets at fair value through other comprehensive income

This item, as at 31December 2021 and 2020 is analysed as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Shares	43 656	43 656
	43 656	**43 656**

As at 31 December 2021 and 2020, 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, in which 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.

The analysis of the financial assets at fair value through other comprehensive income, per levels of valorisation, as at 31 December 2021 and 2020, is presented as follows:

(thousands of kwanzas)

	Level 1	Level 2	Level 3	Total
Shares	-	-	43 656	43 656
Balance as at 31 December 2021	**-**	**-**	**43 656**	**43 656**
Shares	-	-	43 656	43 656
Balance as at 31 December 2020	**-**	**-**	**43 656**	**43 656**

Pursuant to the provisions of IFRS 13, the financial instruments are measured according to the valorisation levels described in Note 28.

14 – Financial assets at amortised cost

This item, as at 31 December 2021 and 2020 is analysed as follow:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Bonds and other fixed income securities		
From public issuers		
Treasury Bills	23 219 295	35 459 722
Treasury Bonds in national currency	6 340 428	2 357 209
Treasury Bonds in foreign currency	662 588	782 113
	30 222 311	**38 599 044**
Impairment		
Treasury Bills	(183 343)	(921 933)
Treasury Bonds in national currency	(67 367)	(106 033)
Treasury Bonds in foreign currency	-	(55 429)
	(250 710)	**(1 083 395)**
	29 971 601	**37 515 649**

The fair value of the portfolio of financial assets at amortised cost is presented in Note 28, under the disclosure requirements defined in IFRS 7 and 13.

The distribution of investments at amortised cost by 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	7 037 919	14 337 586	1 660 448	-	23 035 952
Treasury Bonds in national currency	-	-	6 273 061	-	6 273 061
Treasury Bonds in foreign currency	-	-	1 880	660 708	662 588
From private issuers					
Securities issued by other resident entities	-	-	-	-	-
Balance as at 31 December 2021	**7 037 919**	**14 337 586**	**7 935 389**	**660 708**	**29 971 601**
From public issuers					
Treasury Bills	6 223 939	26 797 711	1 516 139	-	34 537 789
Treasury Bonds in national currency	-	-	2 251 176	-	2 251 176
Treasury Bonds in foreign currency	-	-	2 220	724 464	726 684
From private issuers					-
Securities issued by other resident entities	-	-	-	-	-
Balance as at 31 December 2020	**6 223 939**	**26 797 711**	**3 769 535**	**724 464**	**37 515 649**

The movements in impairment losses on investments shown as an adjustment to the asset amount were as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Opening balance	(1 083 395)	(28 572)
Charges net of reversals	832 685	(1 054 823)
Utilizations and other movements	-	-
Closing balance	**(250 710)**	**(1 083 395)**

All exposures related to financial assets at amortised cost are in Stage 1.

15 — Loans and advances to customers

This item, as at 31 December 2021 and 2020 is analysed as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Internal loans		
To companies		
Loans	1 858 560	666 419
Short-term loans	61 905	518
Overdrafts	13 674	-
	1 934 139	**666 937**
To individuals		
Loans	166 829	182 060
Overdrafts	107	781
	166 936	**182 841**
	2 101 075	**849 778**
Past-due loans		
Up to 3 months	513	7
	513	**7**
	2 101 588	**849 785**
Accumulated impairment losses	(1 955)	(1 816)
	2 099 633	**847 969**

As at 31 December 2021 there were no loans and advances to customers being restructured due to financial difficulties.

As at 31 December 2021 and 2020, the composition of the loan portfolio by residual maturity is as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Up to 3 months	949 640	3 027
From three months to one year	1 054	-
From one to five years	1 004 027	712 790
Over five years	146 354	133 961
Undetermined	513	7
	2 101 588	**849 785**

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

The movements in impairment losses on loans and advances to customers shown as an adjustment to the asset amount were as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Opening balance	1 816	2 015
Charges net of reversals	139	51 651
Utilizations and other movements	-	(51 850)
Closing balance	**1 955**	**1 816**

All credit exposures are in Stage 1.

Distribution of past-due customer loans by type of rate is as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Fixed rate	1 873 133	679 565
Floating rate	228 455	170 220
	2 101 588	**849 785**

As at 31 December 2021 and 2020, total loans and impairment per segment and per type is as follows:

(thousands of kwanzas)

Segment	Exposure 2021					Impairment 2021		
	Performing loans	Non-performing loans	Guarantees provided	Total exposure	Relative weight	Performing loans	Non-performing loans	Total impairment
Public sector								
Companies	**1 934 139**	**35**	**22 209**	**1 956 383**	**92%**	**184**	**-**	**184**
Current accounts	61 905	-	-	61 905	**3%**	13	-	**13**
Overdrafts	13 674	35	-	13 709	**1%**	2	-	**2**
Loans	1 858 560	-	-	1 858 560	**88%**	169	-	**169**
Guarantees provided and CDI	-	-	22 209	22 209	**1%**	-	-	**-**
Individuals	**166 936**	**478**	**-**	**167 414**	**8%**	**1 699**	**72**	**1 771**
Overdrafts	107	370	-	477	**0%**	15	-	**15**
Loans	135 668	10	-	135 678	**6%**	312	72	**384**
Employee	31 161	98	-	31 259	**1%**	1 372	-	**1 372**
Total	**2 101 075**	**513**	**22 209**	**2 123 797**	**100%**	**1 883**	**72**	**1 955**

(thousands of kwanzas)

Segment	Exposure 2020					Impairment 2020		
	Performing loans	Non-performing loans	Guarantees provided	Total exposure	Relative weight	Performing loans	Non-performing loans	Total impairment
Public sector								
Companies	**666 937**	**-**	**776 575**	**1 443 512**	**89%**	**-**	**-**	**-**
Current accounts	518	-	-	518	0%	-	-	**-**
Overdrafts	-	-	-	-	0%	-	-	**-**
Loans	666 419	-	-	666 419	41%	-	-	**-**
Guarantees provided and CDI	-	-	776 575	776 575	48%	-	-	**-**
Individuals	**182 841**	**7**	**-**	**182 848**	**11%**	**1 816**	**-**	**1 816**
Overdrafts	781	-	-	781	0%	-	-	-
Loans	140 977	7	-	140 984	9%	444	-	444
Employee	41 083	-	-	41 083	3%	1 372	-	1 372
Other	-	-	-	-	0%	-	-	-
Total	**849 778**	**7**	**776 575**	**1 626 360**	**100%**	**1 816**	**-**	**1 816**

As at 31 December 2021, total loan and impairment per year of lending to Individuals and Companies is the following:

(thousands of kwanzas)

Segment	2018 and previous			2019			2020			2021			Total		
	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated
Companies															
Current accounts	3	1 268 404	-	-	-	-	1	518	-	3	61 905	13	7	1 330 827	13
Overdrafts	34	220	-	-	-	-	-	-	-	38	13 709	1	72	13 929	1
Loans	-	-	71	1	24 622	432	72	666 419	-	3	1 858 560	169	76	2 549 601	672
Individuals															
Overdrafts	2 637	3 560	-	-	-	-	2 939	781	-	2 552	477	15	8 128	4 818	15
Employee	13	18 495	372	8	24 985	971	13	41 083	1 372	11	31 259	1 372	45	115 822	4 087
Loans	15	27 728	1 099	8	22 169	612	15	140 984	444	13	135 678	385	51	326 559	2 540
Total	**2 702**	**1 318 407**	**1 542**	**17**	**71 776**	**2 015**	**3 040**	**849 785**	**1 816**	**2 620**	**2 101 588**	**1 955**	**8 379**	**4 341 556**	**7 328**

As at 31 December 2020, total loan and impairment per year of lending to Individuals and Companies is the following:

(thousands of kwanzas)

Segment	2017 and previous			2018			2019			2020			Total		
	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated
Companies															
Current accounts	-	-	-	3	1 268 404	-	-	-	-	1	518	-	4	1 268 922	-
Overdrafts	16	214	-	18	6	-	-	-	-	-	-	-	34	220	-
Loans	-	-	-	-	-	71	1	24 622	432	72	666 419	-	73	691 041	503
Particulares															
Overdrafts	1 334	3 473	-	1 303	87	-	-	-	-	2 939	781	-	5 576	4 341	-
Loans	9	9 560	104	4	8 935	268	8	22 169	612	15	140 984	444	36	181 648	1 428
Employee	11	22 492	942	4	5 236	157	8	24 985	971	13	41 083	1 372	36	93 796	3 442
Total	**1 370**	**35 739**	**1 046**	**1 332**	**1 282 668**	**496**	**17**	**71 776**	**2 015**	**3 040**	**849 785**	**1 816**	**5 759**	**2 239 968**	**5 373**

As at 31 December 2021, the breakdown of exposures and impairment allowance per segment is shown in the table below:

(thousands of kwanzas)

Segment	Exposure Year 2021												Impairment Year 2021			
	Total exposure	Loans in Stage 1	Of which cured	Of which forborne	Loans in Stage 2	Of which subject to a cure period	Of which forborne	Of which purchased or originated credit-impaired	Loans in Stage 3	Of which subject to a cure period	Of which forborne	Of which purchased or originated credit-impaired	Total impairment	Loans in Stage 1	Loans in Stage 2	Loans in Stage 3
Interest-bearing loans	2 045 129	2 045 129	-	-	-	-	-	-	-	-	-	-	1 925	1 925	-	-
Collaterized current account	56 054	56 054	-	-	-	-	-	-	-	-	-	-	13	13	-	-
	405	6	-	-	119	-	-	-	281	-	-	-	17		2	14
Total	2 101 588	2 101 188	-	-	119	-	-	-	281	-	-	-	1 955	1 939	2	14

As at 31 December 2020, the breakdown of exposures and impairment allowance per segment is shown in the table below:

(milhares de kwanzas)

Segment	Exposure Year 2020												Impairment Year 2020			
	Total exposure	Loans in Stage 1	Of which cured	Of which forborne	Loans in Stage 2	Of which subject to a cure period	Of which forborne	Of which purchased or originated credit-impaired	Loans in Stage 3	Of which subject to a cure period	Of which forborne	Of which purchased or originated credit-impaired	Total impairment	Loans in Stage 1	Loans in Stage 2	Loans in Stage 3
Interest-bearing loans	849 785	849 785	-	-	-	-	-	-	-	-	-	-	1 816	1 816	-	-
Collaterized current account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	849 785	849 785	-	-	-	-	-	-	-	-	-	-	1 816	1 816	-	-

As at 31 December 2021, the breakdown of exposures and impairment allowance per periods of delay is presented below:

(thousands of kwanzas)

Segment	Exposure Year 2021									Impairment Year 2021								
	Exposures without significant increase in credit risk since initial recognition (Stage 1)			Exposures with significant increase in credit risk since initial recognition which are not credit-impaired (Stage 2)			Credit-impaired exposures (Stage 3)			Exposures without significant increase in credit risk since initial recognition (Stage 1)			Exposures with significant increase in credit risk since initial recognition which are not credit-impaired (Stage 2)			Credit-impaired exposures (Stage 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Interest-bearing loans	2 045 129	-	-	-	-	-	-	-	-	1 925	-	-	-	-	-	-	-	-
Collaterized current account	56 054	-	-	-	-	-	-	-	-	13	-	-	-	-	-	-	-	-
Overdrafts	6	-	-	-	119	-	-	-	281		-	-	-	2	-	-	-	14
Total	2 101 188	-	-	-	119	-	-	-	281	1 939	-	-	-	2	-	-	-	14

As at 31 December 2020, the breakdown of exposures and impairment allowance per periods of delay is presented below:

(thousands of kwanzas)

Segment	Exposure Year 2020									Impairment Year 2020								
	Exposures without significant increase in credit risk since initial recognition (Stage 1)			Exposures with significant increase in credit risk since initial recognition which are not credit-impaired (Stage 2)			Credit-impaired exposures (Stage 3)			Exposures without significant increase in credit risk since initial recognition (Stage 1)			Exposures with significant increase in credit risk since initial recognition which are not credit-impaired (Stage 2)			Credit-impaired exposures (Stage 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Interest-bearing loans	849 785	-	-	-	-	-	-	-	-	-	-	-	1 816	-	-	-	-	-
Collaterized current account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	849 785	-	-	-	-	-	-	-	-	-	-	-	1 816	-	-	-	-	-

As at 31 December 2021, the breakdown of the fair value of the guarantees underlying the credit portfolio of the corporate, construction and real estate development and housing segments are as follows:

(thousands of kwanzas)

Fair value	Year 2021							
	Companies				Housing			
	Properties		Other real guarantees		Properties		Other real guarantees	
	N.º of properties	Amount	No. of properties	Amount	N.º of properties	Amount	Number	Amount
< 50 000 akz	-	-	-	-	-	-	-	-
>= 50 000 akz and < 100 000 akz	1	65 588	-	-	3	206 747	-	-
>= 100 000 akz and < 500 000 akz	1	289 014	-	-	-	-	-	-
>= 500 000 akz and < 1,000,000 Akz	1	922 301	-	-	-	-	-	-
>= 1,000,000 akz and < 2,000,000 A	1	1 404 054	-	-	-	-	-	-
>= 2,000,000 Akz and < 5,000,000 A	1	2 631 103	-	-	-	-	-	-
>= 5,000,000 Akz	-	-	-	-	-	-	-	-
Total								

As at 31 December 2021, the breakdown of the loan-to-value ratio of the corporate, construction and real estate and housing segments is as follows:

(thousands of kwanzas)

Segment	Year 2021					
	N.º of Properties	N.º of other real guarantees	Loans in Stage 1	Loans in Stage 2	Loans in Stage 3	Impairment
Companies						
Without associated collateral	n.a	n.a	21 723	2	29	1
< 50%	3	-	1 365 678	-	-	81
>= 50% and < 75%	1	-	546 742	-	-	101
Housing						
Without associated collateral	n.a	n.a	0	-	-	0
< 50%	0	-	-	-	-	-
>= 75% and < 100%	2	-	122 747	-	-	29
Other Loans						
Without associated collateral	n.a	n.a	39 830	119	252	1 742
< 50%	1	-	4 466	-	-	0
Total	**7**	**0**	**2 101 186**	**121**	**281**	**1 955**

16 – Other fixed assets

As at 31 December 2021 and 2020 this item is presented as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Property		
For own use	206 819	206 819
Works on property	417 314	425 086
	624 133	**631 905**
Equipment		
Office	148 554	146 529
Banking	98 261	90 641
Security	14 263	14 263
Vehicles	38 806	2 722
Basic	13 455	1 544
Computer	62 235	62 237
Other	73 739	44 318
	449 313	**362 254**
Property under construction		
Other	-	13 918
	-	**13 918**
Right-of-use assets	531 851	678 487
	531 851	**678 487**
Gross fixed assets	**1 605 297**	**1 686 564**
Accumulated depreciation	**857 096**	**673 850**
Impairment	-	-
	748 201	**1 012 714**

The amount in right-of-use assets refers to the value underlying the lease contracts (rental of the premises, occupied by the branches, headquarters, ATMs and equipment) recognised according to the provisions of IFRS 16.

The table below sets out the movement in other tangible assets for the years ended 31 December 2021 and 2020:

(thousands of kwanzas)

	Balance as at 01.01.2021	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2021
Property					
For own use	206 819	-	-	-	206 819
Works on property	425 086	-	(7 772)	-	417 314
	631 905	**-**	**(7 772)**	**-**	**624 133**
Equipment					
Office	146 529	16	-	2 009	148 554
Banking	90 641	7 620	-		98 261
Security	14 263	-	-	-	14 263
Vehicles	2 722	36 084	-	-	38 806
Basic	1 544	-	-	11 911	13 455
Computer	62 237	-	-	(2)	62 235
Other	44 318	29 421	-	-	73 739
	362 254	**73 141**	**-**	**13 918**	**449 313**
Right-of-use assets	**678 487**	**(146 636)**	**-**	**-**	**531 851**
Property under construction					
Other	13 918	-	-	(13 918)	-
	13 918	**-**	**-**	**(13 918)**	**-**
	1 686 564	**(73 495)**	**(7 772)**	**-**	**1 605 297**
Accumulated depreciation					
Property					
For own use	(37 948)	(4 136)	-	-	(42 084)
Works on property	(209 609)	(51 325)	-	-	(260 934)
	(247 557)	**(55 461)**	**-**	**-**	**(303 018)**
Equipment					
Office	(68 045)	(14 879)	-	-	(82 924)
Banking	(41 682)	(14 481)	-	-	(56 164)
Security	(6 737)	(1 535)	-	-	(8 272)
Vehicles	(20 556)	(20 804)	-		(41 360)
Basic	(456)	(258)	-		(714)
Computer	-	-			-
Other	(31 248)	(11 730)	-	-	(42 978)
	(168 724)	**(63 688)**	**-**	**-**	**(232 412)**
Right-of-use assets	**(257 569)**	**(101 347)**	**-**	**37 249**	**(321 667)**
	(673 850)	**(220 495)**	**-**	**37 249**	**(857 096)**
	1 012 714	**(293 990)**	**(7 772)**	**37 249**	**748 201**

(thousands of kwanzas)

	Balance as at 01.01.2020	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2020
Property					
For own use	206 819	-	-	-	206 819
Works on property	425 086	-	-	-	425 086
	631 905	**-**	**-**	**-**	**631 905**
Equipment					
Office	80 076	4 991	-	61 462	146 529
Banking	44 932	21 102	-	24 607	90 641
Security	10 456	3 807	-	-	14 263
Vehicles	2 722	-	-	-	2 722
Basic	1 544	-	-	-	1 544
Computer	735	8 743	-	52 759	62 237
Other	44 316	2	-	-	44 318
	184 781	**38 645**	**-**	**138 828**	**362 254**
Right-of-use assets	**731 223**	**-**	**(52 736)**	**-**	**678 487**
Proerty under construction					
Other	138 828	13 918		(138 828)	13 918
	138 828	**13 918**	**-**	**(138 828)**	**13 918**
	1 686 737	**52 563**	**(52 736)**	**-**	**1 686 564**
Accumulated depreciation					
Property					
For own use	(33 811)	(4 136)	-	-	(37 948)
Works on property	(158 284)	(51 326)	-	-	(209 609)
	(192 095)	**(55 462)**	**-**	**-**	**(247 557)**
Equipment					
Office	(51 745)	(15 983)	-	(316)	(68 045)
Banking	(30 883)	(10 799)	-	-	(41 682)
Security	(5 587)	(1 150)	-	-	(6 737)
Vehicles	(2 593)	(17 964)	-	-	(20 556)
Basic	(198)	(258)	-	-	(456)
Computer	(316)	-	-	316	-
Other	(19 848)	(11 400)	-	-	(31 248)
	(111 171)	**(57 553)**	**-**	**-**	**(168 724)**
Right-of-use assets	**(111 743)**	**(141 598)**	**(4 228)**	**-**	**(257 569)**
	(415 009)	**(254 613)**	**(4 228)**	**-**	**(673 850)**
	1 271 728	**(202 050)**	**(56 964)**	**-**	**1 012 714**

17 – Intangible assets

As at 31 December 2021 and 2020 this item is presented as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Software	153 270	153 270
Studies, projects and consultancy	139 955	139 955
Other	602 845	479 060
	896 070	**772 285**
Property under construction		
Other - in progress	**216 705**	**134 808**
Accumulated depreciation	**(509 522)**	**(391 191)**
	603 253	**515 902**

Variation in the line item "Other" refers to the transfer of assets under construction to fixed assets, as can be seen in the movements.

Movements in "Intangible assets" for the years ended 31 December 2021 and 2020 are as shown below:

(thousands of kwanzas)

	Balance as at 01.01.2021	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	balance as at 31.12.2021
Intangible assets	**907 093**	**205 683**	**-**	**-**	**1 112 775**
Software	153 270	-	-	-	153 270
Studies, projects and consultancy	139 955	-	-	-	139 955
Other	479 060	14 963	-	108 823	602 845
	772 285	14 963	-	108 823	896 070
Property under construction	134 808	190 720	-	(108 823)	216 705
Accumulated amortization	**(391 191)**	**(118 331)**	**-**	**-**	**(509 522)**
Software	(135 272)	(9 640)	-	-	(144 911)
Studies, projects and consultancy	(139 507)	(237)	-	-	(139 744)
Other	(116 412)	(108 454)	-	-	(224 867)
			-	-	
Net balance	**515 902**	**87 352**	**-**	**-**	**603 253**

(thousands of kwanzas)

	Balance as at 01.01.2020	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2020
Intangible assets	**760 584**	**146 509**	**-**	**-**	**907 093**
Software	153 270			-	153 270
Studies, projects and consultancy	139 955				139 955
Other	133 026	11 701	-	334 333	479 060
	426 251	11 701	-	334 333	772 285
Property under construction	334 333	134 808		(334 333)	134 808
Accumulated amortization	**(340 368)**	**(50 823)**	**-**	**-**	**(391 191)**
Software	(125 632)	(9 640)			(135 272)
Studies, projects and consultancy	(139 269)	(237)			(139 507)
Other	(75 467)	(40 946)			(116 412)
Net balance	**420 216**	**95 686**	**-**	**-**	**515 902**

18 – Taxes

Income tax (current or deferred) is recognised in profit or loss, except to the extent that it relates to transactions recognised in other equity items. In this case the corresponding tax is also recognised in equity, without affecting the result of the year.

The current tax estimate for the year was calculated pursuant to paragraphs 1 and 2 of article 64, of Law no. 19/14, of October 22, modified by Law No. 26/20, of 20 July amending the Corporate Income Tax Code. Thus, the current tax estimate for the year ended 31 December 2021 was calculated based on a rate of 35%.

Tax returns are subject to review and correction by the tax authorities for a period of 10 years, which may result, due to differences in the interpretation of tax legislation, in possible corrections to the taxable income for the years 2014 to 2020.

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 statements.

The tax losses for a given year, as provided for in para 1 of article 48 of the Corporate Income Tax Code and according to Law No 26/20, of 20 July can be deducted from the taxable profits of the five subsequent years.

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

As at 31 December 2021, provisional tax assessments amounted to AOA 68,746,000 (2020: AOA 50,450,000), so current tax liabilities amount to AOA 707,474,000 (2020: AOA 201,859,000).

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using rates enacted or substantively enacted at the reporting date.

The deferred tax assets recognised in the balance sheet at 31 December 2021 and 2020 can be analysed as follows:

(thousands of kwanzas)

	Assets		Liabilities		Net	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Impairment on loans and advances to customers	-	-	-	-	-	-
Effective commission rate for loans	76	76	-	-	76	76
Effective rate for securities	-	-	-	-	-	-
Other fixed assets	1 177	1 177	-	-	1 177	1 177
Other	4 762	4 762	-	-	4 762	4 762
Deferred tax asset (liability)	**6 015**	**6 015**	**-**	**-**	**6 015**	**6 015**

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 recognised as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Opening balance	6 015	6 015
Recognised in profit or loss	-	-
Closing balance(Asset/(Liability)	6 015	6 015

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

(thousands of kwanzas)

	31.12.2021		31.12.2020	
	%	Amount	%	Amount
Profit before tax		7 131 809		6 460 575
Tax rate		35%		35%
Income tax calculated based on the tax rate		(2 496 133)		(2 261 201)
Fiscal benefits on income from public debt securities - Art 47º	26,69%	1 903 753	33,74%	2 179 771
Investment Income Tax	-6,99%	(498 171)	-8,72%	(563 047)
Other	4,41%	314 331	6,07%	392 168
Tax for the year	**-10,88%**	**(776 220)**	**-3,91%**	**(252 309)**

Notwithstanding the foregoing, with regard 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.

We also notice 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 IIT.

In addition, by Presidential Legislative Decree No. 5/11, of December 30 (revised and republished through Presidential Legislative Decree No. 2/14, of 20 October) investment income tax (IIT) was introduced for income derived from public debt securities (Treasury 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 IIT will be deducted up to the amount of the net profit.

Therefore, in determining taxable income for the years ended 31 December 2021 and 2020, such income was deducted from the taxable profit.

Likewise, the expense arising from IIT payment is not fiscally accepted for the determination of the taxable income, as provided in para 1(a) of article 18 of the Corporate Income Tax Code.

Notwithstanding the foregoing, with regard 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.

We also notice 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 IIT.

19 – Other assets

As at 31 December 2021 and 2020 the item "Other assets" is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Salary advances	10 142	4 889
Prepayments	81 399	179 015
Sundry debtors	305 002	185 266
Office material	10 871	19 979
Deposit Guarantee Fund	71 120	60 609
Other advance payments	37 267	61 525
	515 802	**511 283**

As at 31 December 2021 the amount of AOA 71.120,000 refers to the Bank's annual contribution to the Deposit Guarantee Fund which was launched by BNA during the year 2019 and which aims to cover the reimbursement of depositors' funds.

The item "Sundry debtors" includes balances of 66,418 thousand kwanzas related to software licenses (58,814 thousand kwanzas) and consultancy costs (58,814 thousand kwanzas). With regard to the software licenses major suppliers are: KPMG (16,919 thousand kwanzas), Asseco (7,441 thousand kwanzas) and Visa & Swift (8,983 thousand kwanzas). This item also includes 19,659 thousand kwanzas related to invoice verification.

20 – Deposits from customers and other borrowings

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

(thousands of kwanzas)

	31.12.2021	31.12.2020
Demand deposits		
In national currency	14 052 907	11 114 882
In foreign currency	1 427 927	2 091 535
	15 480 835	13 206 417
Time deposits		
In national currency	1 653 628	2 509 210
In foreign currency	41 123	66 724
	1 694 751	2 575 934
	17 175 586	**15 782 351**

The breakdown of the item "Deposits from customers and other borrowings" per maturity as at 31 December 2021 e 2020, is as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Sight deposits	**15 480 835**	**13 206 417**
Time deposits		
Up to 3 months	1 470 772	1 637 120
From 3 months to 1 year	223 979	938 814
From one to five years	-	-
Over five years	-	-
	1 694 751	**2 575 934**
	17 175 586	**15 782 351**

As at 31 December 2021 and 2020, time deposits in local and foreign currency bear interest at an annual average rate of 10.56% and 2.92% (2020: 7.62% and 3.52%), respectively.

21 – Provisions

As principais provisões constituídas podem ser detalhadas da seguinte forma:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Provisions		
Liabilities 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. The Bank did not change the value of this provision, as there is no evidence to suggest that it is increased, reduced or annulled.

22 – Other liabilities

This item is comprised of the following:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Tax charges payable - own	21 412	15 422
Suppliers	403 170	529 119
Staff Costs	93 363	75 064
Other administrative and marketing costs payable	7 590	645
Tax charges payable - retained from third parties	81 684	216 175
Pending operations and settlement	-	43 328
Social Security contribution	9 784	8 147
Lease liabilities	420 058	743 111
Other creditors	108 370	30 556
Total	**1 145 431**	**1 661 567**

The line item "Suppliers" includes the balances of AOA 60,539,000; 32,426,000 and 38,105,000 referring to the suppliers Promosoft, KPMG Angola and Visa BAI, respectively.

The account "Other creditors" refers to the following balances:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Credit letters	1	1
Commissions on credit letters	(810)	7 561
Other	109 179	22 995
Total	**108 370**	**30 556**

The balance "Letters of credit" includes deposits that are delivered as collateral on 31 December 2021 and 2020, not yet settled on those dates.

As of 31 December 2021, the lease liability relates to the lease contracts for the premises, occupied by the branches, ATM and equipment, recognized under IFRS 16. The undiscounted future lease payments related to the contract under IFRS 16, by maturity, are as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Less than 1 year		-
1 to 5 years	203 439	193 997
Over 5 years	136 184	450 213
Total undescounted lease liabilities	**339 622**	**644 211**
Interest to be accrued in the net interest income	80 436	98 900
Lease liabilities 31.12.2021	**420 058**	**743 111**

23 – Capital

The Commercial Bank of Huambo was incorporated in 2009 with share capital of 300 million kwanzas. In 2011 the Bank increased its share capital to one billion kwanzas and in 2012 there was a paid-up increase of capital to 1.5 billion kwanzas, divided into 1,500,000 shares, issued at par, with a nominal value of a thousand kwanzas each. And in 2014, the Bank increased its share capital to AOA 2,265,249,000, 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 2021 and 2020 the share distribution among the Bank's shareholders is as follows:

	31.12.2021				31.12.2020			
	Nominal Value	N.º Shares	Total	% Capital	Nominal Value	N.º Shares	Total	% Capital
Natalino Lavrador	1 000	5 150	5 150 000	51.5%	1 000	5 150	5 150 000	51.5%
Minoru Dondo	1 000	2 000	2 000 000	20.0%	1 000	2 000	2 000 000	20.0%
António Mosquito	1 000	2 000	2 000 000	20.0%	1 000	2 000	2 000 000	20.0%
Sebastião Lavrador	1 000	550	550 000	5.5%	1 000	550	550 000	5.5%
Carlos Oliveira	1 000	300	300 000	3.0%	1 000	300	300 000	3.0%
	5 000	**10 000**	**10 000 000**	**100.0%**	**5 000**	**10 000**	**10 000 000**	**100.0%**

Earnings per share

In 2021 and 2020, the earnings per share and the dividend attributed in each financial year with respect to the previous year's profit were as follows:

(thousands of kwanzas)

	31.12.2021	31.12.2020
Net profit for the year	**6 355 589**	**6 208 266**
Weighted average number of ordinary shares issued (thousands)	10 000 000	10 000 000
Average number of shares outstanding (thousands)	**10 000 000**	**10 000 000**
Basic earnings per share (in kwanzas)	**636**	**621**

In 2020 and 2021, there were no potentially dilutive instruments issued.

24 – Other reserves and retained earnings

Movements in equity items during the years ended 31 December de 2021 e 2020 are described in the table below:

(thousands of kwanzas)

	Capital Social	Other Reserves and Retained Earnings				Net profit
		Legal Reserve	Effect of changes in accounting policies	Other reserves and retained earnings	Total other reserves and retained earnings	
Opening balance 2020	**10 000 000**	**1 549 790**	**(8 289)**	**6 054 674**	**7 596 175**	**7 163 989**
Constitution of legal reserve	-	716 399	-	-	716 399	(716 399)
Appropriation of profit	-	-	-	6 447 590	6 447 590	(6 447 590)
Distribution of profits	-	-	-	-	-	-
Net profir (loss)	-	-	-	-	-	6 208 266
Other movements	-	-	-	-	-	-
Closing balance 31 December 2020	**10 000 000**	**2 266 189**	**(8 289)**	**12 502 264**	**14 760 164**	**6 208 266**
Opening balance 1 January 2021	**10 000 000**	**2 266 189**	**(8 289)**	**12 502 264**	**14 760 164**	**6 208 266**
Constitution of legal reserve	-	620 827	-	-	620 827	(620 827)
Appropriation of profit	-	-	-	5 587 439	5 587 439	(5 587 439)
Distribution of profits	-	-	-	-	-	-
Net profir (loss)	-	-	-	-	-	6 355 589
Other movements	-	-	-	-	-	-
Balance as at 31 December 2021	**10 000 000**	**2 887 016**	**(8 289)**	**18 089 703**	**20 968 430**	**6 355 589**

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

The net profit from 2021 was applied towards the building up of the legal reserves, in accordance with the commercial law and the remaining amount was transferred to retained earnings.

25 – Off-balance sheet accounts

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

(thousands of kwanzas)

	31.12.2021	31.12.2020
Documentary credits	22 209	776 575
Guarantees and collaterals received	3 607 252	2 395 423
Revocable credit lines	3 365 900	3 555 223
Custody of customers securities	97 205	269 691

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 consent of all parties involved. The documentary credits as at 31 December 2021 and 2020 are guaranteed by time deposits.

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 collateralised 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 2.18, 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.

Documentary credits are recorded in stage 1 and have no impairment as they have financial collaterals that cover all exposures.

26 – Related party transactions

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

- Holders of qualifying holdings- 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 and second-degree relatives in the direct descending or ascending line, considered ultimate beneficiary owners of the transactions or the assets.

The balances of BCH with its related parties are detailed in the table below:

In 2021:

(thousands of kwanzas)

Related Party	Demand deposits	Time deposits	Interest expense and similar charges	Loans	Interest and similar income
Shareholders	441 564	75 000	5 250	-	-
Members of the Board of Directors	21 957	40 000	1 467	-	-
Close relatives of the Shareholders and/or members of the Board of Directors	440 934	-	-	-	-
Entities where Shareholders and Next of Kin have significant influence	153 998	650 000	18 525	-	-
Entities where members of the Board of Directors have significant influence	-	-	-	-	-
	1 058 454	**765 000**	**25 242**	**-**	**-**

Em 2020:

(thousands of kwanzas)

Related Party	Demand deposits	Time deposits	Interest expense and similar charges	Loans	Interest and similar income
Shareholders	471 672	95 000	5 875	-	-
Members of the Board of Directors	36 134	60 000	3 900	-	-
Close relatives of the Shareholders and/or members of the Board of Directors	182 413	-	-	-	-
Entities where Shareholders and Next of Kin have significant influence	399 012	675 000	40 500	10 936	2 531
Entities where members of the Board of Directors have significant influence	-	-	-	-	-
	1 089 230	**830 000**	**50 275**	**10 936**	**2 531**

Below is a list of the Bank's related parties:

Shareholders, Members of the Board of Directors and Close Relatives

Natalino Lavrador
Valdomiro Minoru Dondo
António Mosquito
Sebastião Lavrador
Carlos Saturnino
Cristiana Lavrador
Salim Valimamade
Alexandra Teodora da C. Martins
Maria Helena Miguel
Regina Luísa Lagos dos Santos Nulli
UHY-A.Paredes & associados-Angola
Mário Silva Castelo Branco
Francisco Miguel Paulo
Agla Mara Tinoco Dondo
Eduarda Nassandjuka Mbakassy
Paulo Sérgio Sampaio Nunes Lavrador
Djavana Saturnino Oliveira
Fauzia Valimamade
Ana Maria de Azevedo Neto Lavrador
Maria José Lavrador
Carlos Deosvaldo Fragoso Vaz

Companies, which related parties have significant control

Auto Zuid
Exata Engenharia Lda
Macon Transportes
Consorcio Mayaca e Sol Maior
Amosmid Lda
Sol Maior Emp. Part. Lda
Bobs Comércio Geral Lda
Taiping Lda
Parige Lda
Esplanada Grill Lda
Bacatral, Sociedade de Transp., Lda
M´bakassy & Filhos
Kulanda Belas Malls Gestao e Part Lda
Unitransfer Casa de Câmbios SA
Nocebo
Pérola de Gingko, Lda

27 – 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 2021 and 2020 is presented below:

(thousands of kwanzas)

	31.12.2021						
	Amortised cost	Impairment	Valued at fair value			Balance-sheet value	Fair value
			Level 1	Level 2	Level 3		
Assets							
Cash and balances with central banks	4 372 809	-	-	-	-	4 372 809	4 372 809
Deposits with other banks	657 137	-	-	-	-	657 137	657 137
Loans and advances to central banks and other banks	17 356 320	-	-	-	-	17 356 320	17 356 320
Financial assets at fair value through other comprehensive income	-	-	43 656	-	-	43 656	43 656
Financial assets at amortised cost	30 222 311	(250 710)	-	-	-	29 971 601	30 697 866
Loans and advances to customers	2 101 588	(1 955)	-	-	-	2 099 633	1 247 187
Total Assets	54 710 165	- 252 665	43 656	-	-	54 501 156	54 374 976
Liabilities							
Deposits from central and other banks						-	
Debt securities						-	
Financial liabilities at fair value through profit or loss						-	
Customer deposits and other borrowing	17 175 586	-	-	-	-	17 175 586	17 175 586
Hedging derivatives						-	
Financial liabilities associated with transferred assets						-	
Non-current liabilities held for sale						-	
Total Liabilities	17 175 586	-	-	-	-	17 175 586	17 175 586

(thousands of kwanzas)

31.12.2020							
	Amortised cost	Impairment	Valued at fair value			Balance-sheet value	Fair value
			Level 1	Level 2	Level 3		
Assets							
Cash and balances with central banks	5 718 579	-	-	-	-	5 718 579	5 718 579
Deposits with other banks	1 535 500	-	-	-	-	1 535 500	1 535 500
Loans and advances to central banks and other banks	928 857	-	-	-	-	928 857	928 857
Financial assets at fair value through other comprehensive income	-	-	43 656	-	-	43 656	43 656
Financial assets at amortised cost	38 599 044	(1 083 395)	-	-	-	37 515 649	39 215 471
Loans and advances to customers	849 785	(1 816)	-	-	-	847 969	868 010
Total Assets	47 631 765	(1 085 211)	43 656	-	-	46 590 210	48 310 073
Liabilities							
Deposits from central and other banks	-		-	-	-	-	-
Debt securities	-		-	-	-	-	-
Financial liabilities at fair value through profit or loss	-		-	-	-	-	-
Customer deposits and other borrowing	15 782 351	-	-	-	-	15 782 351	15 782 351
Hedging derivatives	-		-	-	-	-	-
Financial liabilities associated with transferred assets	-		-	-	-	-	-
Non-current liabilities held for sale	-		-	-	-	-	-
Total Liabilities	15 782 351	-	-	-	-	15 782 351	15 782 351

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 13:

- **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 directly (prices, rates, spreads, etc.) or indirectly (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; and
- **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 hereby analysed:

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

These are extremely short-term assets and therefore their carrying amount is a reasonable estimate of their fair value.

Investments at amortised cost

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 Treasury 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 bank understands that given the fact that the Bank's loan portfolio is comprised mainly of loans not exceeding one year, current rates did not differ significantly from the rates initially contracted, thus the carrying amount will not be substantially different from their fair value.

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

These are extremely short-term assets and therefore their carrying amount is a reasonable estimate of their fair value.

Customer deposits 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 deposits 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.

28 – Risk management

The Bank is subject to different types of risks in the course of its operations. Risk management is centralised 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 models play a key role in the credit decision process. 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.

Bank's exposure to credit risk is shown in the following table:

(thousands of kwanzas)

	31.12.2021		
	Gross carrying amount	Impairment	Net carrying amount
Cash and balances at central banks	4 372 809	-	4 372 809
Deposits with other banks	657 137	-	657 137
Financial assets at amortised cost	30 222 311	(250 710)	29 971 601
Loans and advances to customers	2 101 588	(1 955)	2 099 633
Other assets	515 802	-	515 802
	37 869 647	(252 665)	37 616 982
Off-balance sheet			
Documentary credit	22 209	-	22 209
Committments towards third parties	3 365 900	-	3 365 900
	3 388 109	-	3 388 109
	41 257 756	**(252 665)**	**41 005 091**

(thousands of kwanzas)

	31.12.2020		
	Gross carrying amount	Impairment	Net carrying amount
Cash and balances at central banks	5 718 579	-	5 718 579
Deposits with other banks	1 535 500	-	1 535 500
Financial assets at amortised cost	38 599 044	(1 083 395)	37 515 649
Loans and advances to customers	849 785	(1 816)	847 969
Other assets	511 283	-	511 283
	47 214 191	(1 085 211)	46 128 980
Off-balance sheet			
Documentary credit	776 575	-	776 575
Committments towards third parties	3 555 223	-	3 555 223
	4 331 798	-	4 331 798
	51 545 989	**(1 085 211)**	**50 460 778**

The breakdown of the amortized cost exposures by risk level and by stage of impairment is shown below:

(thousands of kwanzas)

	2021							
	Gross Exposure				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Customer loans								
Risk level Low	**28 979 150**	**12 802**	**-**	**28 991 953**	**(615 926)**	**(256)**	**-**	**(616 182)**
Level A	-	-	-	-	-	-	-	-
Level B	28 979 150	12 802	-	28 991 953	(615 926)	(256)	-	(616 182)
Risk level Average	**2 072 206 850**	**105 708**	**54 963**	**2 072 367 521**	**(1 322 821)**	**(2 114)**	**(2 748)**	**(1 327 684)**
Level C	2 070 272 521	105 708	2	2 070 378 231	(1 264 791)	(2 114)	()	(1 266 906)
Level D	1 934 328	-	54 961	1 989 289	(58 030)	-	(2 748)	(60 778)
Risk level High	**-**	**2 264**	**226 222**	**228 486**	**-**	**-**	**(11 311)**	**(11 311)**
Level E	-	-	113 422	113 422	-	-	(5 671)	(5 671)
Level F	-	-	61 624	61 624	-	-	(3 081)	(3 081)
Level G	-	2 264	51 176	53 440	-	-	(2 559)	(2 559)
Investmentes at amortised cost	**30 222 311**	**-**	**-**	**30 222 311**	**(250 710)**	**-**	**-**	**(250 710)**
Angolan Government	30 222 311			30 222 311	(250 710)			(250 710)
	2131 408 311	**118 511**	**54 963**	**2131 581 784**	**(2 189 457)**	**(2 370)**	**(2 748)**	**(2 194 576)**

(thousands of kwanzas)

	2020							
	Gross Exposure				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Customer loans								
Risk level Low	**806 895**	**-**	**-**	**806 895**	**561**	**-**	**-**	**561**
Level B	806 895	-	-	806 895	561	-	-	561
Risk level Average	**42 890**	**-**	**-**	**42 890**	**1 255**	**-**	**-**	**1 255**
Level C	42 890	-	-	42 890	1 255	-	-	1 255
Investmentes at amortised cost	**38 599 044**	**-**	**-**	**38 599 044**	**(161 462)**	**-**	**-**	**(161 462)**
Angolan State	38 599 044	-	-	38 599 044	(161 462)	-	-	(161 462)
	39 448 829	**-**	**-**	**39 448 829**	**(159 646)**	**-**	**-**	**(159 646)**

The breakdown of exposures by sectoral concentration of loans and advances to customers is presented below:

(thousands of kwanzas)

	2021						
	Customer loans		Guarantees provided	Total exposure	Relative weight	Impairment	
	Due	Past due				Amount	Impairment/ Total exposure
Companies	**1 934 139**	**33**	**2 985 705**	**1 934 172**	**154%**	**183**	**0%**
Wholesale and retail sale	1 856 518	27	2 696 691	1 856 545	145%	170	0%
Accomodation and catering (restaurants and similar)	5	0	0	5	0%	0	0%
Transport, storage and communications	56 054	1	289 014	56 055	516%	13	0%
Financial activities	0	5	0	5	0%	0	0%
Other community, social and individual service activities	21 562	0	0	21 562	0%	0	0%
Individuals	**166 936**	**480**	**206 747**	**167 416**	**282%**	**1 772**	**4%**
Mortgage	122 474	0	126 088	122 474	103%	30	0%
Other	44 462	480	80 659	44 942	179%	1 742	4%
	2 101 075	**513**	**3 192 452**	**2 101 588**	**152%**	**1 955**	**0%**

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 table below shows sensitivity analysis on foreign exchange risk, where the impacts on the bank's results are calculated at a positive and negative change of 5%, 10% and 20% in the exchange rates:

(Amounts in original currency)

Description	CHF	EUR	GBP	JPY	NAD	USD	ZAR	Impact on FP
Total currency as at 31-12-2021	148 345	(603 359)	2 605	4 365 553	80	828 120	391 002	
Exchange rate at 31-12-2021	600,92	623,16	742,36	4,78	34,54	550,59	34,54	
Positive change of 5%	4 457	(18 799)	97	1 044	0	22 798	675	0,000%
Positive change of 10%	8 914	(37 599)	193	2 088	0	45 595	1 351	0,000%
Positive change of 20%	17 829	(75 198)	387	4 176	1	91 191	2 701	0,000%
Negative change of 5%	(4 457)	18 799	(97)	(1 044)	(0)	(22 798)	(675)	0,000%
Negative change of 10%	(8 914)	37 599	(193)	(2 088)	(0)	(45 595)	(1 351)	0,000%
Negative change of 20%	(17 829)	75 198	(387)	(4 176)	(1)	(91 191)	(2 701)	0,000%

(Amounts in original currency)

Description	CHF	EUR	GBP	JPY	NAD	USD	ZAR	Impact on FP
Total currency as at 31-12-2020	148 345	(410 691)	5 580	14 111 304	80	18 612	1 226 576	
Exchange rate at 31-12-2020	496,02	734,32	796,73	882,32	6,30	44,44	649,91	
Positive change of 5%	3 679	(15 079)	222	622 534	0	41	39 858	0,002%
Positive change of 10%	7 358	(30 158)	445	1 245 067	0	83	79 717	0,004%
Positive change of 20%	14 716	(60 316)	889	2 490 134	0	165	159 433	0,009%
Negative change of 5%	(3 679)	15 079	(222)	(622 534)	(0)	(41)	(39 858)	-0,002%
Negative change of 10%	(7 358)	30 158	(445)	(1 245 067)	(0)	(83)	(79 717)	-0,004%
Negative change of 20%	(14 716)	60 316	(889)	(2 490 134)	(0)	(165)	(159 433)	-0,009%

Thus, any future losses in the worst-case scenario (20% change in the exchange rate), would only represent negative impact on own funds of less than 0,01%.

As to the foreign exchange risk, the following table contains sensitivity analysis of the Bank's exposure to the foreign exchange rates with reference to 31 December 2021:

(thousands of kwanzas)	Rate			
	LUIBOR 12 months	**LUIBOR 6 months**	**LUIBOR 1 month**	**Total**
Balance as at 31-12-2021				
Due loans	6 155	-	218 284	224 440
Overdue loans	19	-	100	119
	6 175	**-**	**218 384**	**224 559**
Positive change of 1%	110	-	5 762	5 871
Positive change of 2%	222	-	10 361	10 583
Positive change of 5%	558	-	24 160	24 718
Negative change of 1%	(110)	-	(5 762)	(5 871)
Negative change of 2%	(222)	-	(10 361)	(10 583)
Negative change of 5%	(558)	-	(24 160)	(24 718)

The assets and liabilities of the Bank are presented by type of rate as of 31 December 2021 and 2020 in the table below:

(thousands of kwanzas)

	31.12.2021			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Floating rate		
Assets				
Cash and deposits with central banks	-	-	4 372 809	4 372 809
Deposits with other banks	-	-	657 137	657 137
Loans and advances to central and other banks	17 356 320	-	-	17 356 320
Financial assets at fair value through other comprehensive income	-	-	43 656	43 656
Financial assets at amortised cost	29 971 601	-	-	29 971 601
Loans and advances to customers	1 872 471	227 162	-	2 099 633
	49 200 392	**227 162**	**5 073 602**	**54 501 156**
Liabilities				
Deposits from central and other banks	-	-	-	-
Customer deposits and other borrowings		-	17 175 586	17 175 586
	-	**-**	**17 175 586**	**17 175 586**
Total	**49 200 392**	**227 162**	**(12 101 984)**	**37 325 570**

(thousands of kwanzas)

	31.12.2020			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Floating rate		
Assets				
Cash and deposits with central banks	-	-	5 718 579	5 718 579
Deposits with other banks	-	-	1 535 500	1 535 500
Loans and advances to central and other banks	928 857	-	-	928 857
Financial assets at fair value through other comprehensive income	-	-	43 656	43 656
Financial assets at amortised cost	37 515 649	-	-	37 515 649
Loans and advances to customers	679 208	168 761	-	847 969
	39 123 714	**168 761**	**7 297 735**	**46 590 210**
Liabilities				
Deposits from central and other banks	-	-	-	-
Customer deposits and other borrowings	2 577 407	-	13 204 944	15 782 351
	2 577 407	**-**	**13 204 944**	**15 782 351**
Total	**36 546 307**	**168 761**	**(5 907 209)**	**30 807 859**

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 2021 e 2020, as well as the respective average balances and income and expenses for the year:

(thousands of kwanzas)

	31.12.2021			31.12.2020		
	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 and advances						
Loans and advances to custome	5 045 694	230 246	4,6%	5 893 354	292 951	5,0%
Deposits with and loans to	14 820 173	1 476 076	10,0%	8 538 923	108 247	1,3%
Portfolio of securities	33 787 281	5 427 698	16,1%	33 988 748	6 193 354	18,2%
Total Loans and Advances	**53 653 148**	**7 134 020**	13,3%	**48 421 024**	**6 594 552**	13,6%
Deposits						
Customer deposits and deposits	32 957 937	313 237	1,0%	34 049 898	214 863	0,6%
Lease Liabilities	420 058	80 436	19,1%	743 111	98 900	13,3%
Financial liabilities	**33 377 995**	**393 673**	1,2%	**34 793 009**	**313 763**	0,9%
Net Interest Income	**20 275 153**	**6 740 347**		**13 628 015**	**6 280 789**	

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 2021 and 2020, the Bank complied with this requirement.

The breakdown of assets and liabilities as at 31 December 2021 and 2020, by currency, is hereby presented:

(thousands of kwanzas)

	31.12.2021				
	Kwanzas	U.S. dollars	Euros	Other currencies	Total
Assets					
Cash and deposits with central banks	3 682 469	450 747	238 402	1 191	4 372 809
Deposits with other banks	4 906	305 014	209 866	137 351	657 137
Loans and advances to central and other banks	17 190 612	165 708	-	-	17 356 320
Financial assets at fair value through other comprehensive income	43 656	-	-	-	43 656
Financial assets at amortised cost	29 309 012	662 589	-	-	29 971 601
Loans and advances to customers	2 095 911	3 722	0	-	2 099 633
Other tangible assets	964 905	-	-	-	964 905
Intangible assets	386 549	-	-	-	386 549
Deferred tax assets	6 015	-	-	-	6 015
Other assets	357 817	9 101	148 884	0	515 802
	54 041 852	**1 596 882**	**597 151**	**138 542**	**56 374 427**
Liabilities					
Customer deposits and other borrowings	16 036 126	1 086 369	38 169	14 922	17 175 586
Provisions	21 917	-	-	-	21 917
Current tax liabilities	(68 746)	-	-	-	(68 746)
Other liabilities	1 145 431	-	-	-	1 145 431
	17 134 728	**1 086 369**	**38 169**	**14 922**	**18 274 188**
	36 907 124	**510 513**	**558 982**	**123 620**	**38 100 239**

(thousands of kwanzas)

	31.12.2020				
	Kwanzas	U.S. dollars	Euros	Other currencies	Total
Assets					
Cash and deposits with central banks	4 848 357	522 549	346 333	1 340	5 718 579
Deposits with other banks	643 500	545 029	76 881	270 090	1 535 500
Loans and advances to central and other banks	733 293	195 564	-	-	928 857
Financial assets at fair value through other comprehensive income	43 656	-	-	-	43 656
Financial assets at amortised cost	36 733 536	782 113	-	-	37 515 649
Loans and advances to customers	847 928	41	0	-	847 969
Other tangible assets	1 012 714	-	-	-	1 012 714
Intangible assets	515 902	-	-	-	515 902
Deferred tax assets	6 015	-	-	-	6 015
Other assets	404 724	12 100	94 459	0	511 283
	45 789 625	**2 057 397**	**517 673**	**271 430**	**48 636 124**
Liabilities					
Customer deposits and other borrowings	12 524 275	2 551 557	687 365	19 154	15 782 351
Provisions	21 917	-	-	-	21 917
Current tax liabilities	201 859	-	-	-	201 859
Other liabilities	1 342 475	79 060	240 032	-	1 661 567
	14 090 526	**2 630 616**	**927 398**	**19 154**	**17 667 694**
	31 699 099	**(573 219)**	**(409 725)**	**252 276**	**30 968 430**

The breakdown of financial instruments with exposure to interest rate risk according to maturity date or reset date is presented below:

(thousands of kwanzas)

	31.12.2021 Reset dates / Maturity dates								
	Sight	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined	Total
Assets									
Loans and advances to central banks and other banks	3 861 690	13 674 784	-	-	-	-	-	-	17 536 475
Securities	-	577 324	12 608 652	16 737 112	-	-	-	-	29 923 088
Loans	56 429	-	1 592	657	32 081	1 011 867	143 055	-	1 245 681
	3 918 120	**14 252 108**	**12 610 244**	**16 737 769**	**32 081**	**1 011 867**	**143 055**	**-**	**48 705 243**
Liabilities									
Deposits	393 025	1 078 295	56 401	167 060	-	-	-	-	1 694 781
	393 025	**1 078 295**	**56 401**	**167 060**	**-**	**-**	**-**	**-**	**1 694 781**
Net exposure	**3 525 094**	**13 173 812**	**12 553 843**	**16 570 709**	**32 081**	**1 011 867**	**143 055**	**-**	**47 010 462**

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 2021 and 2020, the liquidity gap of the Bank's balance sheet presented the following structure:

(thousands of kwanzas)

	31.12.2021						
	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 with central banks	4 372 809	-	-	-	-	-	4 372 809
Deposits with other banks	657 137	-	-	-	-	-	657 137
Loans and advances to central banks and other banks	-	165 673	17 190 647	-	-	-	17 356 320
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 656	43 656
Financial assets at amortised cost	-	7 037 919	14 337 586	7 935 389	660 708	-	29 971 601
Loans and advances to customers	-	44 839	1 054	1 906 873	146 354	513	2 099 633
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	5 029 946	**7 248 430**	**31 529 287**	**9 842 262**	**807 062**	**44 169**	**54 501 156**
Liabilities	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Customer deposits and other borrowings	15 480 835	1 470 772	223 979	-	-	-	17 175 586
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	15 480 835	**1 470 772**	**223 979**	**-**	**-**	**-**	**17 175 586**
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	(10 450 889)	**5 777 658**	**31 305 307**	**9 842 262**	**807 062**	**44 169**	**37 325 570**

(thousands of kwanzas)

	31.12.2020						
	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 with central banks	5 718 579	-	-	-	-	-	5 718 579
Deposits with other banks	1 535 500	-	-	-	-	-	1 535 500
Loans and advances to central banks and other banks	-	928 857	-	-	-	-	928 857
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 656	43 656
Financial assets at amortised cost	-	6 223 939	26 797 711	3 769 535	724 464	-	37 515 649
Loans and advances to customers	-	1 211	-	712 790	133 961	7	847 969
	7 254 079	**7 154 007**	**26 797 711**	**4 482 325**	**858 425**	**43 663**	**46 590 210**
Liabilities							
Customer deposits and other borrowings	13 206 417	1 637 120	938 814	-	-	-	15 782 351
	13 206 417	**1 637 120**	**938 814**	**-**	**-**	**-**	**15 782 351**
	(5 952 338)	**5 516 887**	**25 858 897**	**4 482 325**	**858 425**	**43 663**	**30 807 860**

The breakdown of the contractual cash flows regarding principal is as follows:

(thousands of kwanzas)

	31.12.2021 Residual maturity									
	Sight	**Up to 1 month**	**From to 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Assets										
Cash and balances with central banks	4 253 628	-	-	-	-	-	-	-	-	4 253 628
Deposits with other banks	771 031	-	-	-	-	-	-	-	-	771 031
Loans and advances to central banks and other banks	-	3 861 690	13 509 077	-	-	-	-	-	-	17 370 767
Securities	-	-	577 324	12 608 652	16 737 112	-	-	-	-	29 923 088
Items in the course of collection	33 132	-	-	-	-	-	-	-	-	33 132
Loans	-	56 429	-	1 592	657	32 081	1 011 867	143 055	-	1 245 681
Other values	-	-	-	-	-	-	-	-	471 909	471 909
	5 057 790	**3 918 120**	**14 086 401**	**12 610 244**	**16 737 769**	**32 081**	**1 011 867**	**143 055**	**471 909**	**54 069 235**
Liabilities										
Deposits	14 634 237	393 025	1 078 295	56 401	167 060	-	-	-	-	16 329 018
Items in course of transmission	-	-	-	-	-	-	-	-	71 595	71 595
Other liabilities	-	-	-	-	-	-	-	-	1 145 409	1 145 409
	14 634 237	**393 025**	**1 078 295**	**56 401**	**167 060**	**-**	**-**	**-**	**1 217 004**	**17 546 022**
Liquidity gap	**(9 576 447)**	**3 525 094**	**13 008 105**	**12 553 843**	**16 570 709**	**32 081**	**1 011 867**	**143 055**	**(745 095)**	**36 523 213**
Cumulative gap	**(9 576 447)**	**(6 051 352)**	**6 956 753**	**19 510 596**	**36 081 305**	**36 113 386**	**37 125 254**	**37 268 308**	**36 523 213**	

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 jeopardise 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%. The regulatory capital consists of:

1. Tier 1 capital includes (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. Tier 2 capital includes: (i) redeemable preference shares; (ii) general provisions and funds; (iii) reserves from realization of own-use properties; (iv) subordinated debt and hybrid securities; (v) other values, authorized by the BNA.
3. Deductions – include: (i) treasury shares subject to repurchase; (ii) redeemable preference shares and with fixed and cumulative dividends; (iii) loans of a capital nature granted (iv) loans of a capital nature granted; value of holdings; (v) tax credits resulting from tax losses; (vi) goodwill (lease); (vii) other intangible assets net of amortization; 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)

	31.12.2021	31.12.2020
Guarantees received		
Regulatory Capital	37 196 969	30 463 513
Risk-weigthted assets	1 411 541	1 955 679
Regulatory capital requirements	1 812 526	1 483 601
Own Funds Requirements for Credit Risk	249 688	173 741
Own Funds Requirements for Market Risk	-	-
Own Funds Requirements for Operational Risk	1 562 837	1 309 860
Core Tier 1 ratio - Base	205,22%	205,33%
Core Tier 1 ratio- Adjusted	205,22%	205,33%

29 – Recently issued accounting standards and interpretations

New standards, amendments to standards and interpretations that became effective on 1 January 2021:

There were no voluntary changes in accounting policies during the year ended on 31 December 2021.

The following standards, interpretations, amendments and revisions are mandatory for annual periods beginning on 1 January 2021:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform: phase 2. These amendments address issues arising throughout the reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate, allowing the application of exceptions such as: i) Changes to hedge designations and hedge documentation; ii) Amounts accumulated in the cash flow hedge reserve; iii) Retrospective assessment of the effectiveness of a hedge relationship under IAS 39; iv) Changes to hedge relationships for groups of items; v) Presumption that an alternative benchmark rate designated as a non-contractually specified risk component is separately identifiable and qualifies as a hedged risk; vi) Update the effective interest rate, without recognizing gain or loss, for financial instruments measured at amortized cost with changes in contractual cash flows as a consequence of IBOR reform, including IBOR-linked lease contracts.

b) Amendments to IFRS 16 – Exempts lessees from assessing whether covid-19-related eligible rent concessions they benefited from are lease modifications, in which case such concessions are treated as if they were not modifications. Eligible concessions are those directly related to the covid-19 pandemic for which: (i) The revised consideration is substantially the same as, or less than, the consideration for the lease prior to the concession; (ii) Any reductions in payments affects payments originally due before 30 June 2021: and (iii) There are no other substantive changes for lessees. This exemption is optional and must be applied consistently to all lease contracts with similar characteristics. Does not extend to lessors.

The adoption of these standards, interpretations, amendments and revisions had no material impact on the Bank's financial statements for the year ended 31 December 2021.

The following changes to the published standards are only mandatory for annual periods beginning after January 1, 2022:

a) Amendment to IAS 37 (effective for annual periods beginning on or after 1 January 2022) – Clarifies that, for the purposes of assessing whether a contract is onerous, the costs of fulfilling a contract comprise the costs that relate directly to the contract (incremental contract costs and an allocation of other costs incurred for activities necessary to fulfil the contract).

b) IAmendment to IFRS 3 (to be applied for annual periods beginning on or after 1 January 2022) – Introduces new exceptions to the principles of recognition and measurement of assets and liabilities, in line with the revised conceptual framework. It clarifies that the acquirer must apply the IAS 37 definition of a liability to determine which present obligations exist at the acquisition date as a result of past events and that it must apply IFRIC 21 criteria to determine whether an obligation to pay a levy exists at the acquisition date. It further clarifies that the acquirer shall not recognise contingent assets at the acquisition date.

c) Amendment to IAS 16 (effective for annual periods beginning on or after 1 January 2022) – Establishes that the proceeds from the sale of items at a date prior to the tangible fixed asset being available for its intended use cannot be deducted from the cost of the asset. Such proceeds must be recognized in profit or loss, like the costs of producing those items. This change applies retrospectively, but only to assets that become available for their intended use on or after the beginning of the earliest comparative period.

d) Improvements to standards 2018-2020 (to be applied for annual periods beginning on or after 1 January 2022) – Includes the following changes: (i) IFRS 1 – simplifies the application of IFRS 1 by a subsidiary that adopts IFRS later than its parent company; (ii) IFRS 9 – clarifies the fees to be included in the 10 per cent test for derecognition of financial liabilities; (iii) Illustrative examples of IFRS 16 – removes the illustration of the reimbursement of leasehold improvements by the lessor; and (iv) IAS 41 – removes the requirement to exclude cash flows for taxation when measuring fair value.

e) IFRS 17 – Insurance contracts (new). This standard, which is mandatory for annual reporting periods beginning on or after 1 January 2023, replaces IFRS 4 and applies to all entities that underwrite insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of technical liabilities, on each reporting date. Current measurement can be based on a general model ("Building Block Approach"), or on a simplified model ("Premium Allocation Approach"). Recognition of the contractual service margin depends on whether it is positive or negative. IFRS 17 is applied retrospectively.

f) IAS 1 (amendment) (applicable to annual reporting periods beginning on or after 1 January 2023) – Clarifies that the classification of liabilities as current or non-current is solely based on the entity's right to defer their settlement at the end of the reporting period. This right must have substance, in addition to being unconditional. It further clarifies that the transfer of the entity's own equity instruments constitutes settlement of liabilities, unless this results from the exercise of a conversion option that meets the definition of an equity instrument.

g) IAS 1 (amendment) (applicable to annual reporting periods beginning on or after 1 January 2023) – This amendment (also in IFRS Practice Statement 2) clarifies that accounting policy information is material when its omission makes it impossible for users to understand other financial information included in the financial statements. It also clarifies that there is no obligation to disclose immaterial information.

h) IAS 8 (amendment) (applicable to financial years beginning on or after 1 January 2023) – This amendment introduces the definition of an accounting estimate and clarifies how it differs from changes in accounting policies. Thus, accounting estimates are defined as monetary amounts subject to measurement uncertainty, used to achieve the objectives set out by the accounting policy.

i) IFRS 16 (amendment) – This amendment extends the date of application of the amendment to IFRS 16 – Leases – Covid-19-related Rent Concessions to June 30, 2022.

j) IAS 12 (amendment) (to be applied in financial years beginning on or after 1 January 2023) – In accordance with this amendment, entities are now required to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences

The adoption of these standards, interpretations, amendments and revisions is not expected to have a material impact on the Bank's financial statements.

30 – Subsequent events

On February 24, 2022, Russia launched a military assault on Ukraine. A generalized armed conflict has since developed, causing substantial loss of human lives and material damages, and leading to population displacements on a large-scale.

The majority of the world economies condemned this conflict and in response to this massive invasion imposed a number of severe economic sanctions on Russia, and on some of its economic agents, and on several occasions on Belorussia in almost all economic sectors, especially the financial, food and energy sectors. The impact of these sanctions was the soaring price of the commodities, such as oil. Furthermore, new sanctions may be implemented in the short term which may affect more entities, individuals and sectors. Internationally, a growing number of companies has announced voluntary measures to limit business with Russia. In turn, Russia launched retaliatory economic measures.

With regard to the international economic context, a deterioration of the current economic environment is to be expected. The economic impacts resulting from the conflict can vary in kind, the most significant of which is the major disruption of operations in Ukraine, Russia and Belorussia, as well as major liquidity challenges as a result of the imposed sanctions. The recent sharp increase in the oil price exposed the vulnerability of the economies in relation to this energy source. However, contrary to the European economies, the Angolan economy is foreseen to benefit directly from the increase in the oil price.

Given the high uncertainty, at this stage, as to how the conflict will evolve, both in terms of duration and severity of its effects, it is not possible to quantify with a reasonable degree of confidence the possible quantitative impacts on the Bank's activity and on its financial position. Nevertheless, according to the performed assessment, BCH does not estimate any financial impact arising from this situation.

Therefore, and in accordance with the accounting standards in force, this event, which occurred after the end of the reporting period, was considered a non-adjusting subsequent event.

BCH Banco Comercial do Huambo

External Auditor´s Report

Crowe Angola – Auditors and Consultants,SA
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Luanda | Angola

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INDEPENDENT AUDITOR'S REPORT

(amounts in thousands of kwanzas)

To the Shareholders of:
Banco Comercial do Huambo, S.A.

Introduction

1. We have audited the financial statements of Banco Comercial do Huambo, S.A, ("Bank"), which comprise Balance Sheet as at 31 December 2021 (showing total assets of AOA 56,374,427,000 and total equity of AOA 37,324,019,000, including net profit of AOA 6,355,589,000; Income Statement by nature of expense; Statement of Comprehensive Income, Statement of Changes in Equity and Cash flow Statement for the year then ended as well as Notes to the Financial Statements which include a summary of the significant accounting policies.

Responsibility of Management for the Financial Statements

2. The Board of Directors is responsible for the adequate preparation and presentation of these financial statements in accordance with the International Financial Reporting Statements and for the internal control that it deems necessary to permit the preparation of those financial statements free of material misstatements due to fraud or error.

Responsibility of the Auditor

3. Our responsibility is to express an independent opinion on the financial statements based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Accounting Technicians of Angola (OCPCA). These standards require that we comply with ethical 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 to obtain audit 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

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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 reasonableness of significant accounting estimates made by the Board of Directors, as well as assessment of the overall presentation of the financial statements.

5. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Unqualified opinion

6. In our opinion, the financial statements referred to in paragraph 1 present, in all material respects, the financial position of Banco Comercial do Huambo, SA as at 31 December 2021 and its financial performance and cash flows for the period then ended, in accordance with the International Financial Reporting Standards (IFRS).

Emphasis of Matter

7. The recent Russian military attack on Ukraine has resulted in heavy economic and financial sanctions being imposed by the Western economies, particularly Europe and the United States of America. These sanctions have led to soaring energy and commodity prices which rise was already felt during the COVID-19 pandemic. Thus, in addition to the ongoing effects of the recession caused by Covid-19, the Bank should assess the potential impacts of the Russian military invasion of Ukraine on its operating activity and future financial statements. However, as according to the management report and attached notes, there is no evidence of impact resulting either from the effects of the COVID-19 pandemic or from the Russian invasion of Ukraine that could give rise to adjustments to the analysed financial statements or that might undermine the Bank's operational continuity.

Luanda, 29 April 2021
[signature illegible]
Crowe Represented by João Martins de Castro

Accounting technician, registered with OCPCA under no. 20140123.

Audit Commitee´s Report And Opinion

AUDIT COMMITTEE'S REPORT AND OPINION

Dear shareholders,

Pursuant to legal and statutory provisions, we hereby present the report on the supervisory activity we performed and submit the Audit Committee´s Report and Opinion on the Report and Accounts for the year ended 31 December 2021 of **Banco Comercial do Huambo, S.A.** (hereby referred to as Bank), as well as on the proposal for appropriation of profit, which are a responsibility of the Board of Directors. The balance sheet shows total assets of AOA 56,374,427,000 and equity of AOA 37,324,019,000 including profit after tax of AOA 6,355,589,000.

1. Throughout the financial year, we had the chance to periodically monitor the Bank's activity, the adequacy of the accounting records and compliance with applicable legal and statutory standards. The Bank's management and several departments provided us with the explanations and information we requested, necessary for the preparation of our opinion.

2 Within the scope of our duties, we carried out analyses and appraised the Financial Statements which comprise the Balance Sheet, Income Statement, Cash flow Statement and the respective Notes, all of which were prepared in accordance with the International Accounting Standards (IASB) and International Financial Reporting Standards (IFRS), according to the provision of Notice 6/2016 of 16 May, issued by the National Bank of Angola.

3. We analysed the Management Report which describes with sufficient clarity the Bank's activity during 2021.

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

5. We analysed the Independent Auditors' Report, issued by Crowe Angola – Auditors and Consultants, SA which contains emphasis of matter relating to the recent Russian military attack on Ukraine as well as the effects of the Covid-19 pandemic and its impacts on a global scale.

6. In the light of the foregoing, and taking into consideration the work done we propose:

   a) The approval of the Management Report and the Accounts for the year ended 31 December 2021.

   b) The approval of the proposed appropriation of the net profit in 2021, as described in the Management Report.

   c) Approval of a vote of praise, reinforcing the trust in the Board of Directors for its dedication, good performance and for the results achieved in the financial year of 2021, which reflect the bank's soundness and sustained growth.

7. We would also like to express our gratitude to the Board of Directors and the Bank's departments for their collaboration.

Luanda, 4 May 2020

The AUDIT COMMITTEE

Signed: UHY – A. Paredes e Associados – Angola, S.A. [stamp] – President
Signed: Mr. Mário Castelo Branco - Deputy-chairman
Signed: Mr. Francisco Miguel Paulo – Deputy-chairman