Annual Report and Accounts 2013

BCH Banco Comercial do Huambo

Contents

BCH Banco Comercial do Huambo

Key Performance Indicators

	Dec 2013	Dec 2012
Total Assets	4.057.647	3.155.660
Loans and Advances to clients	892.529	394.911
Client deposits	2.507.332	1.772.177
Banking income	556.861	136.329
Net Interest Income	67.012	32.950
Net Profit	84.154	-901
Tier 1 capital	1.245.680	977.931
Solvency ratio	67,02%	57,04%
Loan to deposit ratio	35,60%	22,28%
Non-performing loans / total loans	2,25%	0,43%
Provisions on loans / non-performing loans	0,37%	1%
Nº of branches	3	2
Nº of ATM	5	4
Nº of employees	26	21

Amounts in thousands of Angolan kwanza

Message from the Chairman

The Banco Comercial do Huambo was founded three years ago and the balance of its operations so far is expressed satisfaction at the obtained results.
We are a very young bank, but our youth is not defined by the desire for a rapid and maybe "out of hand" growth.
The solidity, in our point of view, should go hand in hand with prudence.
During 2013, the Bank reached the break-even point and on 31st December the profit figure stood at about 84 million kwanza.
BCH, the Banco Comercial do Huambo, conducts its business at this point through four branches open to the public and throughout 2014 it plans to open few more. As mentioned, according to our principles of management, the opening of branches should involve realistic market research and prudent competitor analysis. Prudence is always at the core of our operations, because "the prudence of a bank translates into client security".
We want to grow and help those who trust us and who have invested in us also grow, thus we provide them with loans so as to create, expand and innovate their small and medium-sized businesses.
The bank´s main ratios reveal a good financial stability which speaks of solid growth.
I take this opportunity to thank all our clients for the trust they have given our Bank, all employees who have helped us grow by means of hard work and professionalism and also to the BNA which has helped us tread our own path to a promising future.

Natalino Bastos Lavrador

Chairman of the Board Members

Corporate Bodies and Ownership Structure

Corporate Bodies

At 31st December 2013, the corporate bodies were comprised as follows:

General Meeting of Shareholders – Board	
Chairman	Alexandra Teodora da Conceição Cruz Martins
Deputy-charman	Maria Helena Miguel
Secretary	Regina Luísa Lagos Fernandes dos Santos Nulli

Board Members	
Chairman	Natalino Bastos Lavrador
Board Member	Salim Abdul Valimamade
Board Member	Cristiana de Azevedo Neto Lavrador

Audit Committee	
Chairman	UHY - A. Paredes & Associados - Angola
Deputy-chairman	Mário Silva Castelo Branco
Deputy-chairman	Miguel Francisco Luís Manuel

Shareholder Structure

At 31 December 2013 the capital of Banco Comercial do Huambo was owned by 5 shareholders as follows:

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

Macroeconomic Background

World Economy

In 2013, following the crisis, the global economy continued on the downward trend set in the previous year, recording a growth of 2,9%, as compared to 3,2% in 2012. The real GDP growth in the emerging and developing economies was disappointing and on the other hand the developed economies remained stagnant, according to forecasts.

The reasons for the poor growth of the emerging and developing economies differ greatly, but they all come down to capacity constraints, instability, falling commodity prices, week growth-oriented policies and reduced external financing.

In 2013, the Euro Zone was still in recession, with a negative growth rate of -0.4%, but with large variations in the growth rates of the individual countries. Germany registered a growth of 0,5%, while the majority of Southern European economies continued on the recession trend. However, there were positive signs of economic recovery in the Euro Zone, throughout 2014.

The emerging economies showed a more robust economic performance when compared to the other economic blocks, despite the decline in comparison to 2012. Nevertheless, they recorded a GDP growth rate of 4,5%, especially the developing economies in Asia and Sub-Saharan Africa which achieved a 6,3% and 5% growth respectively, identical to the rates recorded in 2012.

Economy of Sub-Saharan Africa

Despite the depressing economic environment in 2013, the growth in the Sub-Saharan countries proved to be very satisfactory, 4,9% in 2012 and 5,0% in 2013. The oil exporting economies grew about 7,0% in 2013, despite the internal conflicts in Equatorial Guinea. In South Africa, one of the strongest economies of the region, the growth remained at 2% during 2013, a performance which was affected by the heavy exposure to European countries. The growth of these regions is remarkable, despite the difficult external conditions.

As in recent years, the key driver of growth proved to be the domestic demand (growing consumption, private and public investment in productive activities), while the external demand (supported by raw-material prices), gave a strong boost to the economy, through exports. The growth of trade has been sustained by the growing diversification of trade partners, mainly with China. Aware of the weight the raw-materials have in the exports,

the majority of the countries in the region, namely, the oil exporting ones, benefited from price stability in 2013.

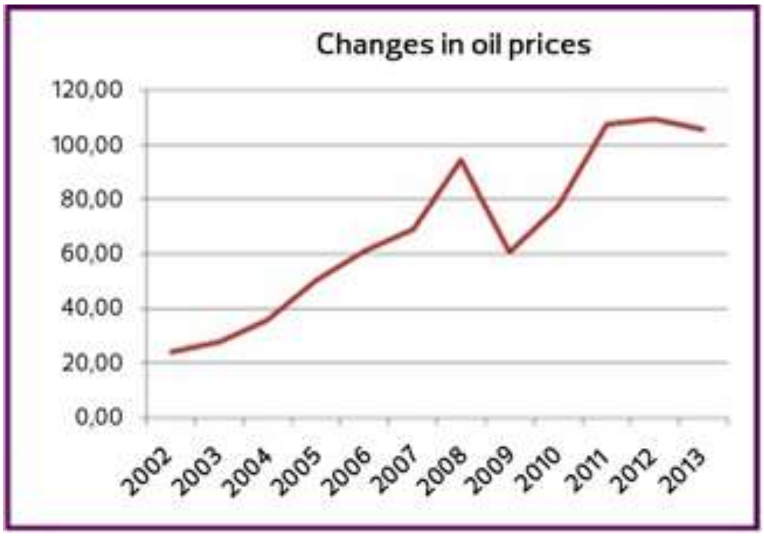
It is expected that the factors which contributed to the region´s economic growth remain valid in the following years: growing investments, increase in consumption, more exports of new minerals. Those factors are crucial for economic growth, which according to the

International Monetary Fund (IMF) estimates, shall be approximately 5,0% in 2013 and 6,0% in 2014.

Angolan Economy

The year 2013 was marked by three significant institutional reforms, the first was the adoption of a new foreign exchange law, the second was the launch of the Angola Sovereign Fund, and the third was the legislative package that requires the authorization of the Ministry of Finance for government investment spending. The current challenge is the consolidation of investment policies oriented towards national reconstruction, in particular, investing in more public infrastructures and enhancing the growth of the construction sector through the Program for Development of Micro, Small and Medium-sized enterprises that aims to create and consolidate a robust and competitive private sector.

The latest IMF forecasts pointed a 5,6% GDP growth in 2013 and 6,3% in 2014.
With regard to oil, it is estimated that there will be no significant shift in the demand from last year, and it will increase continuously throughout 2014, as a result of a poor global activity with high prices and due to the increase of energy efficiency.



Source: OPEC Currency: USD

Despite the decline in oil prices between 2012 and 2013, there was an increase in exports which contributed significantly to the financing of the economy.

The other sectors developed significantly in a sustained way, which was driven by public infra-structure projects in the water, electricity and transport segments. In the analysis by economic sectors, there are much better prospects in the Construction, Transport and Tourism sectors.

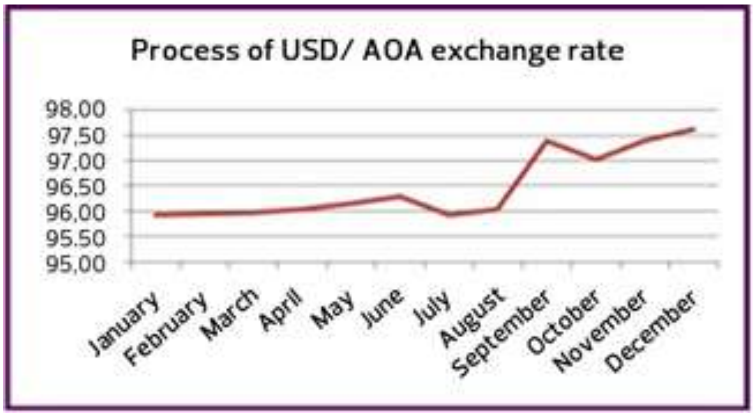
For 2014, the domestic economy is expected to perform well and the government´s priorities are in line with the Public Investment Program (PIP) for 2014 which clearly shows the commitment to structural projects of national priority. The areas of energy, water, sanitation, logistics platforms, and cold chain transport are the main focus of the Government so that the economy is capable of producing goods and services with competitive advantage.

The credit rating agency Moody's and Fitch classified the outlook on Angola´s public debt as positive, mainly due to three reasons:

1. Maintenance of positive prospects of growth;
2. The prospect of further accumulation of reserves, thus increasing the scope for intervention in the event of adverse shock;
3. The structural reforms implemented under the Standby arrangement.

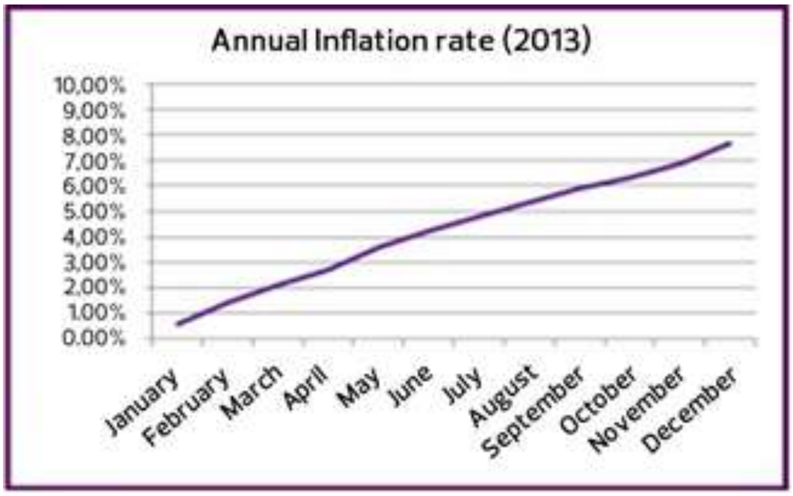
The exchange policy conducted by Banco Nacional de Angola (BNA) [Angola´s National Bank] and the accumulation of reserves has permitted an adequate implementation of monetary and exchange rate policy.

The adoption of a more restrictive policy by BNA helped to stabilize the kwanza value during 2013 which in turn led to a generalized reduction of the interest rates.



Source: National Bank of Angola

On the other hand, there was also reduction of inflation, keeping it under double digit number, in compliance with the goals set in the Agreement signed with the IMF as well as the restrictive policy based on effective foreign currency reserve management.



Source: National Bank of Angola

The accumulated sales of Treasury Bills (TB) and Government Bonds issued by the Central Bank (CBB) were used in large scale by the central bank, according to the level of deposit growth.

The Angolan authorities continue to work hard towards diminishing the use of American dollars in the economy in order to improve the transmission mechanism of the monetary policy. The increased restrictions in the lending of foreign currency to individuals, the development of a program for the reduction of foreign currency exposure of banks and the new foreign exchange law applicable to the oil sector are three measures which helped to diminish progressively the dollarization of the economy.

BCH

Corporate Structure

The Board Members of the Banco Comercial do Huambo is comprised of its Chairman who is the CEO and two Board Members.

At 31 December 2013, the Banco Comercial do Huambo had 26 employees, occupying positions in the different banking areas, of which:

Heads of Department	2
Experts	17
Office staff	7

The average age of the employees is 30 years and in terms of qualification, 84% of staff either has a university diploma or is taking a university degree.

Major occasions

March 2009 – Incorporation of Banco Comercial do Huambo

The National Bank of Angola authorizes the incorporation of the Banco Comercial do Huambo, with headquarters in the city of Huambo.

July 2010 – Inauguration of Banco Comercial do Huambo

The Banco Comercial do Huambo (BCH) inaugurates its headquarters and its first branch in the city of Huambo. This first branch is adjacent to the headquarters and it contains all Central Services of the bank.

The building of the branch defined the image of the Bank by means of the originality of its façade and comfort of the interior.

The inauguration of the bank was likewise accompanied by the launch of its official website.

October 2011 – Increase of share capital

In order to satisfy the demands of the business development plan, the Bank´s shareholders subscribed and paid an increase of capital.

February 2012 – Opening of a branch in Luanda

The Banco Comercial do Huambo inaugurates its first branch in Luanda. With the opening of that branch a bridge was built between the two major cities of the country.

The opening of the first agency outside of the Huambo province coincided with the launch of the renewed Bank image and introduction of home banking services.

February 2013 - Increase of share capital

The Banco Comercial do Huambo carried out another increase of capital in order to ensure further growth and become a reference bank in Angola.

April 2013 – Opening of an Branch in UCAN

Since its formation the BCH sees itself as a partner of its customers. A partner who is there when needed. That is why, the Banco Comercial do Huambo opened an Branch in UCAN (Catholic University of Angola).

Financial Analysis

In 2013, the item "Fixed assets" is the smallest portion of the assets, considering the increase in cash and cash equivalents, in virtue of attracting more deposits and increase in capital:

Description	2013	2012	Variation
Cash & Cash equivalentes	1.191.991	1.562.265	-23,70%
Short-term interbank investments	1.307.054	0	0,00%
Securities	0	546.637	-100,00%
Items in the course of collection from other banks	0	30.124	-100,00%
Loans and Advances to Clients	889.201	392.055	126,81%
Other amounts	187.216	54.711	242,19%
Differed Tax Assets	109.614	157.553	0,00%
Fixed Assets	372.572	412.316	-9,64%
	4.057.647	**3.155.660**	**22,23%**

Amounts in thousands of Angolan Kwanza

Our deposit portfolio is about 91% of the liabilities, which is higher than the amount of deposits collected last year, which clearly shows a growing customer trust. Our other liabilities result from mainly investment operations made with the aim to provide the institution with considerable operating capacity:

Description	2013	2012	Variation
Clients Deposits	2.507.332	1.772.177	41,48%
Items in the course of collection due to other banks	6.128	13.407	-54,29%
Other Liabilities	235.279	276.887	-15,03%
	2.748.738	**2.062.471**	**24,97%**

Amounts in thousands of Angolan Kwanza

Given the investment stage at which the bank is at the moment, the administrative costs which inlude mainly staff costs, depreciation of bank´s property and equipment and expenses with external services, represent tha larger part of the costs.

Nevertheless, and despite the short period of existance of the Bank, there has been an increase in the net interest income from 2012 to 2013 due mainly to significant increase of income from loans and foreign exchange operations, which exceeds expenses with client deposits.

Description	2013	2012	Variation
Net Interest Income	67.012	32.950	103,37%
Income from Financial Instruments - Assets	99.093	46.068	115,10%
(-) Costs of Financial Instruments – Liabilities	-32.081	-13.118	144,57%
Staff	-196.751	-90.028	118,54%
Supplies provided by third parties	-180.610	-141.017	28,08%

Amounts in thousands of Angolan Kwanza

Profit and its application

The net profit amounts to 84.154.092,88 kwanza which we suggest to be recorded under Retained Earnings.

Financial Statements

Income Statement as at 31 December 2013 and 2012
(amounts in thousands of Angolan kwanza)

	Notes	2013	2012
ASSETS			
CASH & CASH EQUIVALENTS	3	1.281.740	1.562.265
SHORT-TERM INTERBANK INVESTMENTS		1.307.054	0
SECURITIES	4	0	546.637
ITEMS IN THE COURSE OF COLLECTION FROM OTHER BANKS	5	0	30.124
LOANS AND ADVANCES TO CLIENTS	6	889.201	392.055
OTHER AMOUNTS	7	97.468	54.711
DEFERRED TAX ASSETS		109.614	157.553
COMERCIAL AND INDUSTRIAL INVENTORIES		0	0
FIXED ASSETS	8	372.572	412.316
Total Assets		**4.057.647**	**3.155.660**
LIABILITIES			
DEPOSITS	9	2.507.332	1.772.177
FUNDING OF SHORT-TERM INTERBANK INVESTMENTS		0	0
PAYMENT SISTEM OBLIGATIONS	5	6.128	13.407
OTHER LIABILITIES	10	235.279	276.887
Total Liabilities		**2.748.738**	**2.062.471**
EQUITY			
SHARE CAPITAL	11	2.265.249	1.368.410
(-) CAPITAL TO BE PAID UP	11	-765.249	0
RESERVES & FUNDS	11	14.795	14.795
RETAINED EARNINGS/LOSSES	11	-290.040	-289.114
OPERATING PROFIT/LOSS	11	78.807	-2.583
NON-OPERATING PROFIT	11	5.347	1.682
Total Equity		**1.308.909**	**1.093.189**
Total Liabilities and Equity		**4.057.647**	**3.155.660**

Income Statement as at 31 December 2013 and 2012
(amounts in thousands of Angolan kwanza)

	Notes	2013	2012
Net Interest Income	12	67.012	32.950
Income from financial instruments - Assets		99.093	46.068
Income from short-term interbank investments		27.147	2.649
Income from securities		7.602	20.676
Income from derivative financial instruments		0	0
Income from loans and advances to clients		64.344	22.742
(-) Costs of Financial Instruments - Liabilities	12	-32.081	-13.118
Interest expenses		-32.048	-13.092
Costs of short-term investment funding		-33	-26
Profit from trading and changes in fair-value		0	27
Profit from exchange operations	12	302.480	63.743
Profit from financial services rendered	12	187.370	39.608
(-) Provisions for bad debt and guarantees provided		-2.631	-826
PROFIT FROM FINANCIAL INTERMEDIATION	12	554.230	135.503
(-) Administrative and marketing costs		-443.512	-303.829
Staff costs	13	-196.751	-90.028
Supplies provided by third parties	14	-180.610	-141.017
Non-profit taxes and fees		-77	-28
Fines imposed by Regulatory Authorities		-284	-378
Other administrative and marketing expenses		-1.811	-1.045
Depreciations and Amortizations	8	-63.979	-71.333
(-) Provisions for other probable amounts and responsibilities		0	0
Profit from Financial Assets		0	0
Other operating income and expenses	16	16.027	8.191
OTHER OPERATING INCOME AND EXPENSES		-427.484	-295.638
PROFIT/LOSS FROM MONETARY UPDATE		0	0
OPERATING PROFIT/LOSS		126.745	-160.136
NON-OPERATING PROFIT		5.347	1.682
PROFIT BEFORE TAX		132.093	-158.454
(-) CURRENT INCOME TAX EXPENSES		-47.939	157.553
CURRENT NET PROFIT/LOSS		84.154	-901
(-) MINORITY INTERESTS		0	0
PROFIT/LOSS FOR THE YEAR		84.154	-901

Statement of Changes in Equity as at 31 December 2013 and 2012
(amounts in thousands of Angolan kwanza)

	SHARE CAPITAL	RESERVES	PROBABLE PROFIT / LOSS	RETAINED PROFIT / LOSS	TOTALS
OPENING BALANCES	1.368.410	14.795	0	-290.040	1.093.165
PROCEEDS FROM INCREASE OF CAPITAL	896.839				896.839
APPROPRIATION OF PROFIT / LOSS FOR THE YEAR			84.154	0	84.154
(-) CAPITAL TO BE PAID UP	-765.249				-765.249
CLOSING BALANCES	1.500.000	14.795	84.154	-290.040	1.308.909

BCH Banco Comercial do Huambo

Statement of Cash Flows for the years ended 31 December 2013 and 2012
(amounts in thousands of Angolan kwanza)

Description	Notes	2013	2012
Cash from Net Interest Income		**67.012**	**32.950**
Cash receipts from gains on financial Instruments - Financial Assets		99.093	46.068
Cash receipts from gains on short-term interbank investments		27.147	2.649
Cash receipts from gains on securities		7.602	20.676
Cash receipts from gains on Derivative Financial Instruments		0	0
Cash receipts from gains on Loans and advances to clients		64.344	22.742
(-) Payments of costs of Financal Instruments - Financial Liabilities		-32.081	-13.118
Interest paid		-32.048	-13.092
Interest paid on funding of short-term interbank investments		-33	-26
Cash flow from trading and changes in fair-value		**0**	**0**
Cash flow from foreign exchange operations		**302.480**	**63.743**
Cash flow from financial services rendered		**187.370**	**39.608**
Cash flow from income from claims on insurance contracts		**0**	**0**
OPERATING CASH FLOW FROM FINANCIAL INTERMEDIATION		**556.861**	**136.302**
CASH FLOW FROM PROFIT/LOSS on STOCKS, PRODUCTS AND OTHER SERVICES		**0**	**0**
(-) Payment of administrative and marketing costs		-441.163	-236.495
(-) Payment of other taxes on profit/loss		0	0
Cash flow from settlement of operations with other banks		22.845	0
Cash flow from other operating income and costs		16.027	8.191
PROCEEDS AND PAYMENTS FROM/OF OTHER OPERATING INCOME AND COSTS		**-402.291**	**-228.304**
CASH FLOW FROM OPERATIONS		**154.571**	**-92.003**
Cash flow from short-term interbank investments		-1.307.054	0
Cash flow from investments in securities		546.637	-419.752
Cash flow from investment in loans		-513.987	-333.733
CASH FLOW FROM FINANCIAL INVESTMENTS		**-1.274.404**	**-753.485**
CASH FLOW FROM INVESTMENTS IN OTHER ASSETS		**0**	**0**
Cash flow from investments in fixed assets		-46.799	-137.400
Cash flow from sale of fixed assets		0	235.281
CASH FLOW FROM FIXED ASSETS		**-46.799**	**97.881**
CASH FLOW FROM INVESTMENTS		**-1.321.203**	**-655.604**
Cash flow from financing through deposits		754.517	1.117.091
CASH FLOW FROM FINANCING THROUGH FINANCIAL INTERMEDIATION		**754.517**	**1.117.091**
CASH FLOW FROM FINANCING THROUGH MINORITY INTERESTS		**0**	**0**
Proceeds from increase of capital		131.590	368.409
(-) Payments for reduction of capital		0	0
(-) Payments of dividends		0	0
Proceeds from sale of ordinary shares and stakes		0	0
(-) Payments of purchase of ordinary shares and stakes		0	0
CASH FLOW FROM FINANCING THROUGH EQUITY		**131.590**	**368.409**
CASH FLOW FROM FINANCING THROUGH OTHER LIABILITIES			
CASH FLOW FROM FINANCING ACTIVITIES		886.107	1.485.500
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	1.562.265	824.372
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	1.281.740	1.562.265
CHANGES IN CASH AND CASH EQUIVALENTS		-280.525	737.893

Notes to Financial Statements

Year ended 31 December 2013 and 2012

(amounts in thousands of Angolan kwanza)

1. Introductory note

The **Banco Comercial Do 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 current branches of the Bank, situated in the cities of Huambo and Luanda.

Concerning the ownership structure and as referred in Note 11, the Bank is owned by Angolan shareholders.

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

The amounts presented in the Financial Statements relate to the period of 31 December 2012 to 31 December 2013.

2.2 Basis of Presentation

The financial statements are prepared on historical cost basis and are stated in thousand Kwanza (thousand AKZ). They are in compliance with the accounting principles adopted by the Bank, namely going concern, prudency, accrual basis, substance over form, consistency, monetary update and uniformity. They are also in accordance with the Accounting Plan (Contif) for the banking sector, established by BNA, as provided for in Instruction nº 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 by applied for all accounting procedures and criteria not set in Contif.

2.3 Presentation Currency

The Bank´s financial statements as at 31 December 2013 are presented in Angolan Kwanza (m. AKZ), as provided in art. 5 of Notice nº 15/2007 of BNA, thus all Assets & Liabilities items denominated in foreign currency are translated at the average indicative rate published by BNA at balance-sheet date.
On 31 December 2013, the exchange rates of the currencies to which the Bank is more exposed in relation to AKZ, were:

Currency	2013	2012
USD	97,62	95,83
EUR	134,39	126,38

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. Accruals Concept

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

Income is considered realized when: a) in the transactions with third parties, the payment has been made or there is a serious commitment to payment; b) 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; c) 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: a) an asset is written-off due to a transfer of its ownership to a third party; b)an asset devaluates partially or completely; or c) a liability occurs without a corresponding asset.

b. Provision for most credit risks

The method used for calculating the provisions for losses on Client loans, has followed in 2010 and early 2011 the requirements of Notice nº4/2009 of 18 June. On 8 June, the BNA published Notice nº 4/2011 which repealed Notice nº 4/2009 and which was later substituted by Notice nº 3/2012. Although this Notice has kept the rules regarding provisions, it imposed restrictions on granting loans in foreign currency.

c. Provision for loans and interests

The Bank classifies the credit operations in ascending order of the risk involved, according to the following categories:

Level A: No risk

Level B: Very small risk

Level C: Small risk

Level D: Moderate risk

Level E: High risk

Level F: Very high risk

Level G: Risk of financial loss

The classification of each credit operation shall be revised at least once a year, through a re-evaluation of the criteria for the initial classification of the client, having in mind the minimum levels of provision calculated pursuant to Notice nº 3/2012.
Without prejudice to the revision mentioned in art. 4 of the referred Notice, the financial institution revises on a monthly basis each credit rating according to verified delays in payment of the principal or interests, and the rating of all credit operations for the same client, for provision calculation purposes, falls into the highest risk category.
The credit is classified in the risk categories according to the extent of time from the event of default , pursuant to Notice nº 3/2012, which sets the following minimum levels of provision for loans with residual maturity of up to 24 months:

Risk Levels	A	B	C	D	E	F	G
% of Provision	0%	1%	3%	10%	20%	50%	100%
Time since the event of default	Up to 15 days	15 to 30 days	1 to 2 months	2 to 3 months	3 to 5 months	5 to 6 months	> 6 months

According to article 10 of the referred Notice, for loans past due over 24 months, the deadlines for monthly revision verified on the payment of principal and interest, may be counted in double.

d. Financial Assets

Investments 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 company).

These financial assets are recorded under 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 an associate company.

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. 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 market value, and the respective gains or losses due to changes in market 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 securities´ fair value follows the criteria of defined price set 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. These losses shall not 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.

f. Loans and advances

Loans and advances are financial assets and are recorded at their contracted amounts when lent by the Bank and at their disbursed amounts when acquired from other entities. 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 amount at risk, and interest flows, commission and other income items 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 by using the corresponding provision (transfer of loans and advances to loss). Furthermore, these loans and advances are listed in an off-balance item during at least 10 years.

According to Notice 3/2012, the Bank writes-off the interest past due by 60 days or more and does not recognize the interest from that date onwards until the client regularizes the situation.

g. Transactions in foreign currency

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. Monetary Update

The financial statements shall consider the effects of changes in purchasing power of the national currency, on the basis of the Consumer Price Index (IPC) issued by the National Statistics Institute (INE) if inflation higher than 100% has been verified in the last three years by correcting the accounting value of the assets and equity accounts.

i. 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 and are there included, which revaluation is permitted pursuant 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:

Description	Nº of years
Intangible fixed assets	
Softwares	3
Tangible fixed assets	
Works in rented buildings	10
Equipment	
Office Equipment & Materials	10
Machinery and tools	6 and 7
Computers and similar equipment	3
Fittings	10
Transport	
Cars	4

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.

j. 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.

k. Corporate Tax

The corporate taxes are recognized in the income statement, except when they relate to items that 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. The amount corresponds to the tax amount payable or receivable in future years. 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.

i. 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. Carrying amount of liquid assets greater than market value;
v. Available evidence of obsolescence or physical damage of the asset;
vi. Significant changes in the usage patterns of the asset, such as non-usage or part of a restructuring, with negative effect on the Bank;
vii. Indication of worse economic performance of the asset than expected.

3. Cash & Cash equivalents

The item "Cash and Cash equivalents" is comprised of the following components:

Cash and Cash equivalentes	31.12.2013	31.12.2012
Cash	477.054	183.264
Cash deposited with the Central Bank	285.724	565.444
Cash deposited with other banks	518.961	813.556
Total	**1.281.740**	**1.562.265**

The item "Cash deposited 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 and other effective liabilities.

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

In 2013, the BNA issued Regulation nº3/2013 of 1 July which establishes that reserves in national currency must be 15%, excluding Local Government deposits which are subject to 50% and Central government subject to 100%.

The reserves in foreign currency areas equally 15%, excluding the Local Government deposits which are subject to 0% and Central Government which are subject to 100%.

Assets, representing the amounts of future loans in national and foreign currency to be granted under specific programs for Agriculture, Industry and Housing, may also be used towards the fulfilment of the reserve requirements up to 5% of the reserve base.

The cash deposits with foreign credit institutions (in foreign currency) include the account balances at the respective banks and those amounts are included in the management of the Bank's current operations.

4. Government Securities

At 31 December 2013 and 2012, the item has the following structure:

	2013									
Debt Securities	Risk level	Country	Currency	Nominal Value	Acquisition Cost	Accrued Premium / Discount	Accrued Interest	Carrying Balance	Impairment	Average Rate
Government Bonds	A	Angola	Akz	0	0	0	-	0	0	0,00%
Treasury Bills	-	-	-	-	-	-	-	-	-	-
				0	0	0	0	0	0	

	2012									
Debt Securities	Risk Level	Country	Currency	Nominal Value	Acquisition Cost	Accrued Premium / Discount	Accrued Interest	Carrying Balance	Impairment	Average Rate
Government Bonds	A	Angola	Akz	550.000	541.629	5.007	-	546.637	0	5,06%
Treasury Bills	-	-	-	-	-	-	-	-	-	-
Total				**550.000**	**541.629**	**5.007**	**0**	**546.637**	**0**	

At 31 December 2013 and 2012, the securities-held-to-maturity presented the following structure, according to the period remaining to maturity:

Debt securities held-to-maturity	31.12.2013	31.12.2012
Government Bonds		
3 months	0	296.739
6 months	0	249.898
Treasury Bills		
3 months	-	-
6 months	-	-
Total	**0**	**546.637**

At 31 December 2013 and 2012, the distribution of debt securities according to reference rates is as follows:

Debt Securities	Carrying Amount	
	2013	2012
	Fixed Rate	Fixed Rate
Government Bonds	0	546.637
Treasury Bills	-	-
Total	**0**	**546.637**

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

a) focus on public debt securities and short-term government bonds;
b) profit-oriented criteria;
c) maintenance of liquidity and market risks associated controls.

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

These items are divided as follows:

Items in the course of collection from and due to other banks	31.12.2013	31.12.2012
Items in the course of collection from other banks	0	30.124
Items in the course of collection due to other banks	6.128	13.407

The amounts presented on 31 December 2013 refer to bank guaranteed cheques, bank cheques and cheques payable, which will be settled in 2014.

6. Loans and Advances to Clients

The following is a breakdown of this item:

Loans and advances to clients	2013	2012
Internal loans and advances		
Current Account		
National currency	338.831	249.362
Foreign currency	0	0
Advances		
National currency	878	3.167
Foreign currency	1	0
Loans		
National currency	551.997	140.420
Foreign currency	823	1.961
Gross total	892.529	394.911
Provision for loan losses	-3.328	-2.856
Net loans and advances to clients	889.201	392.055

At 31 December 2013, the average annual interest rate on client loans in national currency was 15,56% and 7,31% on loans in foreign currency:

	2013	2012
Annual Average Interest Rate on client loans in AKZ	15,64%	18,83%
Annual Average Interest on client loans in USD	7,31%	12,21%

At 31 December 2013 and 2012, outstanding loan balances, excluding income receivables, are as follows:

	2013	2012
Up to 1 year	344.350	4.152
From one to three years	169.002	262.118
From three to five years	40.010	23.481
Over five years	335.633	87.890
Total	**888.996**	**377.640**

At 31 December 2013 and 2012, the credit portfolio, excluding income receivables, presented the following structure, per type of borrower:

	2013	%	2012	%
Companies	661.566	74%	276.627	73%
Individuals	227.430	26%	101.014	27%
Total	**888.996**	**100%**	**377.640**	**100%**

At 31 December 2013 and 2012, the specification of loans and advances, excluding income receivables, according to currency had the following structure:

	2013	2012
Kwanza	888.172	375.681
American Dollars	823	1.960
Total	**888.995**	**377.640**

At 31 December 2013 and 2012, the loans and advances portfolio had the following structure according to reference rates:

Year	Fixed rate	Variable Tax - Reference Rates			Total
		Luibor 3M	Luibor 6M	Luibor 12M	
2013	43.024	16.402	112.013	717.557	888.996
2012	215.879	-	-	161.761	377.640

At 31 December 2013 and 2012, the composition of loans & advances and guarantees provided per business sectors is as follows:

	2013				2012			
	Loans and Advances	Guarantees provided	Total	%	Loans and advances	Guarantees provided	Total	%
Agriculture, Forestry and Fisheries	1.071	-	1.071	0,12%	2.183	-	2.183	0,53%
Retail Trade	2.398	-	2.398	0,26%	18.027	32.900	50.927	12,40%
Wholesale trade	265.629	34.157	299.786	32,47%	17.732	-	17.732	4,32%
Manufacturing Industry	4.998	-	4.998	0,54%	2.309	-	2.309	0,56%
Other companies service providers	386.753	-	386.753	41,89%	239.242	-	239.242	58,27%
Individuals	228.147	-	228.147	24,71%	98.148	-	98.148	23,91%
Total	888.996	34.157	923.153	100,00%	377.640	32.900	410.540	100,00%

The following table presents loans and advances per risk category and corresponding provisions for bad debt as at 31 December 2013 and 2012:

	2013			2012		
	Loans and advances	Average rate of provision	Provision	Loans and advances	Average Rate of Provision	Provision
Category A	686.982	0%	0	298.486	0%	0
Category B	146.945	1%	1.398	53.092	1%	528
Category C	36.939	3%	1.036	22.820	3%	841
Category D	1	10%	0	12	10%	0
Category E	1.393	20%	279	1.971	20%	596
Category F	2.583	50%	547	1.231	50%	862
Category G	14.153	100%	69	29	100%	29
Total	888.996		3.328	377.640		2.856

The movement in the risk migration chart of borrowers between December 31, 2012 and 2013 in nominal value and percentage, is presented as follows:

Risk Level		December-13										Total 2012	Portfolio in 2012
		A	B	C	D	E	F	G	Paid-off	Depreciations	Assets written-off		
Nominal Value 2012	A	76.345	-	-	-	-	-	-	216.489	5.652	-	298.486	298.486
	B	-	13.785	-	-	1.384	1.490	-	16	9.429	-	26.104	33.857
	C	-	1.118	498	-	-	-	-	20.764	3.037	-	25.417	22.820
	D	-	-	-	-	-		-	3	-	-	3	12
	E	-	-	-	-	-	-	823	12	2.515	-	3.350	1.971
	F	-	-	-	-	-	-	245	-	2.637	-	2.883	1.231
	G	-	-	-	-	-	-	1	-	3	2.159	2.163	29
		76.345	14.902	498	-	1.384	1.490	1.069	237.284	23.274	2.159	358.405	358.405
Percentage 2012	A	25,58%	-	-	-	-	-	-	72,53%	1,89%	-	100%	298.486
	B	-	52,81%	-	-	5,30%	5,71%	-	0,06%	36,12%	-	100%	33.857
	C	-	4,40%	1,96%	-	-	-	-	81,69%	11,95%	-	100%	22.820
	D	-	-	-	-	-	-	-	100,00%	0,00%	-	100%	12
	E	-	-	-	-	-	-	24,56%	0,35%	75,09%	-	100%	1.971
	F	-	-	-	-	-	-	8,51%	0,00%	91,49%	-	100%	1.231
	G	-	-	-	-	-	-	0,04%	0,00%	0,15%	99,81%	100%	29
		21,30%	4,16%	0,14%	0,00%	0,39%	0,42%	0,30%	66,21%	6,49%		100,00%	358.405

As it can be observed, 73% of the total loans and advances on the balance sheet as of 31.12.2012 were paid off. We point out that about 1.1% of the loans and advances were transferred to higher risk categories and about 0.6% were written-off.

Kept in the same level			Transferred to other levels			Total
Past due	Depreciations	Paid off	More Riskys	Less risky	Assets written-off	
21,20%	6,49%	66,21%	1,10%	4,40%	0,60%	100,00%

At 31 December 2013 and 2012, the distribution of past due loans and advances had the following structure:

Risk Category	2013				2012			
	Without delay	Past due up to 60 days	Past due 60 days and over	Total	Without delay	Past due up to 60 days	Past due 60 days and over	Total
A	686.982	-	-	686.982	298.486	-	-	298.486
B	144.082	2.862	-	146.945	29.957	3.900	-	33.857
C	32.732	4.207	-	36.939	37.739	998	452	39.189
D	1	-	-	1	-	3	9	12
E	10	-	1.384	1.393	-	-	4.837	4.837
F	14	-	2.569	2.583	-	-	1.231	1.231
G	68	-	14.085	14.153	-	2	27	29
	863.890	7.069	18.037	888.996	366.181	4.904	6.555	377.640
	97,18%	0,80%	2,03%	100,00%	96,97%	1,30%	1,74%	100,00%

We acknowledge the improvement in terms of loans without delay which increased from 96,97% to 97,18% in 2013. The loans and advances written-off by the bank in 2013 amounted to a total of 2.159 thousand AKZ and as of this date there is no recovery of amounts referring to principal or interest.

The movement occurred in the provisions for bad debt was as follows:

2012	Appropriations	2013
2.856	472	3.328

Loan-loss provision as of 31 December 2013, estimated pursuant to Notice nº 4/2012, of 8 June, and representing about 0,37% of the total amount of loan and due interests, is about 2.856 thousand AKZ.

7. Other amounts

This item is broken down as follows:

Outros Amounts	31.12.2013	31.12.2012
Other general amounts	156.667	177.709
Other amounts of administrative and markeing nature	50.415	34.554
	207.082	212.263

The balance in "Other general amounts" refers mainly to deferred tax asset recognized in profit/loss for the year ended on 31 December 2013:

	Profit/Loss for the year	Corporate Tax
2011	154.891	54.212
2012	158.291	55.402
Total tax recognized in profit		109.614

This recognition took place as a result of the losses in the last three years, and it is based on the expectation that profit will be achieved in the following years.

8. Fixed Assets

This item is comprised of the following:

Tangible Fixed Assets	31.12.2013	31.12.2012
Tangible Fixed Assets		
Buildings	206.819	206.819
Basic Equipment	0	0
Vehicles	2.352	0
Office equipment	40.208	34.955
Computers and similar equipment	0	0
Banking equipment	23.242	19.869
Security equipment	1.207	0
Work in progresso	41.783	27.806
Other tangible fixed assets	13.803	14.918
Gross value	**329.414**	**304.366**
Depreciation of Tangible Fixed Assets		
Buildings	-4.826	-689
Basic Equipment	0	0
Vehicles	-784	0
Office equipment	-8.121	-4.064
Computers and similar equipment	0	0
Banking equipment	-4.957	-2.811
Security equipment	-111	0
Work in progresso	0	0
Other tangible fixed assets	-4.601	-3.500
Total Depreciations	**-23.399**	**-11.064**
Net amount	**306.015**	**293.302**

Intangible Fixed Assets	31.12.2013	31.12.2012
Intangible Fixed Assets		
Ind. Property and other contracts	66.719	59.787
Incorporation Costs	129.936	129.936
Expenses with organization and expansion	11.477	11.477
Improvements in leased properties	-	-
Other intangible fixed assets	8.411	8.411
Gross amount	**216.543**	**209.611**
Amortization of Intangible Fixed Assets		
Ind. Property and other contracts	-47.427	-27.361
Incorporation Costs	-126.653	-100.711
Expenses with organization and expansion	-9.433	-5.679
Improvements in leased properties	0	0
Other intangible fixed assets	-8.041	-6.146
Total Amortization	**-191.554**	**-139.896**
Net amount	**24.989**	**69.715**

Financial Assets	31.12.2013	31.12.2012
Interests in other entities – EMIS	41.569	49.299

Total Fixed Assets	31.12.2013	31.12.2012
Depreciation and amortization	-214.953	-150.961
Fixed Assets (Gross amount)	587.525	563.276
Fixed Assets (Net amount)	372.572	412.316

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

The accumulated movement in fixed assets as of 31 December 2013, denominated in thousands of Kwanza, is set out in Attachment A.

9. Client Deposits

The breakdown of this item is presented below:

Client Deposits	31.12.2013	31.12.2012
Current accounts		
In National Currency	1.402.398	659.769
In foreign currency	373.413	247.760
Total Current Accounts	**1.775.811**	**907.529**
Savings Accounts		
In National Currency	243.671	312.614
In foreign currency	487.849	552.035
Total Saving Accounts	**731.521**	**864.648**
Total client accounts	2.507.332	1.772.177

Total deposits made by shareholders and their first degree relatives amount to 320 691 thousand AKZ.

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

Savings Accounts	31.12.2013	31.12.2012
In national currency		
From 0 to 3 months	117.662	215.374
> 3 months	126.009	100.239
Total National Currency	243.671	315.614
In foreign currency		
From 0 to 3 months	417.596	109.426
> 3 months	70.253	439.609
Total Foreign Currency	487.849	549.035
Total	731.521	864.649

10. Other liabilities

This item is comprised of the following:

Other Liabilities	31.12.2013	31.12.2012
Other tax liabilities	2.932	4.173
Other general liabilities	226.083	270.809
Other commercial and administrative liabilities	6.264	1.904
Total	235.279	276.887

The balance of "Tax liabilities" relates to state tax, namely employee income tax and contracted works tax.

The balance in "Other general liabilities" refers to amounts due to creditors for the provision of services as shown below:

Other general liabilities	31.12.2013	31.12.2012
Shareholder	33.334	24.500
Suppliers – Construction	13.884	20.432
Suppliers - Expert Services	5.076	28.373
Suppliers – Software	66.085	62.560
Suppliers – Telecommunications	2.427	8.078
Suppliers – Transport	0	0
Other Suppliers	105.277	126.867
Total	226.083	270.809

At last, the other commercial and administrative amounts are staff related amounts.

11. Share Capital

This item is comprised of the following components:

Capital	31.12.2013	31.12.2012
Share Capital	1.500.000	1.368.410
Other Reserves	14.795	14.795
Retained earnings	-290.040	-289.114
Profit / loss for the year	84.154	-901
Total	1.308.909	1.093.189

The share capital is 1.500.000 thousand AKZ, divided in 1.500.000 nominal shares of 1.000 Kwanza par value each, as follows:

Shareholders	Par value/share(in Kwanza)	Nº of shares (in thousands)	Total (in thousands of Kwanza)	Shareholding
Natalino Lavrador	1.000	773	772.500	51,50%
Minoru Dondo	1.000	300	300.000	20,00%
António Mosquito	1.000	300	300.000	20,00%
Sebastião Lavrador	1.000	83	82.500	5,50%
Carlos Oliveira	1.000	45	45.000	3,00%
	5.000	1.500	1.500.000	100%

At 31 December 2013 the amount paid up was 1.500.000 thousand AKZ.
The item "Retained earnings" has as of 31 December 2013 a balance of 290.040 thousand AKZ (as compared to 289.114 thousand AKZ in 2012).
The amount in "Other reserves" results from investing the paid up capital in short-term government bonds before the start of banking operations and it is recorded under a capital item as it is not an income resulting from Bank´s activities.
Furthermore, the changes in equity are disclosed in this report under the heading "Statement of changes in equity".

12. Net Interest Income

The following is the breakdown of this item:

Net Interest Income	31.12.2013	31.12.2012
Income from short-term interbank investments	27.147	2.649
Income from securities	7.602	20.676
Income from loans and advances	64.344	22.742
Total Interest Income	**99.093**	**46.068**
Interest expenses	-32.048	-13.092
Expenses with short-term investment funding	-33	-26
Total Interest Expenses	**-32.081**	**-13.118**
Net Interest Income	67.012	32.950
Profit from foreign exchange operations	302.480	63.743
Profit from Financial Services rendered	187.370	39.608
Profit from trade and changes in fair-value	-	27
(-) Provisions for bad debt and guarentees provided	-2.631	-826
Profit from Financial Intermediation	554.230	135.503

The income of securities results from investment in securities throughout the year.
The 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.

The interest expenses (client resources) show an increase as a result of increase in client deposits.

Profit from financial services rendered includes amounts from commissions for loan granting, commission for electronic clearing, commissions for service provision to third parties for electronic clearing and commissions for other services.

13. Staff Costs

This item is comprised of the following:

Staff costs	31.12.2013	31.12.2012
Basic Salaries	147.451	65.571
Extra pays	35.781	14.803
Social security costs	9.714	7.066
Insurance against accidents at work	2.697	2.226
Outher expenses	1.108	363
Total	196.751	90.028

The increase in comparison to the previous year is in line with the Bank´s growth, reflecting staff increase in order to provide the Bank with trained staff.

At 31 December 2013, the Bank had the following functional structure:

	31.12.2013	31.12.2012
Administration	3	3
Management	2	3
Experts	17	11
Office staff	7	7
Total	29	24

14. Contracted external Services

This item is comprised of the following components:

Contracted external services	31.12.2013	31.12.2012
Communications	15.909	16.635
Water and Energy	1.141	1.529
Transport, travel and accommodation	4.999	2.821
Publications, Advertising and Publicity	3.516	2.747
Security, Conservation and Repair	20.707	11.243
Expert Services	68.789	68.417
Insurances	164	47
Leasings and Rentals	57.618	18.704
Materials	7.669	6.137
Other third-party supplies	100	12.737
Total	**180.610**	**141.017**

The amount in expert services represents the audit and consulting costs incurred throughout the year. The item "leasing and rentals" contains the costs related to buildings rented by BCH.

15. Corporate Income Tax

The Bank is subject to corporate tax, and is considered a Group A taxpayer. The tax on its profits is applied pursuant to art.72, items 1 & 2 of Law 18/92 of 3 July, and the tax rate is 35% according to Law nº5/99 of 6 August, once it obtains profits.
Because of the Bank´s financial losses in the last three years as a result of the start-up, as at 31 December 2013 there was no place for tax payment.

16. Other operating income and costs

	31.12.2013	31.12.2012
Other operating Income and Costs	16.027	8.191

The balance in "Other operating income" reflects cheques issued to clients over the period of the Bank´s business growth.

17. Off-balance sheet

At 31 December the off-balance sheet accounts had the following balances:

Off-balance sheet accounts	31.12.2013	31.12.2012
Received guarantees	848.691	371.787
Irrevocable committments	34.157	32.900
Total	882.848	404.687

18. Related Parties

Related Party	Current account in AOA	Current account in USD	Current Account Import USD	Current account in EUR	Current Account Import EUR	Current account in JPY	Current account Import JPY
Auto Zuid	123.949.755	208.401	0	51	0	1.347.097	7.067.225
Exacta Engenharia Lda	0	0	0	0	0	0	0
Consorcio Mayaca / Sol Mayor	635.664	2.630	49.843	367	172	0	0
Amosmid Lda	537.479	0	0	0	0	0	0
Sol Maior Emp. Part. Lda	0	0	0	0	0	0	0
Bobs Comércio geral Lda	0	0	0	0	0	0	0
Taiping Lda	0	0	0	0	0	0	0
Parige Lda	0	0	0	0	0	0	0
Esplanada Grill Lda	0	0	0	0	0	0	0
Bacatral, sociedade de transp. Lda	10.139.215	0	0	0	0	0	0
M´bakassy & Filhos	526.506	0	0	0	0	0	0
Total	135.788.620	211.031	49.843	417	172	1.347.097	7.067.225

19. Balance sheet as per Currency

At 31 December the Balance sheet as per currency had the following structure:

	National Currency	Foreign Currency	Total
ASSETS			
CASH & CASH EQUIVALENTS	531.849	749.890	1.281.740
SHORT-TERM INTERBANK INVESTMENTS	1.307.054	0	1.307.054
SECURITIES	0	0	0
Items in the course of collections from other banks	0	0	0
LOANS AND ADVANCES	887.198	2.003	889.201
OTHER AMOUNTS	93.920	3.548	97.468
DIFFERED TAX ASSETS	109.614	0	109.614
COMMERCIAL AND INDUSTRIAL INVENTORIES AND ADVANCES TO SUPPLIERS	0	0	0
FIXED ASSETS	372.572	0	372.572
TRANSLATION POSITION	0	0	0
Total Assets			**4.057.647**
LIABILITIES			
DEPOSITS	-1.648.512	-858.819	-2.507.332
SHORT-TERM INTERBANK INVESTMENT FUNDING	0	0	0
Items in the course of collection due to other banks	-6.128	0	-6.128
OTHER LIABILITIES	-201.998	-33.281	-235.279
Total Liabilities			**-2.748.738**
EQUITY			
SHARE CAPITAL	-2.265.249	0	-2.265.249
(-) CAPITAL TO BE PAID UP	765.249	0	765.249
RESERVES AND FUNDS	-14.795	0	-14.795
RETAINED EARNINGS / LOSSES	288.754	1.285	290.040
OPERATING LOSS	-78.807	0	-78.807
NON-OPERATING LOSS	-5.347	0	-5.347
FOREIGN EXCHANGE POSITION	0	0	0
Total Equity			**-1.308.909**
Total Liabilities and Equity			**-4.057.647**

20. Events occurred after the reporting period

On 31 March 2014 the share capital was increased by 723.160 thousand kwanza. The ownership structure is now the following:

Shareholders	Par value/share (in Kwanza)	Nº of shares (in thousands)	Total at 31/12/13 (in thousands of Kwanza)	Paid up (in thousands of Kwanza)	To be paid up (in thousands of Kwanza)	Total at 31/03/14 (in thousands of Kwanza)	Shareholding
Natalino Lavrador	1.000	1.167	772.500	394.103	0	1.166.603	51,50%
Minoru Dondo	1.000	453	300.000	153.050	0	453.050	20,00%
António Mosquito	1.000	236	82.500	153.050	0	235.550	20,00%
Sebastião Lavrador	1.000	342	300.000	0	42.089	342.089	5,50%
Carlos Oliveira	1.000	68	45.000	22.957	0	67.957	3,00%
	5.000	2.265	1.500.000	723.160	42.089	2.265.249	100%

After 31 December 2013 and as at approval date of the financial statements, there weren´t any facts or events worth adjustments or disclosure in the Notes to the annual accounts for the period ended that have distorted or are likely to distort the financial situation of the Bank, its results and/or its activities.

Attachment A | Fixed Assets Chart

Description	Opening balance 31.12.2012	Acquisitions in 2013	Transf. in 2013	Disposals in 2013	Gross Assets 31.12.2013	Depreciation	Net Assets 31.12.2013
Financial Assets							
Interests in other companies - EMIS	49.299	1.449	0	9.180	41.569	0	41.569
Total Financial Assets	**49.299**	**1.449**	**0**	**9.180**	**41.569**	**0**	**41.569**
Tangible Fixed Assets							
Buildings	206.819	0	0	0	206.819	-4.826	201.994
Basic Equipment	0	0	0	0	0	0	0
Vehicles	0	2.352	0	0	2.352	-784	1.568
Office Equipment	34.955	4.138	1.116	0	40.208	-8.121	32.087
Computers and similar equipment	0	0	0	0	0	0	0
Banking Equipment	19.869	3.373	0	0	23.242	-4.957	18.285
Security Equipment	0	1.207	0	0	1.207	-111	1.096
Works in progress	27.806	13.978	0	0	41.783	0	41.783
Other tangible fixed assets	14.918	0	-1.116	0	13.803	-4.601	9.202
Total Tangible Fixed Assets	**304.366**	**25.048**	**0**	**0**	**329.414**	**-23.399**	**306.015**
Intangible Fixed Assets							
Ind. Property and other contracts	59.787	6.932	0	0	66.719	-47.427	19.292
Incorporation costs	129.936	0	0	0	129.936	-126.653	3.283
Expenses with organization and expansion	11.477	0	0	0	11.477	-9.433	2.044
Improvements in leased properties	0	0	0	0	0	0	0
Other intangible fixed assets	8.411	0	0	0	8.411	-8.041	369
Total Intangible fixed assets	**209.611**	**6.932**	**0**	**0**	**216.543**	**-191.554**	**24.989**
Totals	**563.276**	**33.429**	**0**	**9.180**	**587.525**	**-214.953**	**372.572**

External Auditor´s Report

External Auditors´ Report

Logo of PricewaterhouseCoopers (Angola, Luanda)

Independent Auditor´s Report

To the shareholders of
Banco Comercial do Huambo, SA

Report on the Financial Statements

We have audited the attached financial statements of Banco Comercial do Huambo, S.A.[Banco Comercial do Huambo] , which comprise Balance Sheet as at 31 December 2013 showing total assets of 4.057.647 thousand Kwanza and equity of 1.308.909 thousand Kwanza, including a profit of 84.154 thousand Kwanza; Income Statement; Statement of Changes in equity; Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

Responsibility of the Board Members for the Financial Statements

The Board Members 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

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.

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 Members and assessment of the overall presentation of the financial statements.

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

Opinion

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 [Banco Comercial do Huambo] as of 31 December 2013, 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.

For Pricewaterhouse Coopers(Angola), LLP.

Ricardo Santos , [signature illegible]
Partner

Luanda, 14 April 2014

Audit Committee´s Report & Opinion

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

Pursuant to the Angolan legal provisions and the power vested in us, we hereby submit to your attention our Report and Opinion which contains information on the work we performed and on the financial statements of **BANCO COMERCIAL DO HUAMBO, S.A**. (later referred to as Bank), for the year ended 31 December 2013, which preparation and presentation is a responsibility of the Board Members. The Balance Sheet shows total assets of 4.057.647 thousand Kwanza and equity of 1.308.909 thousand Kwanza including a net profit of 84.154 thousand Kwanza.

We followed regularly the Bank´s activity throughout the year and verified 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 2013 and we entirely stand by the proposed appropriation of the results made by the Board Members.

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, which is stated in the Reports of the External and Independent Auditors and the opinion of whom we share.

The valuation criteria used for the preparation of the accounts correspond to the correct evaluation 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 results made by the Board Members 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 Members and the Bank´s departments for their collaboration.

Luanda, 14 April 2013

The AUDIT COMMITTEE

Signed: Mr. Armando Nunes Paredes – President

Signed: Mr. Mário Castelo Branco - Deputy-chairman

Signed: Mr. Miguel Luis Manuel – Deputy-chairman