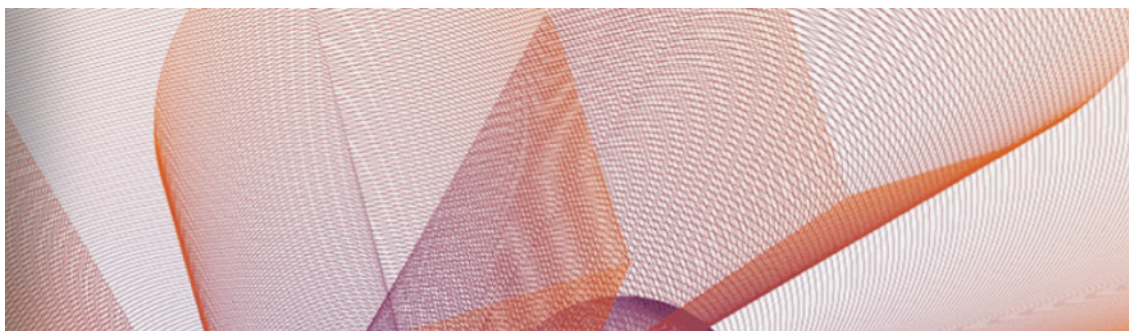




## **Annual Reports and Accounts 2016**



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## Message from the Chairman

One more year has gone by and once again we are reflecting on BCH's activity, this time, with regard to 2016.

In my last message I expressed my concerns about 2016 based on the less favorable forecast which unfortunately became reality in a rather painful manner. The year of 2016 proved to be very difficult for the majority of economic agents. However, despite all those setbacks we at BCH continued to follow a prudent management and grow at a sustainable rate as our main ratios show.

Similarly, the recognition received from our customers and specialized press through the attribution of several awards, namely SIRIUS award, further increased our will to get better and better.

Throughout the period between 2015 and 2016, the assets confirm our good performance, accounting for a 59% increase, while the best performing item was Securities, up by 299%.

As for the number of clients, it increased by 36% and the volume of deposits followed this upward trend and increased by 71%. As at 31 December 2016 the volume of savings accounts accounted for 40% of all deposits.

Profit after tax increased by about 20% due mainly to a 93% increase in net interest income.

In the same period, Tier 1+ Tier 2 capital increased by 44% due mainly to profits obtained in 2015 and 2016. The solvency ratio went up 20 percentage points to 154% when the minimum required by BNA is 10%.

Cost to income ratio which shows costs in relation to income went down from 22% to 18%, which speaks of better efficiency.

During 2016 we opened a branch at MACON terminal, and we have planned the opening of three other branches, two of which with completed architectural projects.

We have also been admitting staff, prudently, in keeping with the Bank's progressive growth.

The major investments made in 2016 were channeled to IT and electronic banking.

We would like to point out that we successfully joined the VISA project, which we consider an important product for our main customers. We are also investing in a new Internet Bank solution to reach our customers in a more practical and efficient way.

We highly value, throughout the many departments, our importance and contribution towards combating money laundering and financing terrorism.

BCH has been also significantly engaged in complying with the international accounting standards, IAS / IFRS. There are still some investments to be made in software for internal control and quality management.

As for 2017, we will do our best to bring the main economic and financial indicators to the levels of last year's.

In order for BCH to continue to grow and show financial strength, our Bank will continue to focus on quality management associated with quality of service.

We are also aiming a significant reduction of operating costs and, so that all this is more than a forecast and becomes a fact, we will put in our best effort to maintain profits at last year's level.

However, we cannot overlook the fact that our sound and sustainable progress is due not only to our management but also to the trust our clients have placed in us. It is also due to the shareholders who have acknowledged our commitment, giving us the courage to continue on the path of success, despite the crisis that has taken over our country.

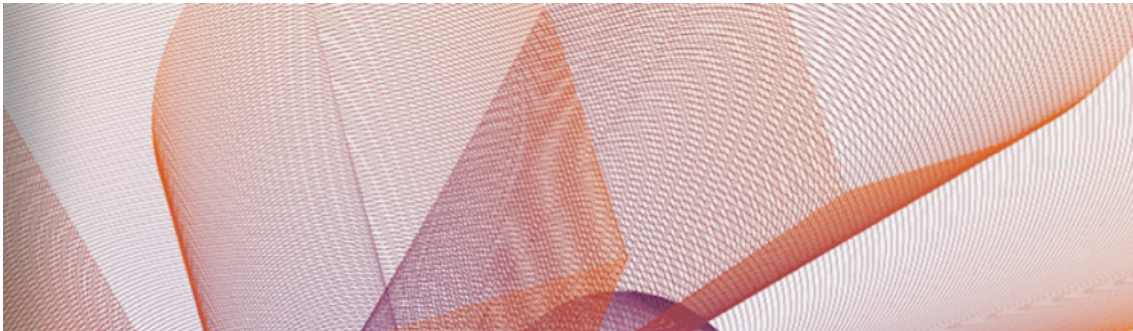
At last but not least as it is not of less importance and in order to highlight our gratitude, we would like to express our deep appreciation to our employees for their performance, professionalism and desire to excel.

We thank you all.



Natalino Bastos Lavrador

Chairman of the Board of Directors



## **Corporate Bodies and Shareholder Structure**

## Corporate Bodies

As at 31 December 2016, the corporate bodies were comprised as follows:

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### General Meeting of Shareholders – Board

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

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### Board of Directors

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

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### Audit Committee

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

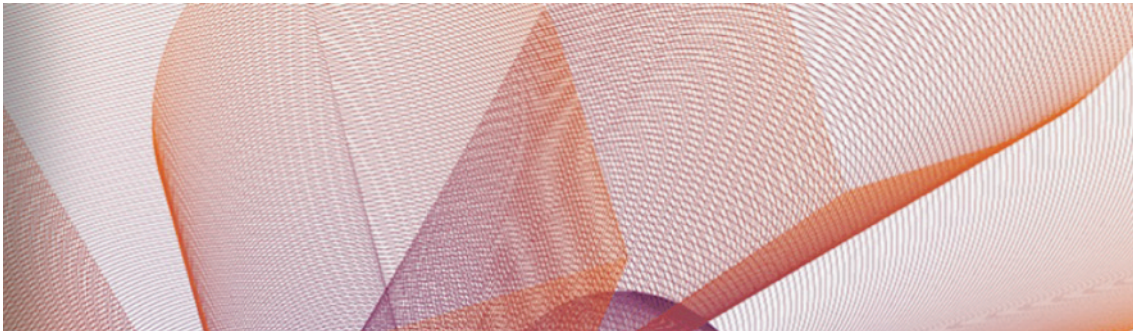
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## Shareholder structure

As at 31 December 2016, the capital of Banco Comercial do Huambo was owned by 5 shareholders, as follows:

Shareholders	Interest
Natalino Bastos Lavrador	51,5%
Valdomiro Minoru Dondo	20%
António Mosquito	20%
Sebastião Bastos Lavrador	5,5%
Carlos Saturnino Guerra Sousa e Oliveira	3%

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## Macroeconomic Background



## Macroeconomic Background

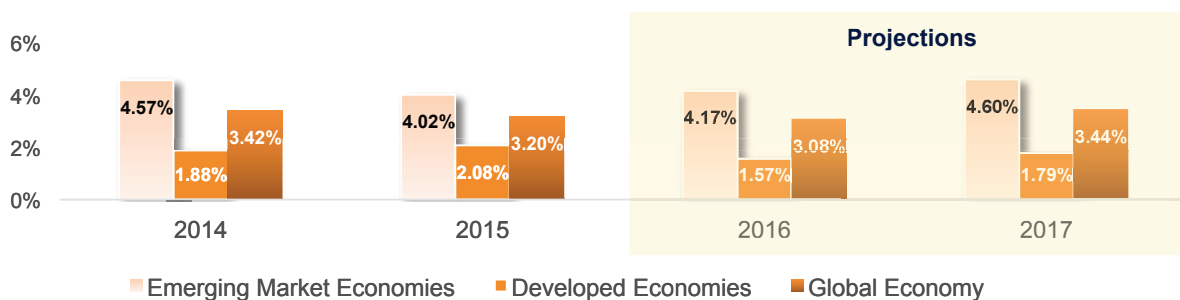
### World economy

According to the International Monetary Fund (IMF)<sup>1</sup>, the world economy grew by 3.08% in 2016, down by 0.12% as compared to 2015.

The evolution of global current account imbalances during 2016 continued to be affected, as highlighted by the IMF, by the decline in oil prices in the previous two years, as well as considerable differences in the growth rate of domestic demand in different regions of the world. In 2015, the size of current account deficits and surpluses in relation to world GDP expanded modestly for the first time since 2010 and dropped slightly in 2016 due to a decline in the surpluses of China and main European economies, together with further decline in the deficits in Latin-American countries.

The economic slowdown in the emerging market economies over the past few years is expected to be reversed, thus resulting in increased economic growth rates in these countries in 2016 and 2017.

**Figure 1: Economic Growth 2014 – 2017**



Source: World Economic Outlook – International Monetary Fund, October 2016

### Economy of sub-Saharan Africa

The IMF's projections for sub-Saharan Africa are increasingly for multispeed growth. These projections reflect challenging macroeconomic conditions in the largest economies of the region which are adjusting to lower commodity revenues as a consequence of the lower oil prices on the international markets. This factor in addition to expected increase in financing costs and global depreciation of local currencies with consequent inflation rise explains the economic slowdown in the region of sub-Saharan Africa, with growth rate for 2016 of 1.4% as opposed to 3.4% in 2015.

One of the major economies in the region, Nigeria was projected to contract 1.7% in 2016, reflecting temporary disruptions to oil production, foreign currency shortages resulting from lower oil receipts and weak investor confidence.

In South Africa, GDP remained stagnant in 2016, with only a modest recovery this year as the commodity shocks dissipate and power supply improves.

Many countries in the region will struggle to sustain growth through public expenditure as they had done in the past, due

<sup>1</sup> World Economic Outlook – International Monetary Fund, Outubro 2016

to rising public debt and difficulties in obtaining credit.

On the other hand, countries such as Côte d'Ivoire, Ethiopia, Kenya and Senegal are expected to expand at pace of more than 5 percent this year, benefiting from low oil prices, private consumption and investment growth rates.

Inflation was back at double-digit levels in a few large economies in sub-Saharan Africa, reflecting the pass-through of large currency depreciations in 2016.

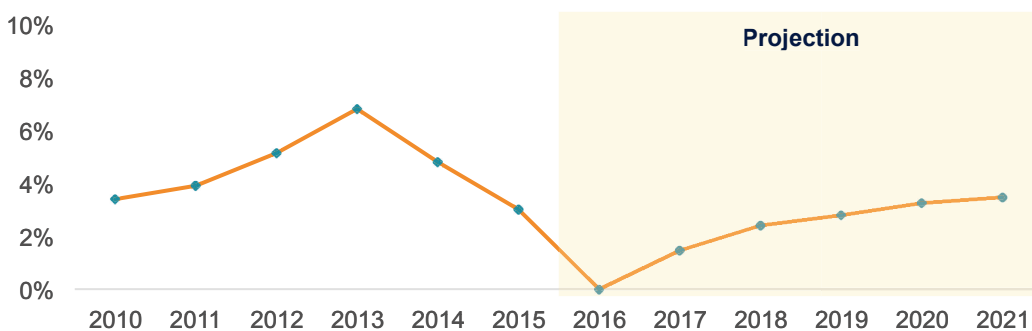
### Angolan Economy

Angolan economic activity in 2016 stagnated<sup>2</sup>, but growth forecasts for 2017 remain at around 1.46%, backed by an expansion of the non-oil sectors due to increased public investment.

During the course of 2016, the Angolan economy continued to face a number of constraints and uncertainties related to the sharp decline in the price of oil on international markets in previous years. This has also caused a shortage of foreign currency in the economy to finance imports of which the economy is still largely dependent. According to the IMF – Commodity Market Monthly, published in January 2017, the average price of a barrel of oil in December 2016 stood at USD 52.61. With the strengthening of national oil production in 2016, it was possible to mitigate the sharp deceleration in other sectors of activity that were affected by import restrictions.

These factors have an impact on all sectors of the economy, directly influencing GDP.

**Figure 2: Evolution of the growth rate of Global Angolan Economic Activity (GDP)**

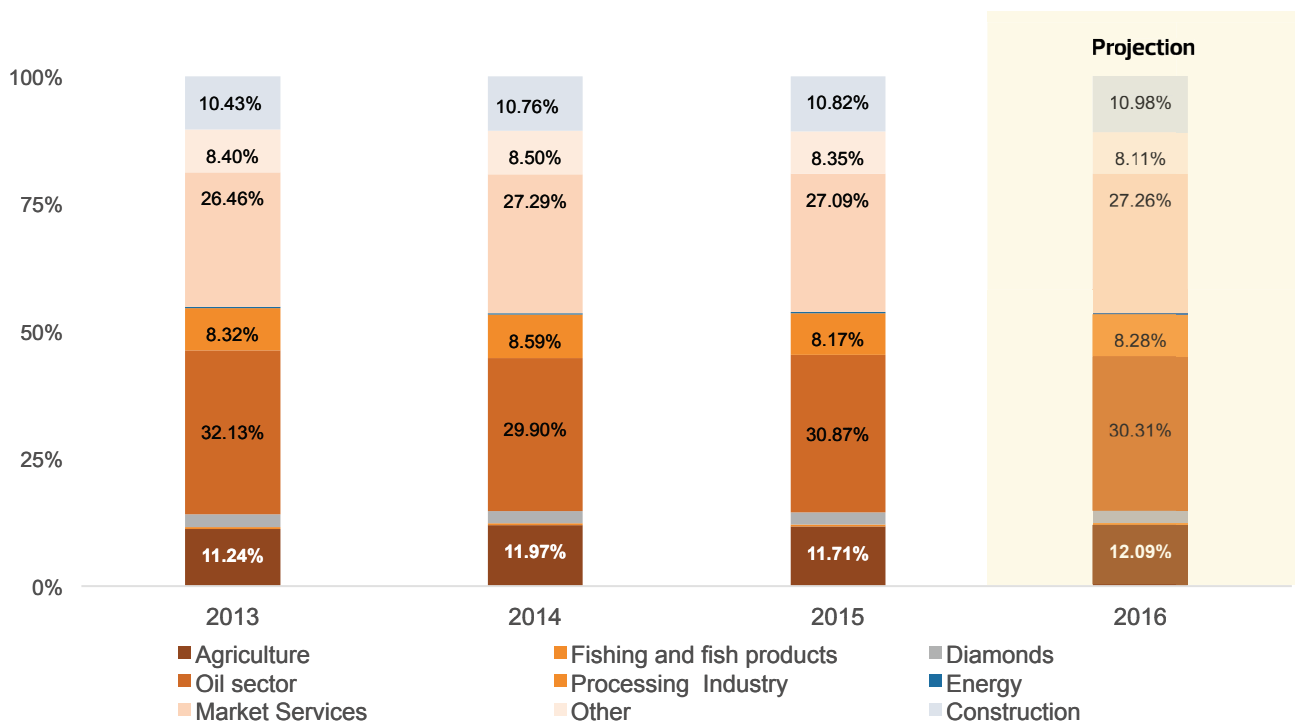


Source: World Economic Outlook – International Monetary Fund, October 2016

<sup>2</sup> World Economic Outlook – International Monetary Fund, Outubro 2016

Analyzing Figure 3: Percentage Structure of the Gross Domestic Product (%)<sup>3</sup>, one can see that the contribution of each sector of activity to the global GDP remained relatively stable from 2015 to 2016. Furthermore, the primary sector (Fishing, Diamonds, Agriculture and Oil) continued to represent the greatest weight in the GDP structure in 2016 with 45.13 percent, followed by the tertiary sector with 35.37 percent.

**Figure 3: Percentage Structure of GDP (%)**

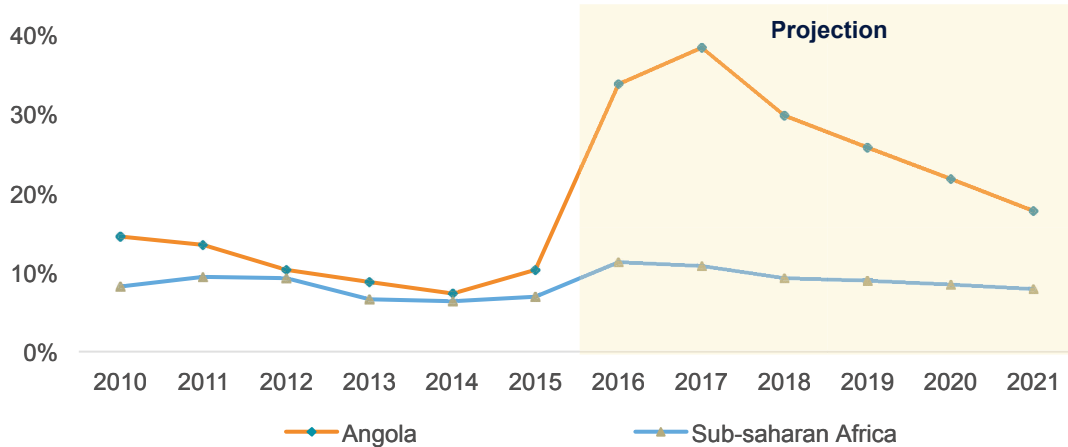


Source: National Bank of Angola (BNA)

With regard to inflation, according to IMF's data and forecasts, the rate was 10.3% in 2015, representing a 3 percentage points increase over 2014. This variation in the inflation rate reflects the sharp devaluation of the Kwanza, consequent significant increase in the price of imported goods and increase of domestically produced goods due to higher production costs. Allied to all these factors, there was also an increase in the tax rate on consumption for a large set of goods. Contrary to the stabilization trend of previous years, the Angolan economy recorded an inflation rate of 33.7 percent at the end of 2016, which represents the highest rate of inflation since 2008 and an increase of about 23.4 percentage points over 2015.

<sup>3</sup> Source: Annual Reports and Accounts 2015 - Banco Nacional de Angola

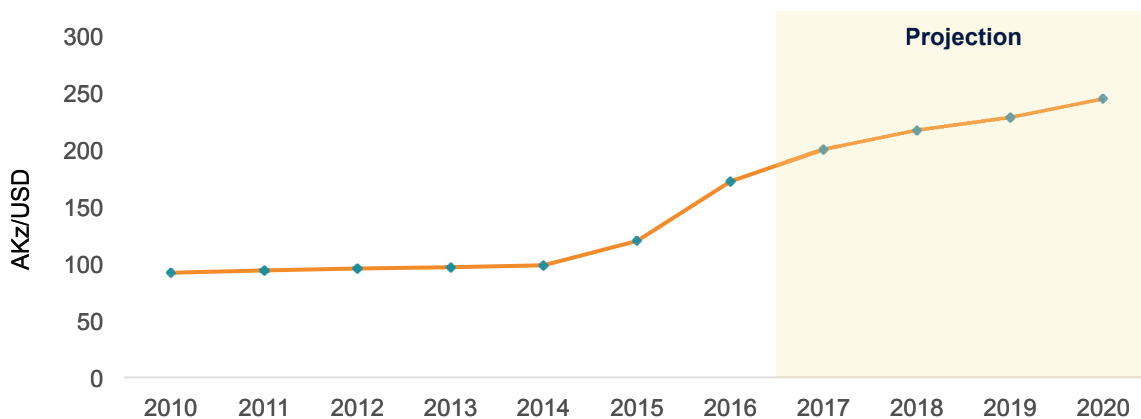
**Figure 4: Evolution of Inflation rate (%)**



Source: *World Economic Outlook – International Monetary Fund, October 2016*

Regarding the AKZ/USD exchange rate, it depreciated about 18% between the end of 2015 and the end of 2016. This added to even higher depreciation of 24.3 percent that had occurred between the end of 2014 and the end of 2015. This was due to high demand for USD as a result of the significant fall in foreign currency revenues linked to oil exports. Forecasts for continued depreciation of the Kwanza against the US dollar are mainly due to the growing demand for foreign currency, contraction of public investment and maintenance of the oil price at relatively low levels. The use of international foreign exchange reserves is expected to slow down the devaluation of the national currency. On 31 December 2016, the average exchange rate stood at USD 165.08.

**Figure 5: Evolution of Average Exchange Rate**



Source: *Economist Intelligence Unit (EIU)*

Given such context, the National Bank of Angola has implemented the necessary policies with the aim to channel the currencies into the country's various priority needs, in particular food, health and other goods, in order to guarantee the price stability of these goods and services and prevent the population from feeling the effects of the collapse of oil prices on the international market.

### Future Perspectives

The year 2016 proved to be a very challenging one for the Angolan economy, continuing to underline the uncertainty regarding the evolution of the price of oil a barrel on the international markets, persistence of restrictive macroeconomic scenario, depreciation pressure on the Kwanza and consequent limited perspectives on economic growth.

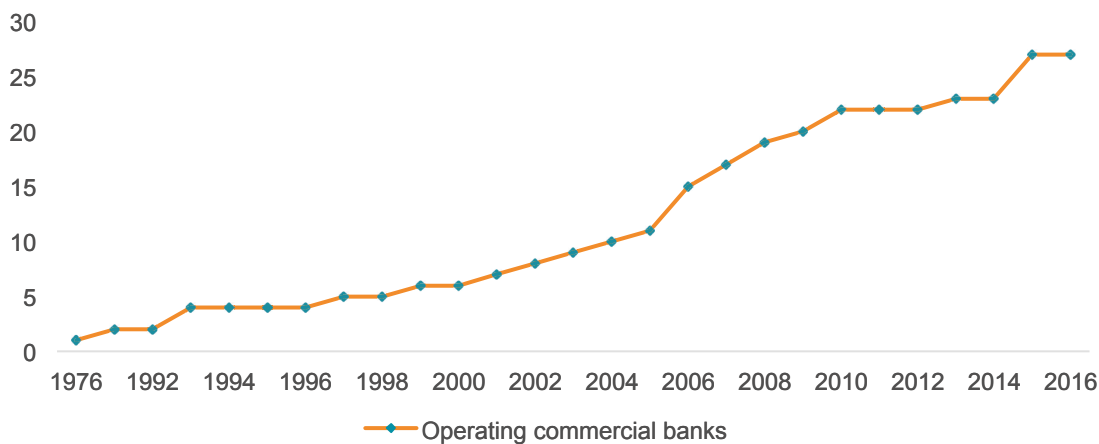
Naturally, like other sub-Saharan African economies, the Angolan economy continues to be heavily dependent on the international macroeconomic environment and especially on the demand and price of oil a barrel.

According to the Economist Intelligence Unit (EIU), moderate economic growth is expected in the coming years which should reach 2.6 percent in 2020. However, similarly to the oil price, forecasts are based on sets of short- and medium-term volatilities.

### Analysis of the Angolan banking sector

Despite the constraints of the national and international economies, the banking sector continues quite dynamic with some slowdown in the main activity indicators. The number of assets under management rose by 16.5%, number of branches went up 4.4% and there was an increase of 3.1% in the number of employees (data from 2015). The volume of past due loans rose by approximately 8%, given the sharp increase of 41.6 percent in 2014, and it is at the moment a major concern for the banks operating on the market. The banking inclusion of the people in Angola continued to rise and it is expected that the percentage of banked population is higher than the 47 percent statistics showed in 2014.

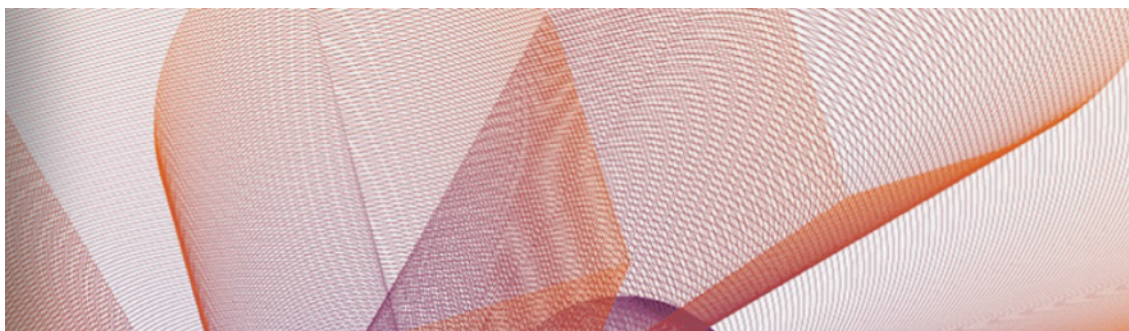
**Figure 6: Evolution of the number of commercial banks in Angola**



Source: BNA

By the end of 2016 there were 27 financial institutions operating in Angola.

The National Bank of Angola continues to play a very active role in strengthening conduct and prudential supervision in order to align itself with the best international practices and strengthen its reputation among the international banking community. A set of directives, notices and instructions related to monetary and exchange policy, banking and anti-money laundering was issued.

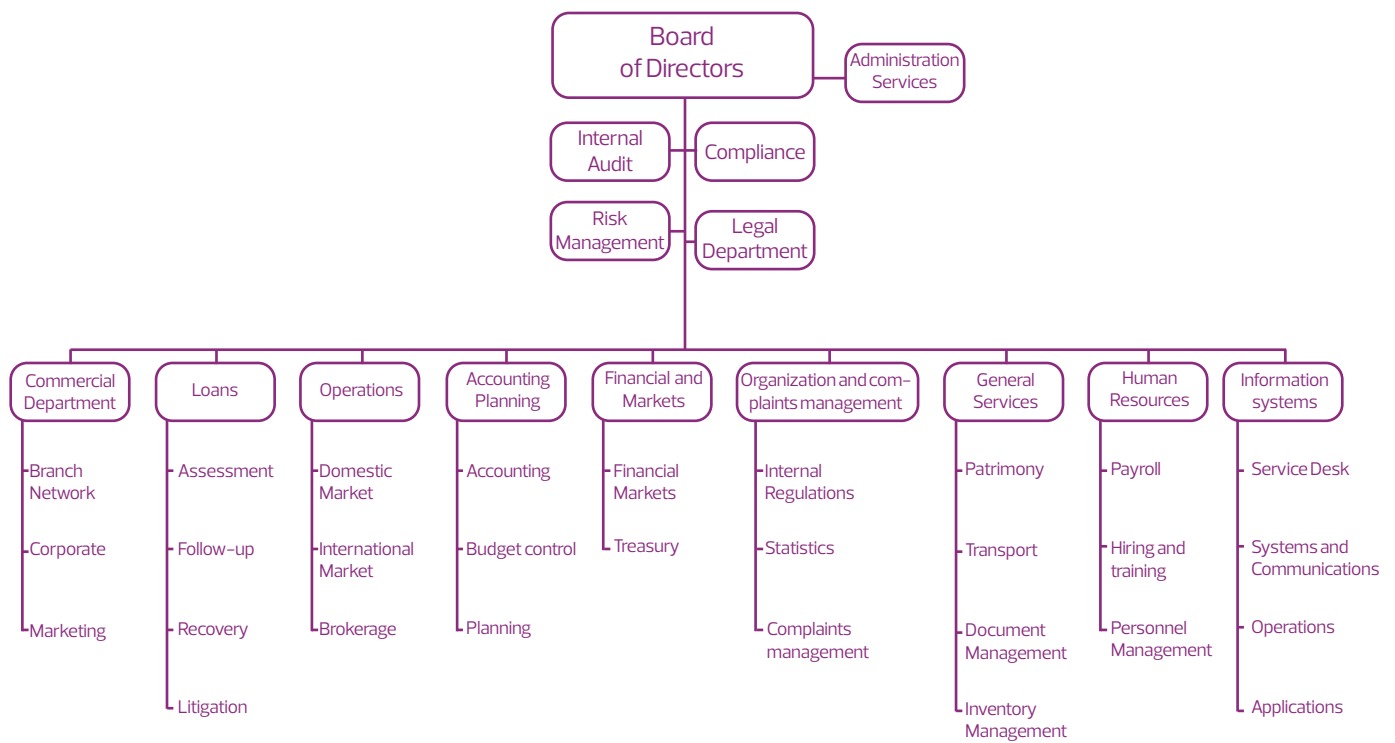


**BCH**

## BCH

### Corporate Structure

The Board of Directors comprises a Chairman and two Directors.





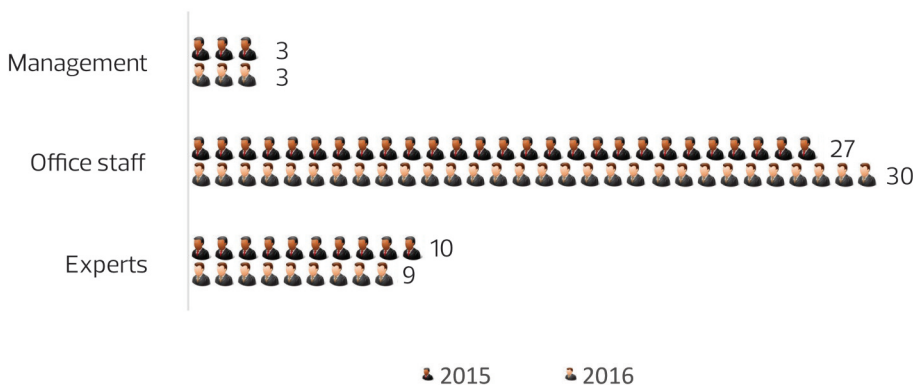
Throughout 2016 the Bank continued to carry out the necessary activities towards the formalization and effective implementation of the Risk and Compliance function. These functions have been implemented and performed during the year a set of assigned activities.

### Human Resources

In order for BCH to continue to meet the requirements of its expansion, also comply with regulatory requirements as set by the supervising authority and those imposed by the business, it seeks to hire qualified personnel who by use of their qualifications and skills can respond to these challenges and ensure a customer service excellence. At the end of 2016, the Bank had 45 employees, 5 more than in 2015.

The evolution of BCH's human resources per function was as follows:

**Figure 7: Evolution of the Bank's human resources**

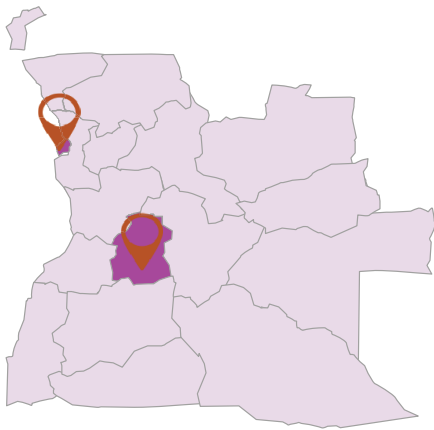


In order to successfully achieve its objectives, the Bank is committed to hiring competent expert staff to reinforce its internal structure. BCH believes that the diversity of its employees is of utmost importance to the success of the Bank, and so it seeks to have the most talented people who abide by the high ethical standards of the institution.

### Branches

In 2016 BCH expanded its commercial network with the opening of a new branch in the province of Luanda, operating now with five branches, one in Huambo and four in Luanda.

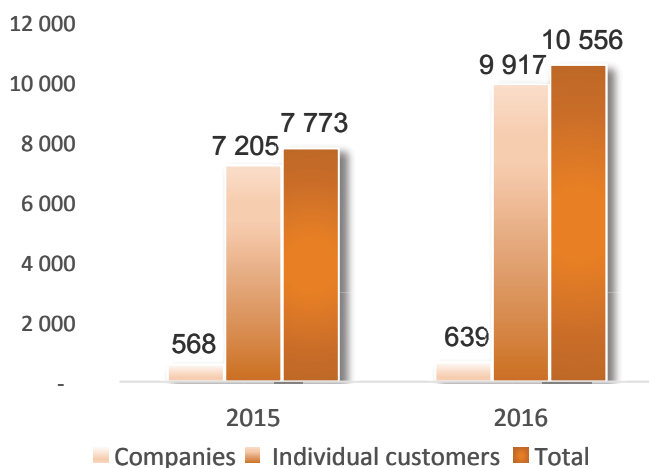
For 2017 the objective of the Board of Director is to inaugurate two more branches.

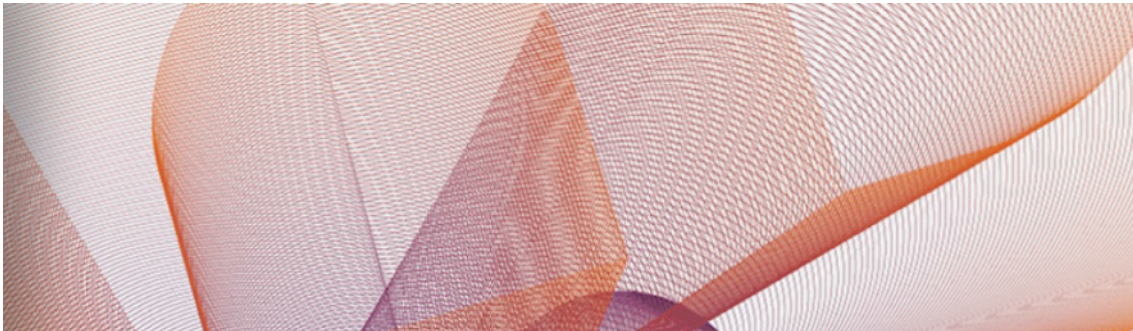


### Customers

BCH ended the year 2016 with 10,556 customers. The Bank's customer base rose by 36% in 2016, sustained by the private customer segment, which grew by 38%, thus contributing to the continued growth of BCH's customer base.









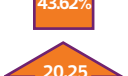
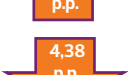




**Figure 8: Evolution of Customer Portfolio**

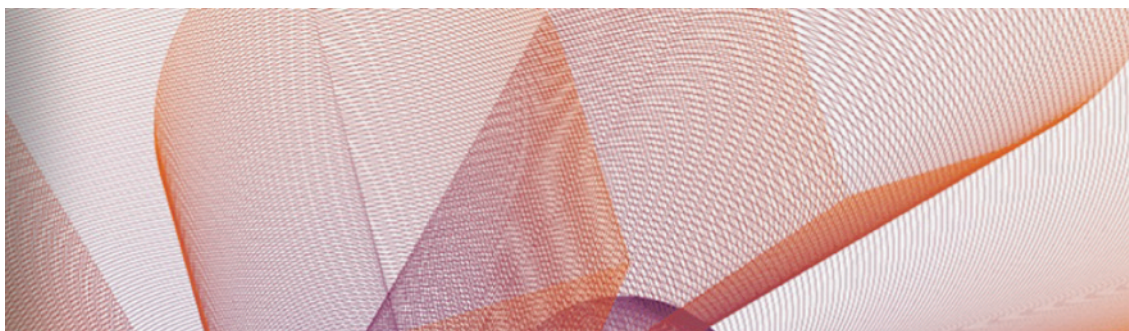




## Key Indicators

amounts in thousands of Angolan kwanzas

Indicators	2016	2015	Variation
Total Assets	19,884,153	12,476,613	 59%
Credit to the Economy	9,865,808	2,845,209	 247%
Loans and advances to customers	236,196	430,212	 45%
Loans and advances to the government	9,629,613	2,414,997	 299%
Customer deposits	11,776,185	6,882,588	 71%
Loan/Deposit ratio	2.14%	6.25%	 4.11 p.p.
Net interest income	1,032,519	536,304	 93%
Net operating income	4,181,966	3,956,735	 6%
Profit after tax	2,651,952	2,211,227	 20%
Cost to Income Ratio	17.74%	21.84%	 4.10 p.p.
Tier 1 plus Tier 2 capital	6,523,678	4,542,302	 43.62%
Solvency ratio	154.22%	133.97%	 20.25 p.p.
Return on total assets (ROA)	13.34%	17.72%	 4.38 p.p.
Return on equity (ROE)	37.77%	48.19%	 10.42 p.p.
Overdue loans / Total loans	2.84%	1.22%	 1.62 p.p.
Provisions / Overdue loans	215.19%	31.25%	 183.94 p.p.
N° of Branches	5	4	 1
N° of Employees	45	40	 13%
Customers	10,556	7,773	 36%



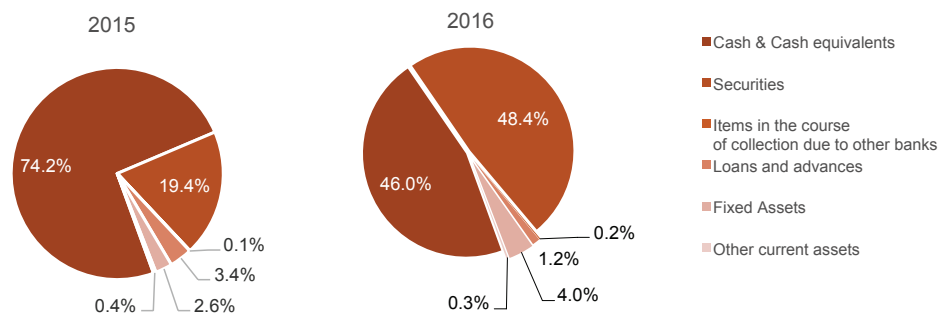
## **Business Development**

## Business Development

### Total Assets

In 2016 BCH's total assets amounted to AKZ 19,884,153 thousand, standing for an increase of about 59% over the previous year. Especially the item Securities which is 48.4% of total assets and which went up by 299% from AKZ 2,414,997 thousand in 2015 to AKZ 9,629,613 thousand in 2016.

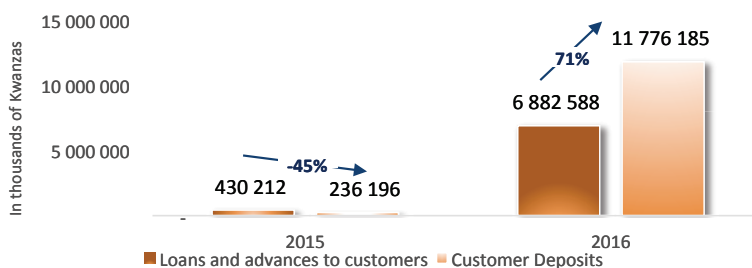
Figure 9: Evolution of Total Assets



### Customer Deposits & Loans and advances to Customers

In 2016, the amount in customer deposits increased significantly as compared to 2015. This increase of 71 percent also reflects the expanded customer base of BCH. On the opposite end, the loans and advances to customers fell by 45.1 percent from AKZ 430,212 thousand in 2015 to AKZ 236,196 thousand in 2016. Furthermore, in 2016 the ratio of Past due loans to Total loans increased from 1.22 percent to 2.84 percent.

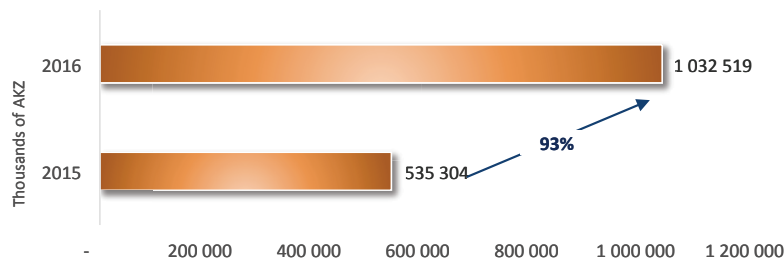
Figure 10: Evolution of Customer Deposits & Loans and Advances to Customers



### Net interest income

The Bank's net interest income rose by 93%, standing at AKZ 1,032,519 thousand on balance-sheet date. This is mainly due to significant rise in Income from Securities from AKZ 495,792 thousand in 2015 to AKZ 1,105,321 thousand in 2016 offsetting a rise in Interest expenses on Deposits from AKZ 65,220 thousand in 2015 to AKZ 176,87 thousand in 2016.

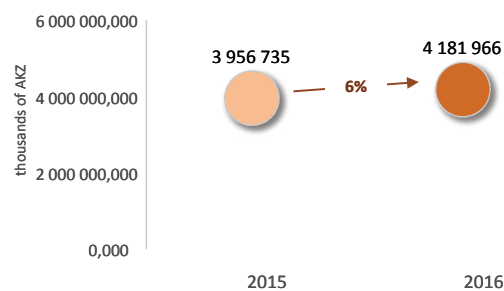
**Figure 11: Evolution of Net Interest Income**



### Net Operating Income

Following the good performance of the net interest income, the net operating income also improved in 2016. The Net Operating Profit stood at AKZ 4,181,966 thousand in 2016, accounting for an increase by 5,69% in relation to 2015. This improvement is due in addition to the Net Interest Income to excellent performance in terms of Net Income from provision of financial services of AKZ 2,468,431 thousand.

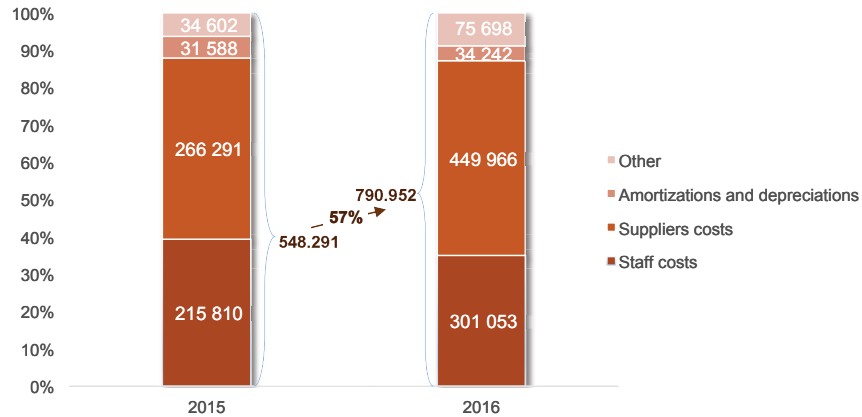
**Figure 12: Evolution of Net Operating Income**



### Administrative Costs

In 2016, the Bank recorded a 57 percent increase in its cost structure compared to 2015. The main administrative cost items are personnel costs which rose by about 39% and utilities costs which went up 69%.

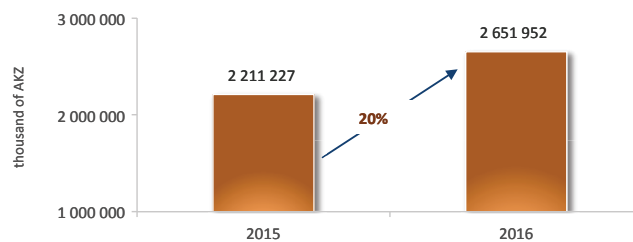
**Figure 13: Evolution of Administrative Costs**



### Profit after tax

The net income amounted to a total of AKZ 2,651,952 thousand, which is an increase of AKZ 440,724 thousand in relation to the year ended in 2015.

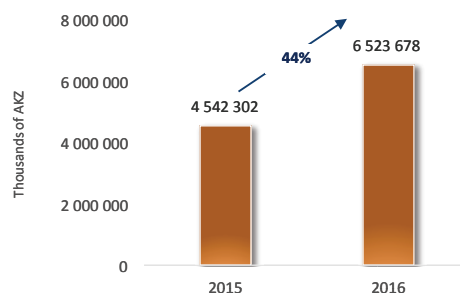
**Figure 14: Evolution of Profit after Tax**



### Tier 1 plus Tier 2 capital

Tier 1 plus Tier 2 capital increased by 44 percent and stood at a total of AKZ 6,523,678 thousand in 2016 on balance-sheet date.

**Figure 15: Evolution of Tier 1 + Tier 2 capital**

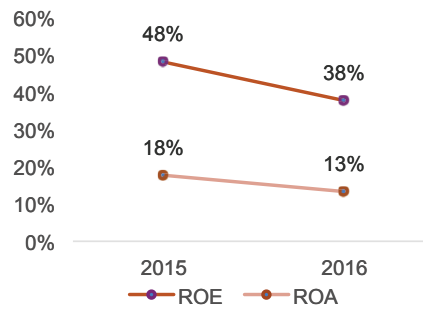




### ROE and ROA

Return on Equity fell 10.42 percentage points from 48.19% in 2015 to 37.77% in 2016. Return on Assets also went down 4.38 p.p. from 17.72% in 2015 to 13.34% in 2016.

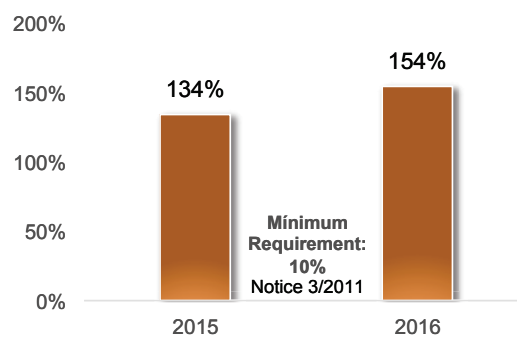
**Figure 16: Evolution of ROE and ROA**

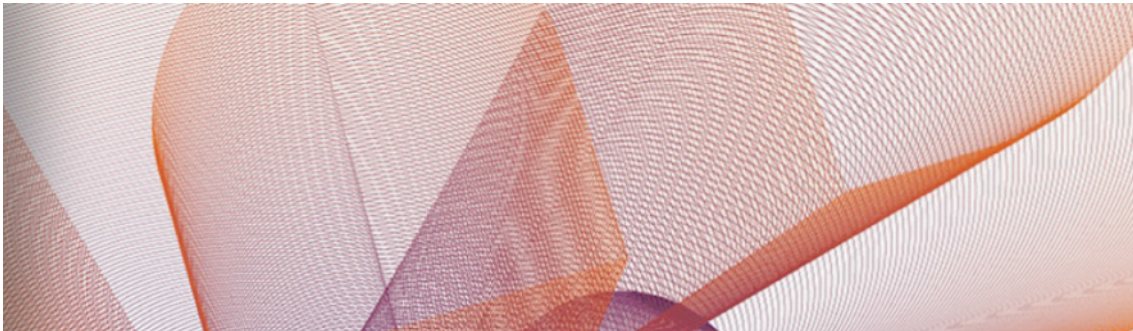


### Solvency Ratios

According to the formula defined in art. 1 of Notice 05/07 of September 12, this ratio at the end of 2016 is estimated at 154.22%, a percentage well above the 10% set by the National Bank of Angola.

**Figure 17: Solvency Ratio**





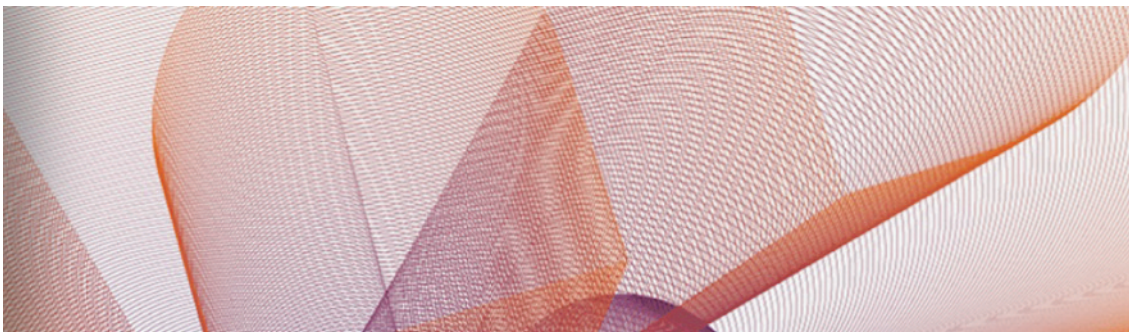
## **Proposed Appropriation of Profit**

## Proposed Appropriation of Profit

The profit after tax in 2016 of AKZ 2,651,952 thousand will be appropriated as follows:

- AKZ 265,195 thousand in Legal Reserves;
- AKZ 2,386,756 thousand to hedge Retained Earnings.

### The Board of Directors



## Financial Statements

## Balance sheets as at 31 December 2016 and 2015

(amounts in thousands of Angolan kwanzas)

In Kwanzas	Note	dec-16	dec-15	Dec.16/Dec.15	
				Δ value	Δ %
<b>ASSETS</b>					
Cash and Cash equivalents	3	9,143,204	9,253,730	-110,527	-1.2%
Short-term wholesale investment	-	0	0	0	0.0%
Securities	4	9,629,613	2,414,997	7,214,616	298.7%
Items in the course of collection from other banks	5	30,703	6,929	23,774	343.1%
Loans and advances to customers	6	236,196	430,212	-194,016	-45.1%
Other current assets	7	54,454	49,142	5,312	10.8%
Fixed assets	8	789,984	321,603	468,380	145.6%
<b>TOTAL ASSETS</b>		<b>19,884,153</b>	<b>12,476,613</b>	<b>7,407,539</b>	<b>59.4%</b>
<b>LIABILITIES</b>					
Deposits	9	11,776,185	6,882,588	4,893,597	71.1%
Current Deposits		7,009,095	5,928,967	1,080,128	18.2%
Savings Accounts		4,767,089	953,621	3,813,469	399.9%
Items in the course of collection due to other banks	10	8,234	27,916	-19,682	-70.5%
Other short-term wholesale funding	-	0	0	0	0
Other liabilities	11	1,057,103	977,660	79,443	8.1%
Provisions	12	21,917	0	21,917	n.a.
<b>TOTAL LIABILITIES</b>		<b>12,863,439</b>	<b>7,888,164</b>	<b>4,975,275</b>	<b>63.07%</b>
<b>EQUITY</b>					
Share Capital	13	3,000,000	2,265,249	734,751	32.4%
Reserves and Funds	13	235,917	14,795	221,123	1494.6%
Retained earnings/losses	13	1,132,845	97,178	1,035,667	1065.7%
Operating profit	13	3,622,514	3,164,406	458,107	14.5%
Profit tax	13	-945,989	-906,764	-39,226	4.3%
Non-operating profit	13	-24,573	-46,415	21,843	-47.1%
<b>TOTAL EQUITY</b>		<b>7,020,714</b>	<b>4,588,449</b>	<b>2,432,265</b>	<b>53.0%</b>
<b>TOTAL EQUITY + LIABILITIES</b>		<b>19,884,153</b>	<b>12,476,613</b>	<b>7,407,539</b>	<b>59.4%</b>

## Income Statement as at 31 December 2016 and 2015

(amounts in thousands of Angolan kwanzas)

Description	Note	dec-16	dec-15	Dec.16/Dec.15	
				Δ value	Δ %
Income from short-term interbank investments	15	10,714	25,242	-14,528	-57.6%
Income from securities	15	1,105,321	495,792	609,529	123%
Income from derivative financial instruments	-	0	0	0	-
Income from loans and advances to clients	15	93,171	83,834	9,337	11%
<b>Income from Financial Instruments – Assets</b>		<b>1,209,206</b>	<b>604,868</b>	<b>604,337</b>	<b>100%</b>
Interest expense – deposits	15	-176,687	-65,220	-111,466	171%
Interest expense – short-term wholesale funding	-	0	0	0	-
Other interest expense	15	0	-3,344	3,344	-100%
<b>Costs of Financial Instruments– Liabilities</b>		<b>-176,687</b>	<b>-68,565</b>	<b>-108,122</b>	<b>158%</b>
<b>NET INTEREST INCOME</b>		<b>1,032,519</b>	<b>536,304</b>	<b>496,215</b>	<b>92.5%</b>
Net income from trading and changes in fair value	-	0	0	0	-
Net income from foreign currency transactions	16	681,016	697,765	-16,749	-2%
Net income from the provision of financial services	17	2,468,431	2,722,666	-254,235	-9%
Provisions for bad debt and guarantees	6	251,801	-267,312	519,114	-194%
<b>NET OPERATING INCOME</b>		<b>4,433,767</b>	<b>3,689,422</b>	<b>744,345</b>	<b>20.2%</b>
Staff	18	-301,053	-215,810	-85,243	39%
Utilities	19	-449,966	-266,291	-183,675	69%
Non-profit taxes and fees	20	-69,921	-29,577	-40,344	136%
Fines charged by Regulatory Authorities	-	-5,148	-3,310	-1,838	56%
Other administration and general expenses	-	-630	-1,715	1,085	-63%
Depreciations and Amortizations	21	-34,242	-31,588	-2,654	8%
Cost recovery	-	0	0	0	-
<b>Administration and General Expenses</b>		<b>-860,959</b>	<b>-548,291</b>	<b>-312,668</b>	<b>57%</b>
Provisions and other liabilities	12	-21,917	0	-21,917	-
Other operating income and expenses	22	71,623	23,275	48,348	208%
<b>Other operating income and expenses</b>		<b>-811,254</b>	<b>-525,016</b>	<b>-286,238</b>	<b>55%</b>
<b>OPERATING PROFIT</b>		<b>3,622,514</b>	<b>3,164,406</b>	<b>458,107</b>	<b>14.5%</b>
Non-operating loss	23	-24,573	-46,415	21,843	-47%
<b>PROFIT BEFORE TAX</b>		<b>3,597,941</b>	<b>3,117,991</b>	<b>479,950</b>	<b>15.4%</b>
Tax	24	-945,989	-906,764	-39,226	4%
<b>PROFIT AFTER TAX</b>		<b>2,651,952</b>	<b>2,211,227</b>	<b>440,724</b>	<b>19.9%</b>

## Statement of Changes in Equity as at 31 December 2016 and 2015

(amounts in thousands of Angolan kwanzas)

	Note	Share Capital	Currency Translation reserve Share Capital	Reserves and Funds	Retained Earnings	Profit for the year	Total
<b>Balance as at 31 December 2015</b>		<b>2,265,249</b>	<b>0</b>	<b>14,795</b>	<b>97,178</b>	<b>2,211,227</b>	<b>4,588,449</b>
Retained earnings		0	0	221,122	1,035,667	-1,256,789	0
Dividends paid		0	0	0	0	-219,687	-219,687
Increase of Share capital	13	734,751	0	0	0	-734,751	0
Profit for the year 2016		0	0	0	0	2,651,952	2,651,952
<b>Balance as at 31 December 2016</b>		<b>3,000,000</b>	<b>0</b>	<b>235,917</b>	<b>1,132,845</b>	<b>2,651,952</b>	<b>7,020,714</b>

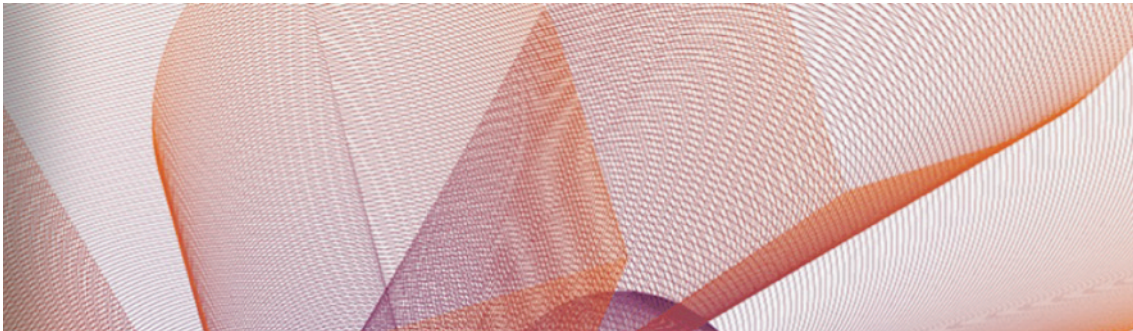
	Note	Share Capital	Currency Translation reserve Share Capital	Reserves and Funds	Retained Earnings	Profit for the year	Total
<b>Balance as at 31 December 2014</b>		<b>2,265,249</b>	<b>0</b>	<b>14,795</b>	<b>-205,953</b>	<b>303,032</b>	<b>2,377,123</b>
Retained earnings		0	0	0	303,032	-303,032	0
Dividends paid		0	0	0	0	0	0
Increase of Share capital	13	0	0	0	0	0	0
Increase of Reserves and Funds		0	0	0	99	0	99
Profit for the year 2015		0	0	0	0	2,211,227	2,211,227
<b>Balance as at 31 December 2015</b>		<b>2,265,249</b>	<b>0</b>	<b>14,795</b>	<b>97,178</b>	<b>2,211,227</b>	<b>4,588,449</b>

## Statement of Cash flows for the year ended 31 December 2016 and 2015

(amounts in thousands of Angolan kwanzas)

Description	dec-16	dec-15
<b>Net Cash flow from operating activities</b>	<b>2,452,642</b>	<b>3,424,017</b>
<b>Cash flow from financial intermediation</b>	<b>4,181,966</b>	<b>3,956,735</b>
Net interest income	1,032,519	536,304
Net increase/decrease in Trading and changes in fair-value	-	-
Net increase in foreign currency transactions	681,016	697,765
Net increase in rendering of financial services	2,468,431	2,722,666
<b>Cash flow from Profit/Loss on Stocks, Products and other services</b>	<b>-</b>	<b>-</b>
<b>Receipts from and Payments of Other Operating Income and expenses</b>	<b>-1,729,324</b>	<b>-532,717</b>
Payment of administrative and general costs	-860,959	-548,291
Payment of Profit tax	-906,764	0
Cash flows from settlement of operations with other banks	-43,457	8,848
Cash flows from Other assets and Other Liabilities	34,806	29,866
Cash flows from other operating income and expenses	47,050	-23,140
<b>Net Cash flow from investing activities</b>	<b>-7,237,080</b>	<b>-1,139,451</b>
<b>Cash flow from investing activities</b>	<b>-6,768,798</b>	<b>-1,169,821</b>
Cash flow from short-term investments	-	-
Cash flow from Investments in Securities	-7,214,616	-1,246,782
Cash flow from Investments in Credits	445,817	76,962
<b>Cash flow from Investments in Other Assets</b>	<b>-</b>	<b>-</b>
<b>Cash flow from Fixed Assets</b>	<b>-468,282</b>	<b>30,370</b>
Cash flow from Investment in Fixed Assets	-468,282	30,370
<b>Net Cash flow from financing activities</b>	<b>4,673,910</b>	<b>3,240,657</b>
<b>Cash flow from financing activities</b>	<b>4,893,597</b>	<b>3,240,657</b>
Cash flow from Financing through Deposits	4,893,597	3,552,766
Cash flow from Financing through short-term wholesale funding	-	-312,109
<b>Cash flow from financing through Minority Interests</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing through Equity</b>	<b>-219,687</b>	<b>-</b>
Proceeds from increase of capital	-	-
Payments of Declared Dividends	-219,687	-
Payments for reduction of capital	-	-
<b>Cash flow from financing through Other Liabilities</b>	<b>-</b>	<b>-</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-110,528</b>	<b>5,525,223</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9,253,730</b>	<b>3,728,507</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9,143,204</b>	<b>9,253,730</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-110,528</b>	<b>5,525,223</b>





## Notes to the Financial Statements

## 1. Introductory Note

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

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

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

Concerning the ownership structure and as mentioned in Note 13, the Bank is owned by Angolan shareholders, further details on which are provided in the same note.

In compliance with the requirements of the Accounting Plan for Financial Institutions (CONTIF) and standards and instructions issued by Banco Nacional de Angola (National Bank of Angola, hereinafter referred to as "BNA"), concerning the official publication, we hereby set out the explanatory notes and information considered relevant for the interpretation of the attached financial statements.

## 2. Basis of presentation and a summary of the main accounting policies

### 2.1 Comparative Information

In preparing the Financial Statements, the amounts presented relate to the period of 31 December 2015 and 31 December 2016 and were prepared in accordance to the Accounting Plan for Financial Institutions (CONTIF).

### 2.2 Basis of Preparation

The Financial Statements hereby prepared on historical cost basis and are stated in thousand Kwanzas (thousands of AKZ).

They are in compliance with the accounting principles adopted by the Bank, namely going concern, prudence and accrual basis of accounting, among others, in accordance with the Accounting Plan (Contif) for the banking sector, established by BNA, as provided for in Instruction n° 09/07 of 19 September of BNA, which came into force on 1 January 2010 and Regulation 04/DSI/2012, which rules that International Accounting Standards must be applied for all accounting procedures and criteria not set in the CONTIF.

## 2.3 Presentation currency

The Bank's financial statements as at 31 December 2015 are presented in Angolan Kwanza (thousands of AKZ), as provided in art. 5 of Notice n° 15/2007 of BNA, thus all assets and liabilities items denominated in foreign currency are translated at the average indicative rate published by BNA at balance-sheet date.

The income and expenses items in the Income Statement are translated at the average exchange rate for the year and historical exchange rate was used for the Equity items.

As at 31 December 2016, the foreign currencies to which the Bank is more exposed have the following exchange rate in relation to the Kwanza:

Currency	2016	2015
USD	165,90	135,315
EUR	185,38	147,832

## 2.4 Accounting Policies

The main accounting policies adopted in the preparation of the financial statements and which have been consistently applied ever since the start of operations of BCH are set out below:

### a. Accrual basis of accounting

The Bank recognizes income and expenses when it is earned or is incurred, regardless of having been received or paid, and are disclosed in the financial statements for the years to which they relate.

Income is considered realized when: i) in the transactions with third parties, the payment has been made or there is a serious commitment to payment; ii) there is a partial or total settlement of a liability, for whatever reason, without the simultaneous write-off of an asset of equal or higher value; iii) there is a natural generation of new assets with or without third-party intervention; or d) donations or grants are received.

The expenses, in turn, are considered incurred when: i) an asset is written-off due to a transfer of its ownership to a third party; ii) an asset devaluates partially or completely; or iii) a liability occurs without a corresponding asset.

### b. Loans and Advances

Loans and advances are financial assets and are recorded at their contracted amounts when lent by the Bank. The initial entry is made on the debit side of a credit item, depending on its type and currency, and the latter is credited according to respective received amounts.

Liabilities for guarantees and commitments are recorded in off-balance sheet accounts at the amount at risk, while inflows of interests, commissions and other proceeds are recorded in the income statement over the life of the transactions.

Renegotiated loans and advances are recorded at total loan value plus respective due interest. Gains or income resulting from the renegotiation are recognized when received.

Every year the Bank writes-off loans and advances which have been under Category G for over 6 months, thus complying with legal requirements of the loans being classified as Risk G for over a month and overdue for more than 180 days. Furthermore, the write-off of the loans implies that the Bank considers the operation as non-recoverable.

Furthermore, these loans and advances are controlled and listed in an off-balance sheet item during at least 10 years. According to Notice 11/2014, the Bank writes-off the interest more than 90 days past due and does not recognize the interest from that date onwards until the client regularizes the situation.

### c. General provision for loan losses

According to the provisions of Notice n°09/2015, of 04 June 2015, the Bank should build internal methodologies developed internally, provided that they comply with the requirements set forth in the International Financial Reporting Standards in force at any time, and the adoption of these methods is subject to the prior approval of the Bank.

The BCH has adopted the standard methodology, and therefore constitutes Provisions according to table 1 - Risk-weightings provided for in Annex II of Instruction 9/2015:

Exposure classification	no guarantee	with guarantee						
		In Personam	In rem					
			Mortgage			other purposes	financial	non-financial
			housing loan					
Exposure ≤75% Guarantee	Exposure ≥75% Guarantee							
A	0%	0%	0%	0%	0%	0%	0%	
B	1%	1%	1%	1%	1%	1%	1%	
C	5%	5%	2%	2%	5%	2%	5%	
D	30%	20%	5%	15%	20%	10%	20%	
E	50%	30%	15%	25%	30%	20%	30%	
F	70%	60%	45%	55%	60%	50%	60%	
G	100%	100%	100%	100%	100%	100%	100%	

Regarding country risk weights, the bank applies the 0% weighting, given that its entire credit portfolio originates in Angola.

Classification of exposures must take into account the characteristics and risks of the operation and borrower's profile, observing at least:

- a) The application of resources by type and scheme of operation;
- b) The predominant activity of the debtor;
- c) The existence or not of other loan contracts;
- d) The guarantees received from the debtor;
- e) The currency, index rate and the term of the operation;
- f) The complete and accurate identification of the borrower and the economic group to which he/she belongs;

This classification is the responsibility of the Financial Institution and should be made on the basis of an estimate of possible loss, calculated through the use of consistent and verifiable criteria, as well as supported by internal and external information, covering at least the following aspects:

- a) In relation to the debtor and his/her guarantors:
  - a. Economic and financial situation;
  - b. Management capacity and quality of internal controls;
  - c. Track-record of delays and non-delays on payments;
  - d. Contingencies;
  - e. Sector of economic activity;
  - f. Geographical area of activity;
  - g. Credit limit;
- b) In relation to the operation
  - a. Nature and purpose of the transaction;
  - b. Characteristics of guarantees, particularly regarding sufficiency and liquidity;
  - c. Value;
- c) Regarding the guarantees received, the requirements established in Notice n° 10/2014 on guarantees for prudential purposes apply.

## **d. Financial Assets**

### **Investment in Associates**

This item includes those investments in legal entities where the Bank holds, directly or indirectly, 10 per cent or more of the respective voting capital, without exercising control (an associate). These assets are accounted for by the equity method, and in cases of significant influence the equity method is used when the Bank has influence in the management or when it holds, directly or indirectly, 20% or more of the voting capital of the associate.

## Interests in Other Entities

This item includes the interests in entities in the voting capital of which the Bank holds, directly or indirectly, less than 10%.

These financial assets are recorded at acquisition cost less provision for losses.

## e. Tangible and Intangible Fixed Assets

The intangible fixed assets are recorded at acquisition cost, including acquisition and development costs of software used for data processing, costs related to incorporation, organization, restructuring, expansion and/or modernization of the Bank, improvements in third-party properties, and products in development classified as assets.

The tangible fixed assets are recorded at acquisition cost which also includes the expenses paid pursuant to the requirements of CONTIF, and their revaluation is permitted according to legal provisions.

The immovable properties are presented at cost less accumulated monthly depreciation which is calculated from the effective date of bringing the assets into working condition using the straight-line method and according to the Corporate Tax Act, which defines the following years of estimated useful life:

Type	Years of useful life
Own buildings	50
Works in rented buildings	10
Equipment:	
Office equipment and materials	10
Computers and similar equipment	3
Fittings	10
Vehicles	3
Machinery and tools	6 and 7

The expenses incurred during the investment stage in new product development are not recognized as intangible assets but rather as costs in the income statement.

## f. Securities

The securities acquired by the Bank are recorded at acquisition cost and according to their characteristics and purchase purpose, they fall into the following categories:

- i. Trading;
- ii. Available for sale;
- iii. Held-to-maturity.

The category "trading securities" includes all securities purchased with the purpose of active and frequent buying and selling.

The category "available-for-sale securities" includes only the securities which are acquired with the purpose to be eventually sold and as such do not fit into any other category.

The category "held-to-maturity securities" contains those securities that the Bank has the intent and ability to hold in its portfolio to maturity. This ability is proved on the basis of cash flow projections without considering the possibility to sell the securities before maturity.

Gains from securities, corresponding to yields to maturity or dividend yields, are recognized directly in profit or loss, regardless of the category under which they were classified, whereas gains from the sale of shares held less than 6 months are recognized by offset against acquisition cost.

The securities classified under the "trading and available-for-sale" categories are adjusted at fair value, and the respective gains or losses due to changes in fair value are recognized:

- i. In profit/loss for the year, when referring to "trading securities";
- ii. In equity, when referring to available-for-sale securities, at after-tax value, which must only be transferred to the profit or loss for the year when sold.

The adjustment of the fair value of the securities follows the pricing criteria, defined by BNA. The permanent losses on securities are immediately recognized in the profit/loss for the year, and the adjusted value resulting from the recognition of the mentioned losses becomes the new value base for income/loss appropriation purposes, with those not to be reverted to future financial years.

The securities classified under held-to-maturity category are valued at acquisition cost, plus their yields to return, and possible profits or losses are recognized on the redemption date at the difference between the redemption price and their accounting value.

### **g. Foreign Currency Transactions**

The purchase and sale of foreign currency when settled on the contract date are recorded in the balance sheet of the Bank. If the settlement date is after contract date, then they are recorded in off-balance sheet accounts.

The foreign currency operations are recorded in the respective currencies, pursuant to the principle of multi-currency system, on the basis of the official exchange rate announced by the BNA on the date of the transaction. Unrealized gains and losses resulting from exchange differences are reported in profit and loss accounts.

Differences and changes in the exchange rates concerning the purchase and sale of foreign currency which have occurred within the signing and settlement of the exchange contract are accounted for in the account "Results from Transactions in foreign currencies" against the balance-sheet account "Receivables - Income from Purchase and Sale of Foreign Currency" or "Payables - Liabilities from Purchase and Sale of Foreign Currency", as applicable.

#### **h. Provisions and Contingencies**

Provisions are recognized when i) the Bank has legal or constructive present obligation; ii) its payment is probable; and iii) the amount of this obligation can be estimated reliably .

Contingent liabilities are recognized in off-balance sheet accounts when the Bank has i) a possible present obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events which are not wholly within the control of the Institution and ii) a present obligation which has arisen as a result of past events, but which is not recognized because payment is not probable or because the amount cannot be measured reliably.

Contingent assets are recognized in off-balance sheet accounts when a possible present asset, arising from past events, whose existence will be confirmed only by the occurrence or not-occurrence of one or more future events not wholly within the control of the entity.

#### **i. Corporation tax**

The Bank is subject to corporation tax of 30% and is considered a Group A taxpayer.

The corporation tax includes current and deferred taxed. The corporate income taxes are recognized in the income statement, except when they relate to items which are credited or charged directly to equity in which case the taxes are also charged or credited directly to equity.

The current taxes are the taxes expected to be paid in respect of the taxable profit for a year, obtained pursuant to the tax regulations in force and applying the tax rate mentioned above .

The deferred tax assets and liabilities are recognized for temporary differences between the amount of an asset or liability and its tax base. Their value corresponds to the amount of tax recoverable or payable in future periods. The deferred taxes and liabilities are measured on the basis of the tax rates expected to apply to the period when the asset is realized or the liability is settled.

#### **j. Reduction in Recoverable Value of Assets (Impairment)**

The bank reviews its assets periodically to look for assets which carrying amount exceeds its recoverable amount. There is a reduction in the carrying amount (impairment) of an asset when its carrying amount exceeds its recoverable amount.

In order to identify an asset that might be impaired, the Bank takes into account the following indicators:

- i. Significant decline of the asset value, more than the expected from its normal use;
- ii. Significant changes in technology, economy or laws which have negative effect on the Bank;
- iii. Increases in interest rates or any market rates, affecting the discount rates and leading to reduction in the present or recoverable value of the assets;
- iv. Net asset value greater than market value;
- v. Available evidence of obsolescence or physical damage to the asset;



- vi. Significant changes in the usage patterns of the asset, such as non-usage or restructuring, with negative effect on the Bank; and
- vii. Indication of worse economic performance of the asset than expected.

### 3. Cash and Cash-equivalents

As at 31 December 2016 and 2015 the item Cash and Cash-equivalents comprised the following:

	2016	2015
<b>Cash</b>	<b>374,566</b>	<b>363,237</b>
Notes and coins in national currency	374,566	359,740
Notes and coins in foreign currency	0	3,497
<b>Cash and Deposits with the Central bank</b>	<b>6,540,243</b>	<b>6,978,638</b>
Current accounts at the national Bank of Angola (BNA)		
In national currency	6,406,742	6,869,750
In American dollars	133,502	108,888
<b>Cash and Deposits with other banks abroad</b>	<b>2,228,395</b>	<b>1,911,855</b>
Checks in the course of collection – national currency	0	7,196
Current accounts abroad	2,228,395	1,904,659
<b>Total</b>	<b>9,143,204</b>	<b>9,253,730</b>

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

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

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

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

Cash and deposits with other banks abroad (in foreign currency), include the account balances at the respective banks and those amounts are part of the management of the Bank's current operations.

## 4. Securities

The item Securities comprises the following, as at 31 December 2016 and 2015:

	2016							
	Risk Level	Country	Currency	Acquisition cost	Discounted	Interest rate yields	Balance sheet value	Average interest rate
<b>Debt securities</b>								
Treasury bills								
Treasury bills	A	Angola	AKZ	5,588,021	0	65,273	5,653,293	16.16%
Government bonds in national currency:								
Indexed to the US dollar exchange rate	A	Angola	AKZ	3,155,871	558,729	62,074	3,776,674	7.00%
Not indexed	-	-	-	-	-	-	-	-
Government bonds in foreign currency:								
Government Bonds in US dollars	A	Angola	USD	199,083	0	562	199,645	5.00%
						<b>Total</b>	<b>9,629,613</b>	

	2016							
	Risk Level	Country	Currency	Acquisition cost	Discounted	Interest rate yields	Balance sheet value	Average interest rate
<b>Debt securities</b>								
Treasury bills								
Treasury bills	A	Angola	AKZ	5,588,021	0	65,273	5,653,293	16.16%
Government bonds in national currency:								
Indexed to the US dollar exchange rate	A	Angola	AKZ	3,155,871	558,729	62,074	3,776,674	7.00%
Not indexed	-	-	-	-	-	-	-	-
Government bonds in foreign currency:								
Government Bonds in US dollars	A	Angola	USD	199,083	0	562	199,645	5.00%
						<b>Total</b>	<b>9,629,613</b>	

As at 31 December 2015, the Bank had already a portfolio of debt securities, classified as held-to-maturity and which it continued to build up during 2016. All securities have original maturity of over 1 year.

With regard to 31 December 2016, in order to comply with Mandatory Reserves in national and foreign currencies, BCH proceeded to the delivery of Government Bonds in the amount of 3,714,588 thousand Kwanzas and 1.2 billion Dollars, respectively, as provided in Instruction No. 4/2016.

The security investment policy, adopted by the Bank, is adjusted to the Angolan market, mainly by means of the following:

- i. focus on public debt securities and central bank securities;
- ii. profit-oriented criteria;
- iii. maintenance of liquidity and market risks associated controls.

## 5. Items in course of collection from and due to other banks

The break-down of these items as at 31 December 2016 and 31 December 2015 is as follows:

	2016	2015
<b>Items in course of collection</b>		
Inter-branch relations	0	0
Inter-counterparty relations		
Debit card transactions not settled (ATM's)	12,444	50
Check clearings	0	0
Other items in the course of collection from and due to other banks	18,259	6,879
<b>Total</b>	<b>30,703</b>	<b>6,929</b>

The amounts as at 31 December 2016 refer mainly to clearing of interbank card transactions, cashier's check and check clearings, which amounts were settled in the beginning of 2017.

## 6. Loans and advances to Customers

At 31 December 2016 and 31 December 2015 this item included the following:

	2016	2015
<b>Loans and advances within the country</b>		
Short-term loans:		
National currency	19,675	231,241
Foreign currency	0	0
Overdrafts:		
National currency	2	27
Foreign currency	0	0
Other credits:		
National currency	0	20,000
Foreign currency	0	0
Loans:		
National currency	224,091	432,984
Foreign currency	0	0
<b>Loans and advances abroad</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>243,768</b>	<b>684,251</b>
Total performing loans	243,768	684,251
Total past-due loans and interest	7,154	8,471
<b>Total Loans and Advances to Customers</b>	<b>250,922</b>	<b>692,723</b>
Proceeds to be received from granted loans	669	2,208
Provision for bad debt (Note 15)	(15,396)	(264,719)
<b>Net Loans and Advances to Customers</b>	<b>236,196</b>	<b>430,212</b>

During 2016 the Bank entered into accord agreements with two customers whereby it assumed ownership of the improvements made by those entities to branches of the Bank. These operations resulted in a decrease in gross credit of 410,604 thousand Kwanzas and a reversal of the provision in the amount of 242,312 thousand Kwanzas.

As at 31 December 2016 and 2015, the average annual interest on customer loans was as follows:

	2016	2015
Average annual interest on loans:		
Loans and advances to customers in AKZ	29.71%	18.55%
Loans and advances to customers in USD	22.00%	22.00%

As at 31 December 2016 and 2015, the residual maturity of the performing loans, excluding income receivables, has the following structure:

	2016	2015
Up to 1 year	19,677	303,339
From one to three years	125,991	52,583
From three to five years	26,768	59,182
Over five years	71,332	269,148
<b>Total</b>	<b>243,768</b>	<b>684,251</b>

As at 31 December 2015 and 2016, the lending portfolio, excluding income receivables, presents the following structure, per type of borrower:

	2016		
	Performing	Past due	Total
<b>Companies</b>			
Short-term loans	19,675	0	19,675
Overdrafts	0	167	167
Loans	128,140	5,968	134,107
Other credits	0	0	0
<b>Individuals</b>			
Short-term loans	0	0	0
Overdrafts	2	1,020	1,022
Loans	95,951	0	95,951
Other credits		0	0
<b>Total</b>	<b>243,768</b>	<b>7,154</b>	<b>250,922</b>

	2015		
	Performing	Past due	Total
<b>Companies</b>			
Short-term loans	231,241	0	231,241
Overdrafts	27	56	83
Loans	266,818	6,299	273,118
Other credits	20,000	0	20,000
<b>Individuals</b>			
Short-term loans	0	0	0
Overdrafts	1,567	70	1,637
Loans	164,598	2,046	166,644
Other credits	0	0	0
<b>Total</b>	<b>684,251</b>	<b>8,471</b>	<b>692,723</b>

As at 31 December 2016 and 2015, the credit per currency, excluding income receivables, has the following structure:

	2016	2015
Kwanzas	250,868	692,715
Euros	33	-
Yen	0	-
US Dollars	22	8
<b>Total</b>	<b>250,922</b>	<b>692,723</b>

As at 31 December 2016 and 2015, the lending portfolio, without income receivables, has the following structure according to reference rates:

Year	Fixed rate	Variable rate- Reference rates			Total
		Lulbor 3M	Lulbor 6M	Lulbor 12M	
2016	27,727	0	7,535	216,329	251,591
2015	32,570	0	5,445	658,366	696,381

As at 31 December 2015 and 2016, the lending portfolio, excluding income receivables, presents the following structure, per sector of economic activity:

Sectorial Distribution	2016	%	2015	%
Agriculture, Forestry and Fisheries	0	0.0%	384,895	55.6%
Wholesale and retail trade	135,206	53.9%	18,901	2.7%
Construction	0	0.0%	1,477	0.2%
Processing Industry	369	0.1%	2,422	0.3%
Individuals	97,305	38.8%	168,793	24.4%
Services and real estate	18,007	7.2%	113,415	16.4%
Transports, Storage and Communications	0	0.0%	0	0.0%
Other	35	0.0%	2,821	0.4%
<b>Total</b>	<b>250,922</b>	<b>100.0%</b>	<b>692,723</b>	<b>100.0%</b>

The following table presents the distribution of loans per risk category and corresponding provisions as at 31 December 2016 and 2015:

Risk category	2016			2015		
	Loans	Provision	Average rate of provision	Loans	Provision	Average rate of provision
A	109,433	0	0.0%	27	0	0.0%
B	74,464	739	1.0%	362,847	6,145	2.0%
C	53,988	1,881	3.5%	59,445	1,773	3.0%
D	12	4	29.8%	537	59	11.0%
E	472	236	50.0%	16,819	3,692	22.0%
F	6,387	6,369	99.7%	0	0	0.0%
G	6,167	6,167	100.0%	253,049	253,049	100.0%
<b>Total</b>	<b>250,922</b>	<b>15,396</b>	<b>6.1%</b>	<b>692,723</b>	<b>264,718</b>	<b>2.4%</b>

The changes in provisions for loans in 2016 are hereby presented:

	2016
Balance at 31 December 2015	264,719
Additional Provisions	141,002
Reversal of Provisions	-390,325
<b>Balance at 31 December 2016</b>	<b>15,396</b>

## 7. Other current assets

The break-down of the balance in "Other current assets" as at 31 December 2016 and 31 December 2015 is as follows:

	2016	2015
<b>Other current assets</b>		
Other tax assets		
Recoverable tax	26,135	20,249
Other current assets of civil nature		
Advances to suppliers	0	0
Commitments given to third-parties	0	0
Differences to cash and cash equivalents	474	1,590
Other current assets of administrative and commercial nature		
Working capital	989	1,233
Advances to employees	7	2,600
Advance payment of expenses	19,935	23,090
Office material	393	334
Other advance payments	301	45
Assets not of own use	6,221	0
<b>Total</b>	<b>54,454</b>	<b>49,142</b>

The increase in 2016 of the balance under Recoverable Taxes is due to Provisional Tax for 2016 paid during the year in accordance with the Corporate Tax Law.

The amount in Assets not of own use refers to the agreed values in the accord contract.

## 8. Fixed Assets

As at 31 December 2016 and 31 December 2015 the item Fixed Assets comprises of the following:

<b>Fixed Assets</b>	<b>2016</b>	<b>2015</b>
<b>Gross value</b>		
Buildings	617,423	206,819
Basic equipment	1,544	1,544
Vehicles	2,352	2,352
Office equipment	63,026	56,607
Computers and similar equipment	1,830	735
Banking equipment	34,805	31,418
Security equipment	7,018	3,738
Work in progress	41,522	24,082
Other tangible assets	99	99
<b>Total</b>	<b>769,619</b>	<b>327,393</b>
<b>Accumulated depreciation of tangible assets</b>		
Buildings	(21,512)	(13,297)
Basic equipment	(198)	(208)
Vehicles	(2,358)	(2,353)
Office equipment	(29,521)	(23,317)
Computers and similar equipment	0	1
Banking equipment	(14,542)	(11,434)
Security equipment	(1,917)	(1,290)
Work in progress	0	0
Other tangible assets	(295)	(39)
<b>Total</b>	<b>(70,344)</b>	<b>(51,937)</b>
<b>Net value</b>	<b>699,275</b>	<b>275,456</b>
<b>Intangible assets</b>		
<b>Gross value</b>		
Software	105,071	96,214
Incorporation costs	129,936	129,936
Expansion and organization costs	8,819	8,819
Leasehold improvements	50,499	0
R&D costs	2,658	2,658
Other intangible assets	8,131	8,131
<b>Total</b>	<b>305,114</b>	<b>245,758</b>
<b>Accumulated depreciation of intangible assets</b>		
Software	(105,443)	(93,634)
Incorporation costs	(129,936)	(129,936)
Expansion and organization costs	(8,819)	(8,819)
Leasehold improvements	(2,658)	(2,658)
R&D costs	(11,117)	(8,131)
<b>Total</b>	<b>(257,973)</b>	<b>(243,179)</b>
<b>Net value</b>	<b>47,141</b>	<b>2,580</b>



Financial Assets	2016	2015
Interest in other entities – EMIS	43,568	43,568

In 2012, there was significant investment in system redundancy through the implementation of “data center” in Luanda. With this project BCH now has two sites, Huambo and Luanda, thereby enabling data replication between both sites which in turn contributed to a solution of “disaster recovery”.

The amount recognized in tangible and intangible assets refers mainly to investments made during the period preceding and following the opening of the Bank. The intangible assets correspond to start-up expenses, such as construction works in the head office, expenses with projects and consulting services.

BCH branch network as at 31 December 2016 comprises 5 branches. Situated in Huambo, Maculusso, Catholic University (UCAN), Palanca and Macon, which opened doors in 2016.

The tangible assets are recorded at acquisition cost.

It is also important to note that after extensive work to identify and locate fixed assets, these were reclassified in the balance sheet through accounting adjustment.

The accumulated movement in fixed assets as at 31 December 2016 and 2015, denominated in thousands of Kwanzas, is hereby shown:

Fixed Assets	Opening balance Dec-15	Acquisitions in 2016	Transfers in 2016	Write-offs in 2016	Settlements in 2016	Assets Dec-16	Amortisation Dec-16	Adjustment (reclassification)	Closing balance Dec-16
<b>Financial assets</b>	<b>43,568</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43,568</b>	<b>0</b>	<b>0</b>	<b>43,568</b>
Interests in other companies	43,568	0	0	0	0	43,568	0	0	43,568
<b>Tangible fixed assets</b>	<b>286,948</b>	<b>91,084</b>	<b>-59,463</b>	<b>0</b>	<b>0</b>	<b>318,569</b>	<b>-14,398</b>	<b>0</b>	<b>304,171</b>
Buildings	193,523	0	0	0	0	193,523	-4,241	0	189,282
Basic equipment	1,335	0	0	0	0	1,335	0	0	1,335
Vehicles	0	0	0	0	0	0	0	0	0
Office equipment	33,290	6,420	0	0	0	39,710	-4,903	0	34,806
Computers and similar equipment	736	1,094	0	0	0	1,830	123	0	1,953
Banking equipment	19,984	3,387	0	0	0	23,371	-3,641	0	19,729
Security equipment	2,447	3,281	0	0	0	5,728	-190	0	5,538
Other tangible assets	11,551	0	0	0	0	11,551	0	0	11,551
Work in progress	24,082	76,903	-59,463	0	0	41,522	-1,545	0	39,977
<b>Intangible fixed assets</b>	<b>2,580</b>	<b>461,103</b>	<b>8,857</b>	<b>0</b>	<b>0</b>	<b>472,540</b>	<b>-19,844</b>	<b>-10,451</b>	<b>442,245</b>
Software	2,580	0	8,857	0	0	11,436	-15,041	-10,451	-14,056
Incorporation costs	0	0	0	0	0	0	0	0	0
Expansion and organization costs	0	0	0	0	0	0	0	0	0
Leasehold improvements	0	461,103	0	0	0	461,103	-4,803	0	456,300
R&D costs	0	0	0	0	0	0	0	0	0
<b>Total fixed assets</b>	<b>333,095</b>	<b>552,188</b>	<b>(50,606)</b>	<b>0</b>	<b>0</b>	<b>834,677</b>	<b>(34,242)</b>	<b>(10,451)</b>	<b>789,984</b>

Fixed Assets	Opening balance Dec-14	Acquisitions in 2015	Transfers in 2015	Write-offs in 2015	Settlements in 2015	Assets Dec-15	Amortization Dec-15	Adjustment (reclassification)	Closing balance Dec-15
<b>Financial Assets</b>	<b>43,842</b>	<b>0</b>	<b>0</b>	<b>-274</b>	<b>0</b>	<b>43,568</b>	<b>0</b>	<b>0</b>	<b>43,568</b>
Interests in other companies	43,842	0	0	-274	0	43,568	0	0	43,568
<b>Tangible Assets</b>	<b>317,409</b>	<b>5,829</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>323,238</b>	<b>-52,882</b>	<b>5,100</b>	<b>275,456</b>
Buildings	206,819	0	0	0	0	206,819	-13,099	-198	193,523
Basic equipment	0	0	0	0	0	0	-208	1,544	1,335
Vehicles	2,352	0	0	0	0	2,352	-2,353	0	0
Office equipment	47,195	0	0	0	0	47,195	-17,763	3,858	33,290
Computers and similar equipment	0	0	0	0	0	0	0	736	736
Banking equipment	29,773	3,829	0	0	0	33,601	-11,734	-1,883	19,984
Security equipment	1,604	0	0	0	0	1,604	-457	1,301	2,447
Work in progress	13,803	0	0	0	0	13,803	-7,268	-6,476	59
Other tangible assets	15,864	2,000	0	0	0	17,864	0	6,218	24,082
<b>Intangible Assets</b>	<b>243,579</b>	<b>18,522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>262,101</b>	<b>-231,871</b>	<b>-27,651</b>	<b>2,580</b>
Software	93,756	18,522	0	0	0	112,278	-82,047	-27,651	2,580
Incorporation costs	129,936	0	0	0	0	129,936	-129,936	0	0
Expenses with expansion	11,477	0	0	0	0	11,477	-11,477	0	0
Other Intangible Assets	8,411	0	0	0	0	8,411	-8,411	0	0
<b>Total Fixed Assets</b>	<b>604,830</b>	<b>24,351</b>	<b>0</b>	<b>(274)</b>	<b>0</b>	<b>628,907</b>	<b>(284,753)</b>	<b>(22,551)</b>	<b>321,603</b>

## 9. Customer Deposits

As at 31 December 2016 and 31 December 2015, this item comprises the following:

Customer Deposits	2016	2015
<b>Current accounts</b>		
In national currency	5,904,498	4,845,610
In foreign currency	1,104,597	1,083,357
<b>Total</b>	<b>7,009,095</b>	<b>5,928,967</b>
<b>Savings accounts</b>		
In national currency	4,459,520	800,142
In foreign currency	307,570	153,479
<b>Total</b>	<b>4,767,089</b>	<b>953,621</b>
<b>Total Deposits</b>	<b>11,776,185</b>	<b>6,882,588</b>

In comparison to December 31, 2015, the Bank recorded an increase of more than 70% in customer deposits as a result of the Bank's strategy to increase commercial banking activity, clearly through this type of funding.

The breakdown of the savings accounts, excluding costs, according to the respective maturity and currency is as follows:

Savings Accounts	2016	2015
<b>National Currency</b>		
From 0 to 3 months	4,005,777	494,444
Over 3 months	401,587	290,475
<b>Total National Currency</b>	<b>4,407,364</b>	<b>784,919</b>
<b>Foreign Currency</b>		
From 0 to 3 months	185,163	149,523
Over 3 months	115,950	0
<b>Total Foreign Currency</b>	<b>301,113</b>	<b>149,523</b>

As at 31 December 2016, the saving accounts offered an average interest rate of 4.34% and 9.38%, respectively. The current accounts opened with the Bank in national and foreign currency were not remunerated during 2016.

## 10. Items in the course of collection due to other banks

As at 31 December 2016 and 2015 the item had the following structure:

	2016	2015
<b>Items in the course of collection due to other banks</b>		
Between branches	1	0
Between counterparties		
Checks payable by the Bank	3,546	0
Certified checks	6,241	3,649
Other outstanding transactions	(1,553)	24,268
<b>Total</b>	<b>8,234</b>	<b>27,916</b>

The item "other outstanding transactions" refers mainly to settlement of card transactions.

## 11. Other liabilities

As at 31 December 2016 and 2015 this item has the following structure:

	2016	2015
<b>Other liabilities</b>		
Other tax liabilities		
Corporation tax	945,989	906,764
Taxes due – withheld from third parties		
Capital gains tax	(1,210)	302
Income tax	8,767	1,607
Other		
Stamp duty	6,552	8,305
Special contribution on banking operations	2,866	0
Other	1,866	870
Other general liabilities		
Suppliers of goods and services	39,350	31,521
General Creditors	14,289	1,510
Other liabilities of commercial and administrative nature		
Staff – Salaries and other remunerations	33,637	25,735
Social security contributions	4,996	1,046
<b>Total</b>	<b>1,057,103</b>	<b>977,660</b>

The balance in other tax liabilities consists primarily of state taxes. The item "other general liabilities" refers to amounts owed to suppliers of goods and services. And other liabilities of commercial and administrative nature includes monthly accrual of holidays and holiday pay paid in the following year.

## 12. Provisions

As at 31 December 2016 and 2015, the item Provisions for probable liabilities comprises the following:

	2016	2015
<b>Equity</b>		
Provisions		
Provisions for tax liabilities	21,917	0
<b>Total</b>	<b>21,917</b>	<b>0</b>

In the year of 2016, the Bank constituted a Provision in order to meet tax contingencies classified as probable.

## 13. Equity

As at 31 December 2016 and 31 December 2015, the Equity of the Bank comprised the following:

	2016	2015
<b>Equity</b>		
Share Capital	3,000,000	2,265,249
Reserves and funds	235,917	14,795
Retained earnings	1,132,845	97,178
Profit for the year	2,651,952	2,211,227
<b>Total</b>	<b>7,020,714</b>	<b>4,588,449</b>

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

Despite the capital increase carried out, as at 31 December 2014 the Bank did not yet fulfill 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 2016 the share capital was distributed in the following way:

Shareholders	Par value / share (in AKZ)	N° shares (in thousands)	Total (in thousands of AKZ)	Shareholding
Natalino Lavrador	1,000	1,545	1,545,000	51.50%
Minoru Dondo	1,000	600	600,000	20.00%
António Mosquito	1,000	600	600,000	20.00%
Sebastião Lavrador	1,000	165	165,000	5.50%
Carlos Oliveira	1,000	90	90,000	3.00%
<b>Total</b>		<b>3,000</b>	<b>3,000,000</b>	<b>100.00%</b>

## 14. Off-balance sheet items

As at December 2016 the off-balance sheet accounts has the following balances:

	2016	2015
<b>Off-balance sheet accounts</b>		
Commitments received from third-parties		
Guarantees received and Revocable Commitments	1,105,862	1,208,130
Commitments undertaken by third-parties	0	57,283
Commitments given to third-parties		
Guarantees granted	0	43,099
Amounts in safe deposits	158,076	8,611
Loans still recorded in assets	102,238	311,727
Loans transferred to loss	26,755	28,608
Other control accounts	2,861	3,339
	<b>1,395,792</b>	<b>836,578</b>

## 15. Net interest Income

The following is the breakdown of this item as at 31 December 2016 and 2015:

	2016	2015
<b>Net Interest Income</b>		
Gains from short-term interbank investments	10,714	25,242
Gains from securities	1,105,321	495,792
Interest income	93,171	83,834
<b>Total interest income from financial instruments assets</b>	<b>1,209,206</b>	<b>604,868</b>
Interest expenses	(176,687)	(65,220)
Short-term wholesale funding costs	0	0
Other funding costs	0	(3,344)
<b>Total interest expense from financial instruments liabilities</b>	<b>(176,687)</b>	<b>(68,565)</b>
<b>Total Net Interest Income</b>	<b>1,032,519</b>	<b>536,304</b>

The net interest income of the Bank as at 31 December 2016 rose by about 93 percent as compared to the year before. Such improvement results mainly from the strategy of the Board of Director for 2016 which consisted in strengthening the investment in Public Debt Securities.

This investment in securities led to a 123% in gains from these assets recorded at 31 December 2016, when compared to the same period in 2015. These gains result not only from the yields on the securities but also from changes in the exchange rate of the dollar against the Kwana, which took place in 2016, as those are Government bonds indexed to the US dollar, as referred to in Note 4 and to Government Bonds in US dollars.

Income from customer loans increased slightly by 11 percent when compared to the same period last year. Interest income from loans reflects the interest income from all loans granted and on which payment is due, as well as due interest paid by clients, arising from delayed payments of the instalments.

## 16. Results from Foreign Currency Transactions

As at 31December 2016 and 2015, this item comprises the following:

	2016	2015
<b>Results from foreign currency transactions</b>		
Profit from Foreign Currency Transactions	39,213,017,097	27,499,798,039
Losses from Foreign Currency Transactions	(39,212,336,081)	(27,499,100,275)
<b>Total Income from Foreign Currency Transactions</b>	<b>681,016</b>	<b>697,765</b>

The results from foreign currency transactions of the Bank can also be broken down into:

	2016	2015
Trading in Foreign Currencies		
<b>Total Income from Foreign currency Transactions</b>	208,250	107,683
Trading in Foreign Currencies	472,765	590,082
<b>Total Income from Foreign currency Transactions</b>	<b>681,016</b>	<b>697,765</b>

Income from foreign currency transactions of the Bank at 31December 2016 had a slight decline of 2% when compared to the same period last year. This decline is mainly due to the decrease of number of foreign currency transactions.

## 17. Income from rendering of Financial Services

As at 31December 2016 and 2015, income from rendering of financial services is as follows:

	2016	2015
<b>Income from rendering of financial services</b>		
Commissions on transfers	628,317	598,615
Dossier fees	1,774,782	1,923,688
Cash transfers – Moneygram	94,578	199,721
Charges for the provision of guarantees and collateral	1,829	2,378
Charges for credit facility arrangement	8,157	8,679
Charges for standard services (cards, Compensations)	47,523	26,009
Other commissions	13,633	1,506
<b>Total income from rendering of Financial Services</b>	<b>2,568,820</b>	<b>2,760,596</b>
<b>Costs of rendering Financial Services</b>		
Costs of importing notes	(23,187)	0
Fees for automated clearing	(11,156)	(5,028)
Costs of importing notes	(6,070)	(14,111)
Charges for other services provided by third-parties	(59,975)	(18,790)
<b>Total costs of rendering of Financial Services</b>	<b>(100,389)</b>	<b>(37,930)</b>
<b>Net income</b>	<b>2,468,431</b>	<b>2,722,666</b>

The net income from services rendered by the bank as at 31 December 2016 declined by approximately 9% when compared to the same period last year. This decline is mainly due to dossier fees and less cash transfers through Moneygram.

## 18. Staff Costs

As at 31 December 2016 and 2015, this item comprised the following:

	2016	2015
<b>Members of Management and Supervision Boards</b>		
Monthly salaries	74,900	57,613
Extra pays	40,497	29,024
Other remunerations	24,468	1,800
<b>Total Pay of Members of Management and Supervision Boards</b>	<b>139,864</b>	<b>88,437</b>
<b>Employees</b>		
Monthly salary	114,550	86,309
Extra pay	24,778	29,040
<b>Total pay of Employees</b>	<b>139,328</b>	<b>115,349</b>
<b>Other staff costs</b>		
Taxes and Social Security	12,611	7,354
Insurance against accidents at work	9,250	4,670
Other	0	0
<b>Total other staff costs</b>	<b>21,861</b>	<b>12,024</b>
<b>Total de Custos com o Pessoal</b>	<b>301,053</b>	<b>215,810</b>

To point out that the increase felt in comparison to last year is in line with the growth of the Bank, reflecting the increase of personnel in order to provide the Bank with qualified personnel.

As at 31 December 2016 and 31 December 2015, the Bank had the following operational structure:

Head Count	2016	2015
Board of Directors	3	3
Management	3	0
Experts	30	27
Office staff	9	10
<b>Total Staff</b>	<b>45</b>	<b>40</b>



## 19. Utilities and Contracted Services

As at 31 December 2016 and 2015 the composition of this item is as follows:

	2016	2015
<b>Utilities and contracted services</b>		
Communications	35,989	24,520
Water and energy	2,213	2,894
Transports, travel and accommodation	4,364	5,841
Publications, advertising and publicity	49	732
Security, conservation and repair	43,714	31,421
Audits, consulting and other specialized and technical services	265,923	151,123
Insurances	172	142
Leasing and rentals	73,422	30,231
Materials	18,935	18,093
Other utilities	5,185	1,294
<b>Total Utilities and Contracted Services</b>	<b>449,966</b>	<b>266,291</b>

The amount in specialized services stands for costs with audits and consulting services incurred during the year. The item "leasing and rentals" contains the costs related to buildings rented by BCH.

## 20. Non-profit taxes

As at 31 December 2016 and 2015 the non-profit tax comprised the following taxes:

	2016	2015
<b>Non-profit taxes</b>		
Urban Property Tax	179	0
SISA – transfer of assets and stamp duty on the contract	0	4,200
Stamp duty	25,867	24,833
Especial Levy on Current Invisibles	4,140	544
Corporation Tax – Estimate adjustment	2,639	0
Special contribution on banking operations	431	0
Capital Gains tax	36,664	0
<b>Total Non-profit taxes</b>	<b>69,921</b>	<b>29,577</b>

## 21. Depreciations and Amortizations

As at 31 December 2016 and 2015 the item Depreciations and Amortizations presents the following structure:

	2016	2015
<b>Amortization of Intangible Fixed Assets</b>	<b>15,567</b>	<b>16,518</b>
Industrial property and other	11,562	15,484
Construction costs	919	529
Expansion and Organization costs	0	0
Leasehold improvements	526	0
R&D	0	420
Other intangible Assets	2,559	85
<b>Amortization of Tangible Assets</b>	<b>18,675</b>	<b>15,070</b>
Buildings	8,518	4,136
Vehicles	0	784
Office Equipment	4,903	5,729
Computers and similar equipment	-123	123
Banking equipment	3,641	3,676
Security equipment	190	612
Other tangible Assets	1,545	10
<b>Depreciations and Amortizations</b>	<b>34,242</b>	<b>31,588</b>

## 22. Other operating income and expenses

As at 31 December 2016 and 31 December 2015 the item other operating income and expenses comprises the following:

	2016	2015
<b>Other operating income and expenses</b>		
Income from different banking services	9,626	4,965
Cost reimbursement	0	(5,188)
Currency Exchange gains and losses	(0)	290
Other		
OPE	61,958	23,166
Other	39	41
<b>Total operating income and expenses</b>	<b>71,623</b>	<b>23,275</b>

## 23. Non-operating Loss

As at 31 December 2016 and 31 December 2015 the item comprises of the following:

	2016	2015
<b>Other operating income and expenses</b>		
Prior Year Adjustments	(24,573)	(46,415)
<b>Total Utilities and Contracted Services</b>	<b>(24,573)</b>	<b>(46,415)</b>

## 24. Corporation Tax

As at 31 December 2016 and 31 December 2015, the taxable profit in Income Statement, as well as the effective tax rate can be summed up as follows:

	2016	2015
<b>Profit before tax</b>	<b>3,597,941</b>	<b>3,117,991</b>
Representation costs	23,576	0
Corporation Tax	2,639	0
Tax on capital inflows (IAC)	36,664	0
Property Tax	179	212
Penalties and other non-deductible expenses	5,148	3,310
Other	4,371	0
Government Bonds	517,220	0
Tax benefits	0	98,967
<b>Taxable profit</b>	<b>3,153,298</b>	<b>3,022,546</b>
Regular tax rate	30%	30%
Tax according to the regular tax rate	945,989	906,764
Effects of change in the tax rate for the year	0	0
<b>Tax for the year</b>	<b>945,989</b>	<b>906,764</b>

As referred in Note 2 above, the bank is subject to Corporation Tax and is considered a Group A taxpayer. The Corporation tax is 30%, as long as the Bank presents profit.

The difference between the applicable tax rate (30%) and the effective tax rate in the financial year of 2016, is primarily explained by gains on public debt securities, resulting from Government Bonds and Treasury Bills which the Bank holds in its portfolio and which pursuant to art. 47 of Corporation Tax Law are tax exempt, and thus are deducted from taxable income.

## 25. Associates

As at 31 December 2015 and 31 December 2014, the Bank's balances with associates are as follows:

Associates in 2016	Current Account	Savings account	Loans
Shareholders	287,829,427	150,000,000	0
Members of the Board of Directors	31,605,105	0	0
Companies in which the shareholders have significant influence	303,356,813	40,000,000	0
Companies where the members of the Board of Directors have significant influence	0	0	0
	<b>622,791,345</b>	<b>190,000,000</b>	<b>0</b>

Associates in 2015	Current Account	Savings account	Loans
Shareholders	189,771,737	135,000,000	0
Members of the Board of Directors	13,754,451	0	0
Companies in which the shareholders have significant influence		242,500,000	0
Companies where the members of the Board of Directors have significant influence		0	0
	<b>407,914,403</b>	<b>377,500,000</b>	<b>0</b>

Here below is a list of the Associates of the Bank:

Associates
Amosmid Lda
António Mosquito
Auto Zuid
Bacatral, sociedade de transp. LDA
Bobs Comércio geral Lda
Consortio Mayaca/Sol Mayor
Esplanada Grill Lda
Exacta Engenharia LDA
M'bakassy & Filhos
Natalino Lavrador
Parige Lda
Sebastião Lavrador
Sol Maior Emp. Part. Lda
Taiping Lda
Valdomiro Minoru Dondo

## 26. Balance-sheet as per currency

As at 31 December 2016 and 31 December 2015, the Balance sheet as per currency has the following structure:

December 2016	National currency	Foreign currency	Total
<b>ASSETS</b>			
Cash & cash equivalents	6,698,929	2,444,274	9,143,204
Short-term bank investments	0	0	0
Securities	9,429,967	199,645	9,629,613
Items in the course of collection from other banks	30,703	0	30,703
Loans and advances	236,129	67	236,196
Other current assets	54,160	294	54,454
Fixed assets	789,984	0	789,984
<b>TOTAL ASSETS</b>	<b>17,239,872</b>	<b>2,644,281</b>	<b>19,884,153</b>
<b>LIABILITIES</b>			
Deposits	10,372,427	1,403,757	11,776,185
Items in the course of collection due to other banks	8,549	-315	8,234
Short-term wholesale funding	0	0	0
Other liabilities	1,049,439	7,664	1,057,103
Provisions	21,917	0	21,917
<b>TOTAL LIABILITIES</b>	<b>11,452,333</b>	<b>1,411,106</b>	<b>12,863,439</b>
<b>EQUITY</b>			
Share capital	3,000,000	0	3,000,000
Reserves and Funds	235,917	0	235,917
Retained earnings	1,132,845	0	1,132,845
Operating profit	3,622,514	0	3,622,514
Profit tax	-945,989	0	-945,989
Non-operating loss	-24,573	0	-24,573
<b>TOTAL EQUITY</b>	<b>7,020,714</b>	<b>0</b>	<b>7,020,714</b>
<b>TOTAL EQUITY + LIABILITIES</b>	<b>18,473,047</b>	<b>1,411,106</b>	<b>19,884,153</b>

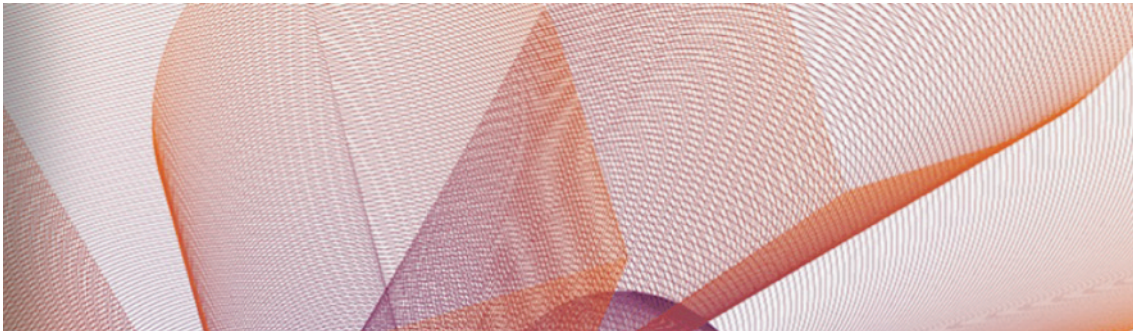
December 2015	National currency	Foreign currency	Total
<b>ASSETS</b>			
Cash & cash equivalents	7,146,712	2,107,018	9,253,730
Short-term bank investments	0	0	0
Securities	2,252,152	162,845	2,414,997
Items in the course of collection from other banks	9,635	-2,706	6,929
Loans and advances	430,204	8	430,212
Other current assets	48,020	1,122	49,142
Fixed assets	321,603	0	321,603
<b>TOTAL ASSETS</b>	<b>10,208,326</b>	<b>2,268,287</b>	<b>12,476,613</b>
<b>LIABILITIES</b>			
Deposits	5,645,752	1,236,835	6,882,588
Items in the course of collection due to other banks	27,917	-1	27,916
Short-term wholesale funding	0	0	0
Other liabilities	976,401	1,259	977,660
<b>TOTAL LIABILITIES</b>	<b>6,650,070</b>	<b>1,238,094</b>	<b>7,888,164</b>
<b>FUNDOS PRÓPRIOS</b>			
Share capital	2,265,249	0	2,265,249
Reserves and Funds	14,795	0	14,795
Retained earnings	97,178	0	97,178
Operating profit	3,163,992	414	3,164,406
Profit tax	-906,764	0	-906,764
Non-operating loss	-47,171	756	-46,415
<b>TOTAL EQUITY</b>	<b>4,587,279</b>	<b>1,170</b>	<b>4,588,449</b>
<b>TOTAL EQUITY + LIABILITIES</b>	<b>11,237,350</b>	<b>1,239,264</b>	<b>12,476,613</b>

## 27. Contingent Liabilities

As at 31 December 2016 tax contingencies were classified as possible in terms of Income Tax, Urban property Tax, Capital gains Tax which amount to a total of 10,082,000 AOA.

## 28. Events occurred after reporting

Besides the aforementioned facts, Banco Comercial do Huambo is not aware of any facts after December 31, 2016 that justify adjustments or disclosure in the Notes to the Financial Statements for the reporting year.



## External Auditor's Report



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## **Independent Auditor's Report**

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

### **Introduction**

1. We have audited the attached financial statements of Banco Comercial do Huambo, S.A, hereby referred to as "Bank", which comprise Balance Sheet as at 31 December 2016 showing total assets of 19,884,153 thousand Kwanza and equity of 7,020,714 thousand Kwanza, including profit after tax of 2,651,952 thousand Kwanza; Income Statement; Statement of Cash Flows, Statement of Changes in equity for the year then ended and the Notes to the Financial Statements.

### **Responsibility of the Board of Directors for the Financial Statements**

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

### **Responsibility of the Auditor**

3. Our responsibility consists in expressing an opinion about these financial statements, on the basis of the audit which we conducted according to the International Standards on Auditing. Those Standards require that we comply with ethic requirements and plan and conduct such examination as to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves procedures as to obtaining evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of risk of material misstatements in the financial statements due to fraud or error. By conducting those risk assessments, the auditor considers the internal control relevant for the adequate preparation and presentation of the financial statements by the Bank

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

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

### **Opinion**

6. In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banco Comercial do Huambo S.A [Commercial Bank of Huambo] as of 31 December 2016, the result of its operations and cash flows for the year then ended, in conformity with the generally accepted accounting policies and best practices for the banking sector in Angola.

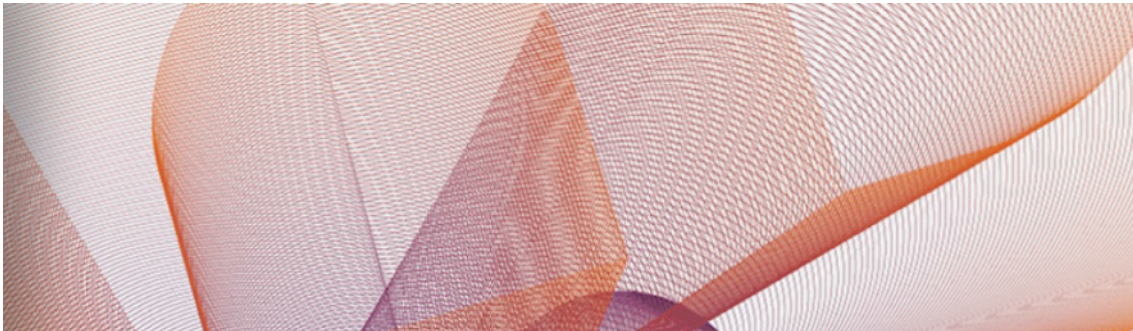
### **Emphasis of Matter**

As mentioned in the Directors' Report, the Bank has undertaken several initiatives towards the improvement of formalization and implementation of policies and procedures within the corporate governance model and internal control and the process of preventing money laundering and financing of terrorism, including strengthening of the functions of monetarization of the Bank's internal control. Despite the evident efforts, through procedures of follow-up we conducted, we found out that there are procedures which have not been totally implemented thus the requirements of Notice n° 1 and n° 2/2013 and Instruction n° 1/2013 issued by the National Bank of Angola in relation to Corporate Governance and Internal are not totally satisfied.

Luanda, 28 April 2017

Ernst & Young, Lda

Represented by: Rui Abel Serra Martins – Partner (Chartered accountant n° 20120082 – signature illegible)  
and António Filipe Dias da Fonseca Brás – Partner (signature illegible)



## **Audit Committee´s Report & Opinion**

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

Pursuant to the Angolan legal provisions and the power vested in us, we hereby submit to your attention our Report and Opinion which includes the work we performed and the documents of the financial reporting of BANCO COMERCIAL DO HUAMBO, S.A. (hereby referred to as Bank), for the year ended 31 December 2016, which are a responsibility of the Board of Directors. The Balance Sheet shows total assets of 19,884,153 thousand Kwanza and equity of 7,020,714 thousand Kwanza including profit after tax of 2,651,952 thousand Kwanza.

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

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

The Directors' Report explains with sufficient clarity the activity performed by the Bank throughout the financial 2016 and we entirely stand by the proposed appropriation of profit made by the Board of Directors.

We consider that the Balance Sheet, the Income Statement, Statement of changes in equity, Statement of cash flows and respective Attachments are in accordance with the legal and company requirements, and give a true and fair view, in all material respects, of the financial position of the Bank, as stated in the Reports of the External and Independent Auditor from 28 April 2017, with which we agree.

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

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

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

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

Luanda, 28 April 2017

The AUDIT COMMITTEE

Signed: Mr. Armando Nunes Paredes – President (Chartered accountant n° 20152347)

Signed: Mr. Mário Castelo Branco – Deputy-chairman

Signed: Mr. Miguel Luis Manuel – Deputy-chairman