Annual Report and Accounts 2019

By your side every step of the way

Contents

BCH Banco Comercial do Huambo

BCH Banco Comercial do Huambo

Message from the Chairman

Dear stakeholders,

Another year has gone by and now it is time to take stock of the financial year of 2019.

Despite the structural reform program that has been implemented by the Angolan authorities with the support of the IMF – adoption of the Value Added Tax, liberalization of the exchange rate, conservative amending budget – 2019 was characterized, after three years of recession, by a new contraction of the Angolan economy, largely due to the negative situation which the oil sector is facing, namely the fall in the oil price in international markets, as well as the reduction in world demand for this raw material. Besides the fiscal imbalance – budget deficit – and the high levels reached by both public debt in 2019, exacerbating the over-indebtedness of the Angolan State, and external debt.

In the banking sector, the non-performing loans ratio grew sharply, which also reflects the referred negative performance of the Angolan economy, scarcity of foreign currency and strong depreciation of the kwanza. Under the agreement with the IMF, the BNA completed the asset quality review of 13 banks. Following this review, the BNA revealed that the Angolan banking system is overall robust, with only two banks experiencing capital shortfalls.

In view of the above, in our opinion, the year 2019 presented a set of relevant adversities for the Angolan banking sector which nevertheless proved to be relatively resilient and had the capacity to overcome them. Concerning BCH and looking at the main economic and financial indicators, we conclude that we continue to stand as a solid institution.

In 2019, the net result reached Akz 7,163,989,000 which, compared to 2018, shows an increase of 8%. Net interest income grew by about 36% and regulatory capital by about 42%. The solvency ratio reached 189%, when the minimum required is 10%.

For BCH and its customers, 2019 represents an important milestone in terms of activity, with the opening of the Bank's first representative office abroad, in Portugal, in the city of Porto. The opening of this first BCH representative office marks the beginning of the process of its internationalization.

Given the current dynamic business environment all over the world, this representative office will allow us to better serve our corporate customers with strong business connections with Portugal and other EU countries. It will also support our individual customers, residing outside Angola, who are part of the vast Angolan diaspora in Portugal and Europe.

With this representative office in Portugal, BCH will also be able to receive corporate and individual economic agents who need support and information on business and commercial activity in Angola.

Expectations for 2020 represent challenges for the financial system. In fact, although the Angolan economy would have been expected to start recovering during the period of 2020-2021, with likely improvement within both the oil and non-oil sectors, also as a result of the positive impact of the reforms related to the agreement established between the Angolan State and the IMF, the COVID-19 crisis brought whole new risks and uncertainties regarding the realization of this originally envisaged scenario.

Yet despite this bleak scenario, BCH will continue to support the economy, as it always has, growing in a sustained manner and striving to keep its ratios within acceptable levels.

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

We cannot but express our special thanks to our customers for continually choosing us, whom we assure that we are committed to constantly improve our service quality. We also thank our shareholders for their vote of confidence regarding the implementation of the outlined management policies.

To all we express our sincere gratitude.

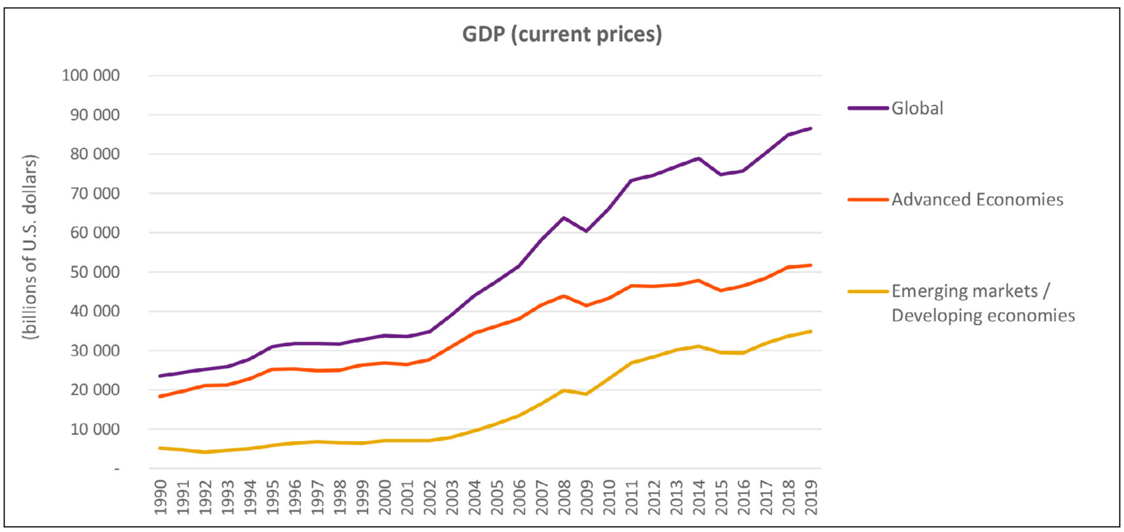
Natalino Bastos Lavrador

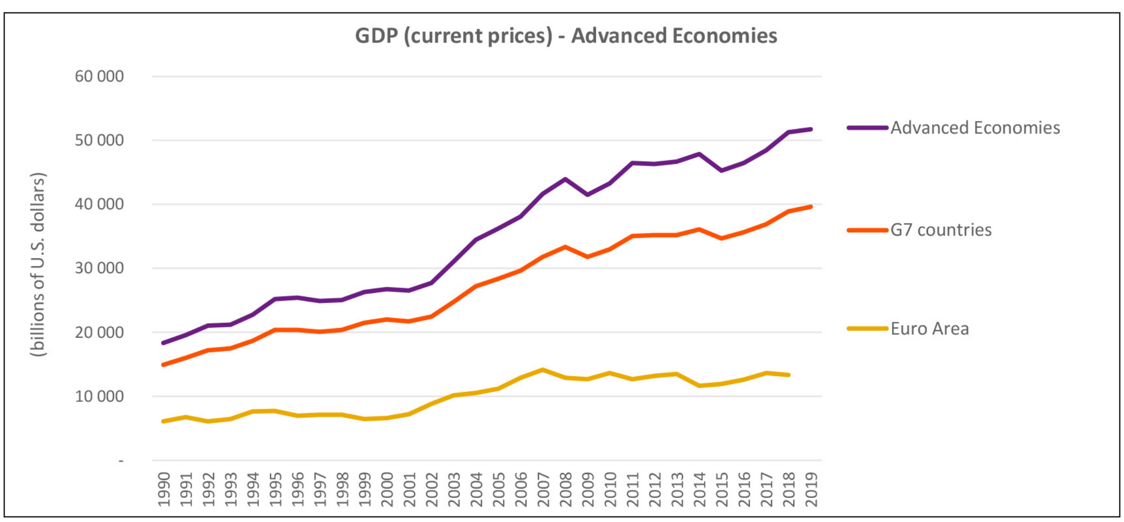
Macroeconomic environment

Enquadramento macroeconómico

International economy

Global growth decelerated markedly in 2019 to 2.4% (3% in 2018), with continued weakness in global trade and investment. This weakness was broad-based, affecting advanced economies – particularly in the Euro Area, which grew only 1.6% (2.2% in 2018), as well as emerging markets and developing economies, which grew only 3.5% (4.3% in 2018). Parallel decline was observed in several key indicators of economic activity throughout 2019, approaching the lowest levels since the 2008 global financial crisis. Especially the contraction registered in the global goods trade during a significant part of 2019 and significant slowdown in industrial activity throughout the year.

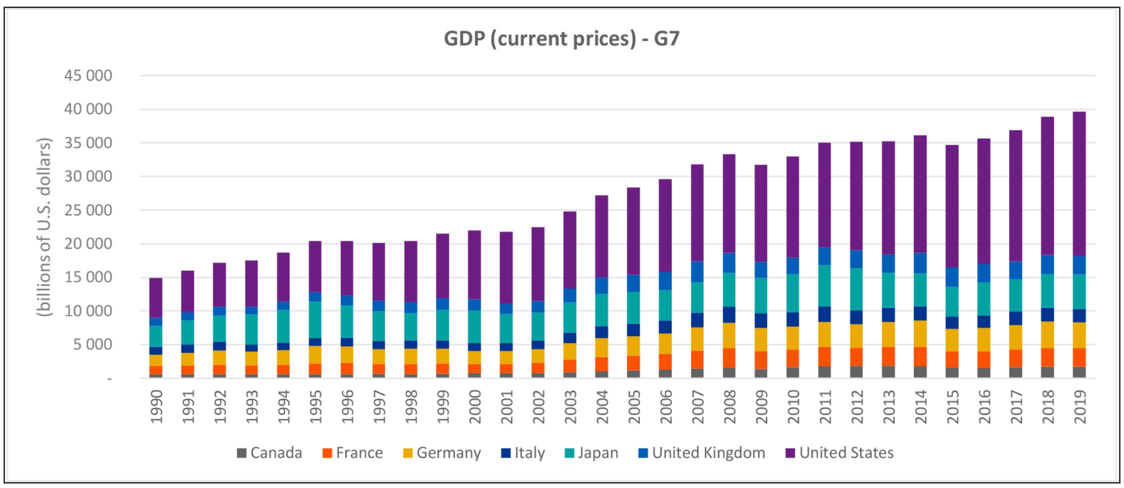


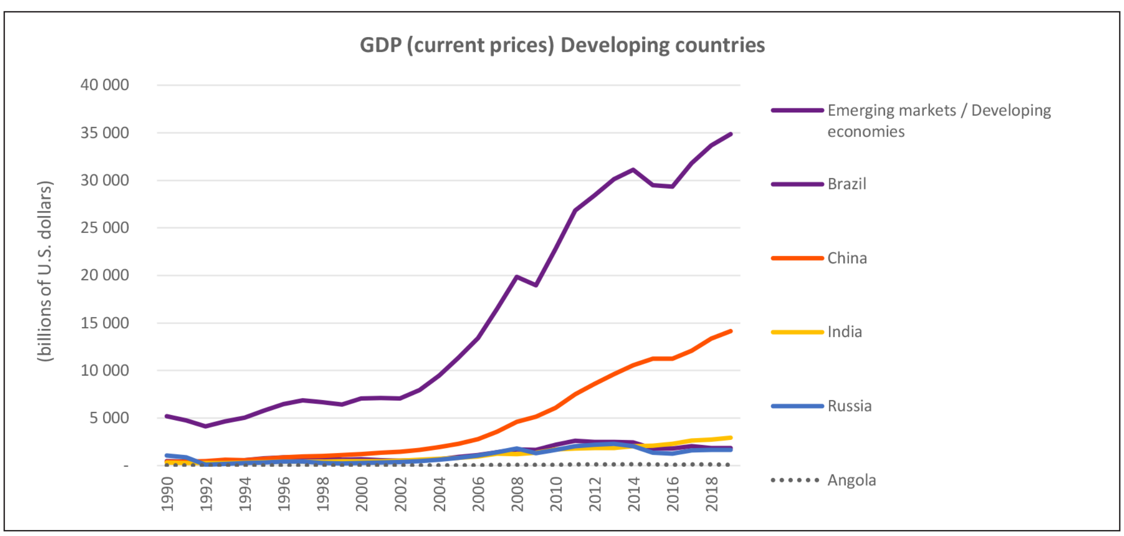


In the United States of America (USA) growth slowed to 2.3% (2.9% in 2018), due to a slowdown in investment and exports. Despite the recent trade agreement with China, rising tariffs resulted in higher trade costs, while policy uncertainties weighed on the economic agents' confidence and investment. As in many other advanced economies, the U.S. industrial sector performed very poorly in 2019. Despite these obstacles, the labour market remains relatively robust, with unemployment coming close to its lowest level in five decades and solid wage growth supporting consumption. Concerns about the global economic outlook and persistently below-target inflation levels have prompted the Federal Reserve (FED) to cut the federal funds rate by 75 basis points since mid-2019.

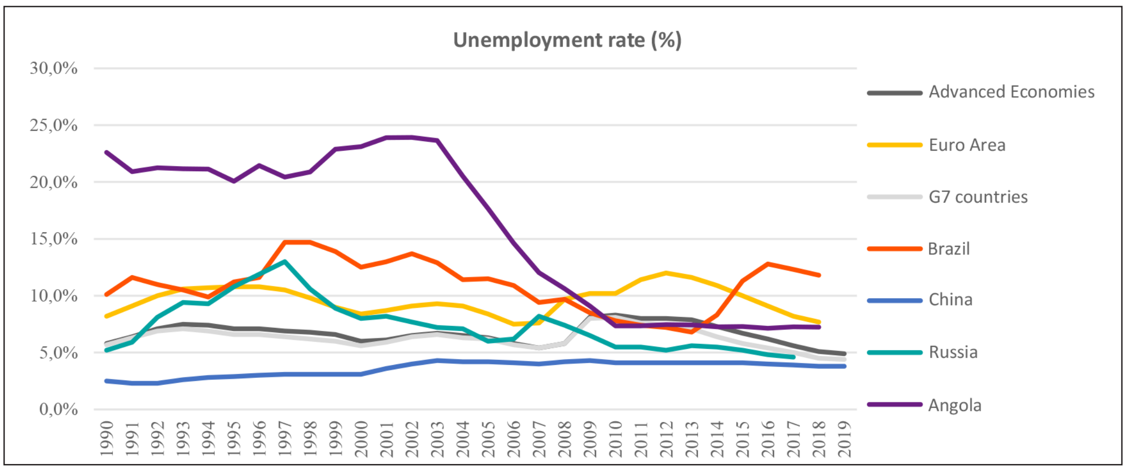
Macroeconomic environment

International economy (continuing)





Economic activity in the Euro Area deteriorated significantly in 2019, reaching 1.1% (1.9% in 2018). Several European economies have been on the verge of recession at some point over the past year, with particular emphasis on the weakness in the German manufacturing sector, which has struggled with the drop in demand originating in Asia and with disruptions in automobile production. Brexit-related uncertainty also contributed significantly to the negative economic performance of the Euro Area. The European Central Bank (ECB) sought to stimulate the European economy through a negative interest rate policy, restarting a less restrictive monetary policy and thus making low-cost credit available to banks.



Macroeconomic environment

International economy (continuing)

In China, growth decelerated more than previously expected to 6.1% (6.6% in 2018), as a result of softening domestic demand and increased trade tensions. Trade policy uncertainties and higher tariffs on trade with the U.S. weighed on investor sentiment for most of 2019. Industrial production growth reached its lowest level in several years. Trade flows weakened substantially. Imports, mainly those related to intermediate goods, decreased, falling more than exports, partially reflecting the aforementioned slowdown in domestic demand. The contraction of exports to the USA has worsened, although supplies to the rest of the world have shown to be slightly more resilient. In response to the slowdown in activity, monetary policy has become more accommodative, but regulatory restrictions to reduce lending between non-bank entities continued. The Chinese government has also stepped up some fiscal measures, including tax cuts and support for local governments for public investment spending. Total debt exceeded 260% of GDP, but market share of non-bank lending continued to decrease.

Macroeconomic environment

Angolan Economy

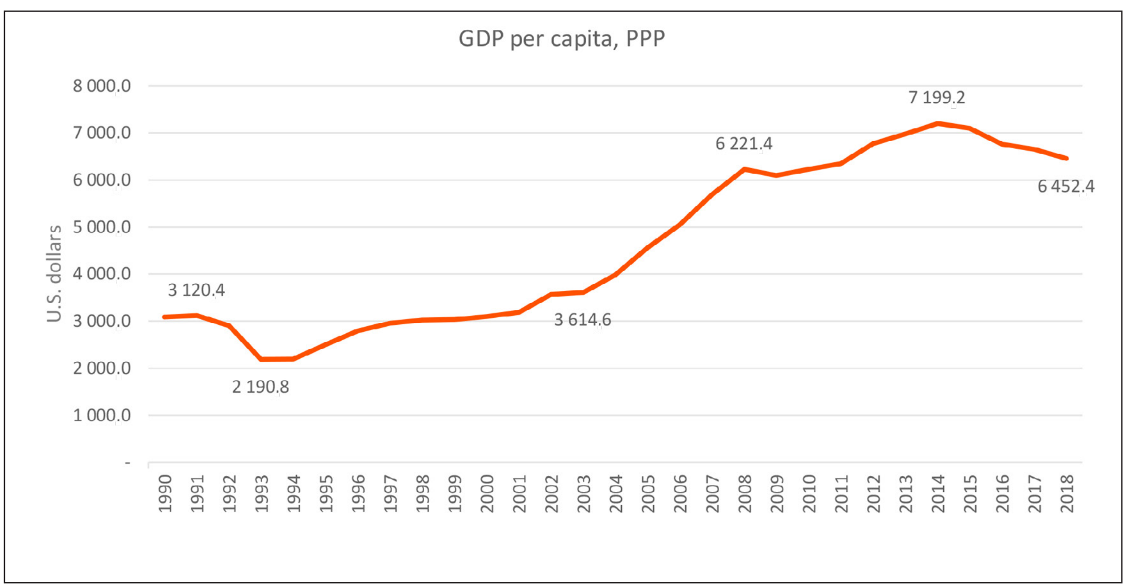
As the second largest oil producer in Africa and having the third largest Gross Domestic Product (GDP) in sub-Saharan Africa, after Nigeria and South Africa, Angola has recorded, since the end of the long civil war, one of the highest rates of economic growth in the world, driven by oil wealth.

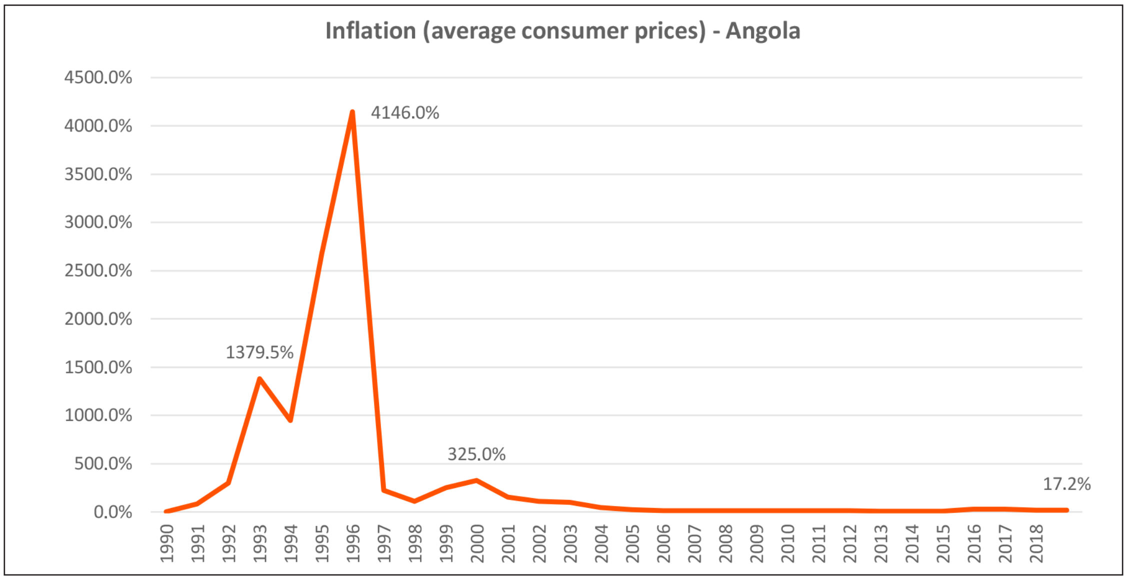
However, for some years now, Angola has been severely affected by the fall in oil prices in international markets, as well as by the reduction in world demand (especially China).

In 2019, Angola entered the fourth year of recession, and the extension of this recession period is essentially due to the fall in production in mature oil fields.

According to the International Monetary Fund (IMF), GDP contracted 0.3% in 2019, but is expected to grow again in 2020 (1.2%) and 2021 (2.9%), supported by ongoing structural reforms.

Per capita income has been gradually growing, especially in metropolitan regions, but poverty and unemployment rates remain high. According to the African Development Bank (AfDB), the poverty rate fell from 68% in 2000 to 37% in 2018. Poverty is more prevalent in rural areas (58%) than in urban areas (19%). Also according to the AfDB, the unemployment rate is estimated at 28% and remains high among young people in urban areas (38%). Although inflation fell to 17.2% in 2019, it remains high.

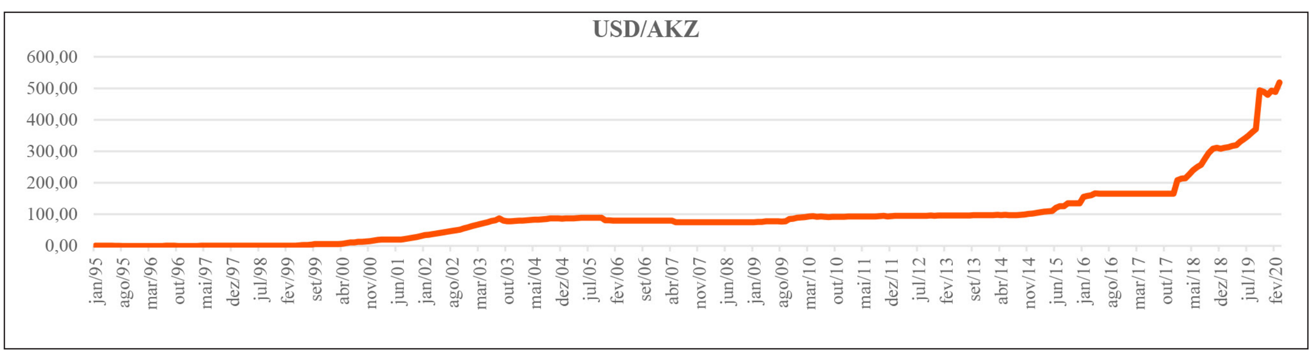




Macroeconomic environment

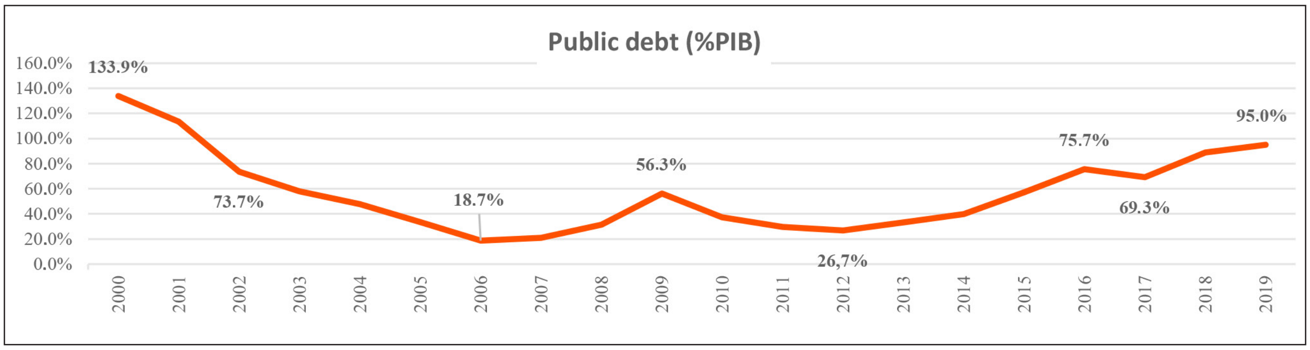
Angolan economy (continuing)

Despite the efforts that have been undertaken through the implementation of the referred structural reforms (ex. adoption of the Value Added Tax (VAT), exchange rate liberalization, conservative amending budget), in 2019, Angola's economy continued to suffer with the negative outlook for the oil sector.



In effect, the fall in oil revenues prevents the improvement of the budget deficit, which amounted to 0.3% of GDP in 2019 (it is expected to fall to -0.5% of GDP in 2020 and -0.1% of GDP in 2021).

After having reached a peak of 95% of GDP in 2019, mainly due to the depreciation of the kwanza, public debt is expected to decrease to 89.9% of GDP in 2020 and 84.2% of GDP in 2021, according to the IMF. The risk of over-indebtedness remains significant, given that public debt is very vulnerable to currency depreciations, as well as variations of oil price.



Macroeconomic environment

Angolan economy (continuing)

External debt grew and peaked in 2019. This evolution is explained by the decline in oil production and prices, which has caused a drop in export earnings over the past few years. The increase in external debt is also the result of the depreciation of the kwanza, as well as Angola's dependence on external financing to fund public investment projects. The main external debt-related risks include possible further depreciation of the kwanza, lower economic growth than expected, changes in the oil price in international markets and contraction of financial conditions.

Foreign direct investment in Angola in 2019 continued to be negative due to the transfers from oil companies to their respective parent companies and to the decline in oil production. The main investors in Angola continue to be Portugal, the Netherlands, South Africa and China. In 2018, the Angolan government established the Program for Support to Production, Diversification of Exports and Imports Replacements (PRODESI) which is based on seven key initiatives, focusing on reducing imports, increasing Angola's economic self-sufficiency and export diversification in order to reduce the historical dependence on oil and oil products. One of the most interesting initiatives is the one that aims to improve and make the environment for doing business in Angola more attractive, namely through the creation of favourable economic conditions for expansion of international trade and attraction of foreign investment, as well as encouraging the establishment of links between local businesses and global consumers.

In the banking sector, the ratio of non-performing loans (NPL) increased sharply to 34.6% in September 2019 (at the end of 2016 this ratio was 13.1%). This situation reflects the negative performance of the Angolan economy, scarcity of foreign currency and strong depreciation of the kwanza. Under the agreement with the International Monetary Fund (IMF), the National Bank of Angola (BNA) completed the asset quality review (AQR - Asset Quality Review) of 13 banks. Following this review, the BNA revealed that the Angolan banking system is overall robust, with only two banks experiencing capital shortfalls. After the referred review, the most decapitalized banks were obliged to submit to BNA a plan to increase the respective capital. These banks will have to be recapitalized by June 2020.

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

Macroeconomic environment

Legal framework

Regulations approved by BNA in 2019

Year	Subject	Topic	Published on	In force since	Notice / Regulation / Instructions
2019	Foreign exchange position limit	Foreign exchange policy	11/12/2019	11/12/2019	Notice n° 14/2019 of 2 December
2019	Foreign exchange operations in the oil and gas sector for the settlement of goods and services provided by foreign exchange residents	Foreign exchange policy	11/12/2019	11/12/2019	Notice n° 13/2019 of 2 December
2019	Rules and procedures for carrying out foreign exchange transactions by natural persons	Foreign exchange policy	11/12/2019	11/12/2019	Notice n° 12/2019 of 2 December
2019	Pricing of foreign currency transactions Maximum limits for commissions and expenses Commission collection curreny	Foreign exchange policy	09/12/2019	09/12/2019	Notice n° 11/2019 of 26 November
2019	Procedures for carrying out foreign exchange transactions by natural persons	Foreign exchange policy	12/11/2019	12/11/2019	Notice n° 10/2019 of 06 November
2019	Provision of payment services Operational rules of the remittance service	Foreign exchange policy	12/11/2019	12/11/2019	Notice n° 09/2019 of 06 November
2019	Exchange bureau Operational rules	Foreign exchange policy	12/11/2019	12/11/2019	Notice n° 08/2019 of 06 November
2019	Lending to the real sector of the economy	Monetary policy	07/10/2019	07/10/2019	Notice n° 07/2019 of 25 October
2019	Change in the wording of articles 2 and 6 of Notice no. 08/12, of 30 March	Microcredit companies	09/09/2019	09/09/2019	Notice n° 06/2019 of 30 August
2019	Process of accounting standardization and harmonization of the Angolan banking sector	Financial system	09/09/2019	09/09/2019	Notice n° 05/2019 of 30 August
2019	Lending to the real sector of the economy Terms and conditions		03/04/2019	03/04/2019	Notice n° 04/2019 of 3 April
2019	Pricing of foreign currency transactions Maximum limits for commissions and expenses Maximum foreign exchange margin applicable to certain operations Commission collection curreny	Financial conduct	31-03-2019	31-03-2019	Notice n° 03/2019
2019	Foreign currency purchase and sale auctions Organizational and operating procedures	Foreign exchange policy	07-11-2019	07-11-2019	Instruction n° 19/2019 of 06 November
2019	Limits for foreign exchange operations for the import of goods	Foreign exchange policy	25/10/2019	25/10/2019	Instruction n° 18/2019 of 25 October
2019	Mandatory reserves	Monetary policy	25/10/2019	25/10/2019	Instruction n° 17/2019 of 24 October
2019	Reference exchange rates Calculation methodology Exchange rates of banking financial institutions	Foreign exchange policy	25/10/2019	25/10/2019	Instruction n° 16/2019 of 24 October
2019	Chart of accounts of the non-bank financial institutions	Financial system	09/09/2019	09/09/2019	Instruction n° 15/2019 of 6 September
2019	Chart of accounts of the banking financial institutions	Financial system	09/09/2019	09/09/2019	Instruction n° 14/2019 of 6 September
2019	Effective interest rate method for the recognition of income and expenses of financial instruments	Financial system	06/09/2019	06/09/2019	Instruction n° 13/2019 of 28 August
2019	Securities	Financial system	06/09/2019	06/09/2019	Instruction n° 12/2019 of 28 August

Source: Website of Banco Nacional de Angola - http://www.bna.ao/

Macroeconomic environment

Legal framework (continuing)

Regulations approved by BNA in 2019

Year	Subject	Topic	Published on	In force since	Notice / Regulation / Instructions
2019	Treatment of losses in the loan portfolio	Financial system	06/09/2019	06/09/2019	Instruction n° 11/2019 of 28 August
2019	Leases Changes in the wording of points 7.3 and 8.2 of Instruction No. 08/16 of 08 August	Financial system	06/09/2019	06/09/2019	Instruction n° 10/2019 of 28 August
2019	Financial instrument disclosures	Financial system	02/09/2019	02/09/2019	Instruction n° 09/2019 of 27 August
2019	Impairment losses for the loan portfolio	Financial system	02/09/2019	02/09/2019	Instruction n° 08/2019 of 27 August
2019	Payment system of Angola Value limits on transactions carried out in payment systems	Financial system	08-07-2019	08-07-2019	Instruction n° 07/2019 of 05 July
2019	Kwanza banknote deposit and withdrawal operations	Financial system	08-07-2019	08-07-2019	Instruction n° 06/2019 of 05 July
2019	Treatment of suspect counterfeit banknotes	Financial system	12/11/2019	12/11/2019	Instruction n° 05/2019 of 05 July
2019	Financial system Credit lending	Monetary policy	26/04/2019	26/04/2019	Instruction n.° 04/2019 of 26 April
2019	Payment system Automated clearing house of Angola Guarantees for settlement of balances	Payment system	08/04/2019	08/04/2019	Instruction n.° 03/2019 of 03 April
2019	Obligation to provide information to customers on the Deposit Guarantee Fund	Financial system	18/01/2019	18/01/2019	Instruction n.° 02/2019 of 03 January
2019	Automated clearing house of Angola Guarantees for settlement of balances	Payment system	04/01/2019	04/01/2019	Instruction N° 01/2019 of 03 January
2019	Guide on the recommendations for implementing the AQA methodologies for the 2019 financial year.	Supervision	27/12/2019	27/12/2019	Directive n° 13/DSB/DRO/ 2019 of 27 December
2019	Protection for the consumer of financial products and services	Financial conduct	27/12/2019	27/12/2019	Directive n° 12/DCF/DRO/ 2019 of 27 December
2019	Information reporting deadlines via the financial institutions portal (PIF)	Financial system	20/12/2019	20/12/2019	Directive n° 11/DSB/DRO/ 2019 of 18 December
2019	Information reporting deadlines via the financial institutions portal (PIF)	Financial system	10/12/2019	10/12/2019	Directive n° 10/DSB/ DRO/2019
2019	Statistical information on mobile payment services	Payment system	27/11/2019	27/11/2019	Directive n° 09/DSP/ DIF/2019
2019	Definition of "Exchange rate arrears"	Foreign exchange policy	07/11/2019	07/11/2019	Directive n° 04/DCC/2019
2019	Requirements for the calculation and fulfillment of mandatory reserves	Foreign exchange market	25/10/2019	25/10/2019	Directive n.° 08/DMA/ DRO/ 2019 de 24 October
2019	Settlement of letters of credit under quantity auctions	Financial system	25/10/2019	25/10/2019	Directive n.° 03/DCC/ 2019 de 25 October
2019	Basic interest rate of BNA - BNA rate, interest rates on operations of permanent lending and liquidity absorption facilities	Financial system	25/10/2019	25/10/2019	Directive n.° 02/DMA/ 2019 de 24 October

Source: Website of Banco Nacional de Angola - http://www.bna.ao/

Macroeconomic environment

Legal framework (continuing)

Regulations approved by BNA in 2019

Year	Subject	Topic	Published on	In force since	Notice / Regulation / Instructions
2019	Import documentary credits Allocation of ceilings by the National Bank of Angola Applicable terms and conditions	Foreign exchange policy	08-07-2019	08-07-2019	Directive n.° 06/DCC/DMA/ 2019 of 05 July
2019	BNA Rate - Notice No. 12/2012 of 2 April	Monetary policy	04/06/2019	04/06/2019	Directive n.° 02/DMA/ 2019 of 30 May
2019	Guarantees in the CCAA subsystems Parameters for determining minimum guarantees and penalties for non-compliance	Payment systems	04/06/2019	04/06/2019	Directive n.° 04/DSP/DRO/ 2019 of 11 April
2019	Reporting of information on credit lending to the real sector of the economy through the System of Supervision of Financial Institutions (SSIF)	Monetary policy	21/05/2019	21/05/2019	Directive n.° 05/DSB/DRO/ 2019 of 20 May
2019	Definition of "Exchange rate arrears"	Foreign exchange policy	16/05/2019	16/05/2019	Directive n.° 02/DCC/ 2019 of 14 May
2019	Sending of additional information on new credits and deposits through the Financial Institutions Supervision System - SSIF. Monthly information Commercial banks	Monetary policy	16/04/2019	16/04/2019	Directive n.° 03/DEE/DSB/ DRO 2019 of 28 March
2019	Expiration date of payment cards	Payment system	22/02/2019	22/02/2019	Directive n° 002/DSP/ DRO/2019 of 21 February
2019	Provision of information on the payment commitments issued by commercial banks, for the carrying out of export of goods	Foreign exchange policy	12/02/2019	12/02/2019	Directive n° 01/DCC/2019 of 05 February
2019	BNA Rate - Notice No. 10/2011 of 20 October	Foreign exchange policy	31/01/2019	31/01/2019	Directive n° 01/DMA/2019 of 30 January
2019	Foreign exchange position limit Daily information Commercial banks	Foreign exchange policy	10/01/2019	10/01/2019	Directive n° 07/DSB/DRO/ DMA/2018 of 2 January
2019	Guarantees in the CCAA subsystems Parameters for determining minimum guarantees and penalties for non-compliance	Payment system	04/01/2019	04/01/2019	Directive n.° 01/DSP/DRO 2019 of 03 January

Source: Website of Banco Nacional de Angola - http://www.bna.ao/

Macroeconomic environment

Prospects

In 2019, the Angolan economy contracted for the fourth consecutive year. Lower-than-expected oil production resulting from, on the one hand, insufficient investment in the sector, and on the other hand, from increasing maturity and decline of the oil fields, continued to contribute to the contraction of the economy. Nevertheless, it is expected that the economy will start to recover during the 2020-2021 period, with an expected improvement both in the oil and non-oil sector, also as a result of the positive impact of the reforms related to the agreement between the Angolan State and the International Monetary Fund (IMF). However, it is important to note that there continues to be a number of significant risks concerning the expectations about Angola's economy development, namely the volatility of oil prices, continuity of the fiscal consolidation process and deterioration of the external economic environment.

Despite the predominant downward trend until 2019, inflation is expected to grow in 2020 due to the following factors: a time lag between the significant kwanza devaluation and its impact; introduction of the second phase of the Value Added Tax (VAT); increase in some utility tariffs; eliminating subsidies for a set of products (oil and related products). These inflationary pressures are expected to decrease after 2020, given that past adjustments to exchange rate policy will no longer have so much impact and also because domestic demand is expected to remain relatively contained.

Drop in oil production and its price, as well as the limited availability of international reserves, led to a considerable depreciation of the kwanza in 2019. This sharp depreciation was consistent with a more flexible exchange rate (to point out the IMF's US$ 3.7 bn support to Angola in 2019) and with the intention of narrowing the gap in relation to the parallel market to approximately 20%. In 2020-2021, the kwanza should continue to depreciate, but at a less accelerated pace. The drop will be absorbed by the measures taken by the BNA (e.g. regulatory requirement to maintain a high domestic currency reserve ratio), as well as by the fact that the biggest competitive adjustments have already occurred. The reference rate is likely to be maintained at high levels in view of the higher expected inflation.

Angola faces a very high public debt to gross domestic product (GDP) ratio that exceeds the sustainability threshold for comparable emerging economies. High level of public debt, combined with the implementation of the IMF program, implies that the process of fiscal consolidation should be continued in 2020 and 2021. In addition, a greater effort should be made to diversify the tax base (within a context of expected lower revenues from oil taxes), also towards prioritization of public expenditure, elimination of subsidies on petroleum products and regularization of outstanding payments. Meanwhile, the privatization plan for 195 state-owned companies is expected to be completed in 2022. In order to achieve sustainable levels of indebtedness, diversification of the Angolan economy is thus crucial, by reducing dependence on the oil sector, promoting the private sector and attracting foreign investment.

The prospects for economic growth in the long term are slightly more favourable than in the short term. This forecast is supported by demographic factors, such as the fact that Angola has a young and growing population, as well as the dynamic activity of certain economic sectors, which have shown their resilience in recent years. Additionally, the IMF's current three-year intervention is also expected to be more effective than the previous one, taking into account what appears to be the Angolan Government's commitment to changing the country's economic structure and promoting its respective diversification, namely through reducing dependence on the oil sector.

The risks related to the realization of the scenario envisaged for the long term are significant and are essentially related to the eventual resistance to the implementation of structural reforms agreed with the IMF, low level of qualifications of the population and heavy dependence on the oil sector. Avoiding these risks will necessarily involve the investment of the Angolan Government in areas such as education, health and infrastructure.

BCH

BCH

Vision, Mission and Values

Vision

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

Mission

Our mission is to offer banking and financial products and services of enhanced quality to our customers in order to create and distribute value to customers, employees, partners and shareholders.

Values

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

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

BCH

The Board of Directors, Board Committees and Shareholder Structure

The Board of Directors and Board Committees

The Board of Directors comprises a Chairman and two Directors.

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

The Board of Directors	
Chairman	Natalino Bastos Lavrador
Director	Salim Abdul Valimamade
Director	Cristiana de Azevedo Neto Lavrador

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

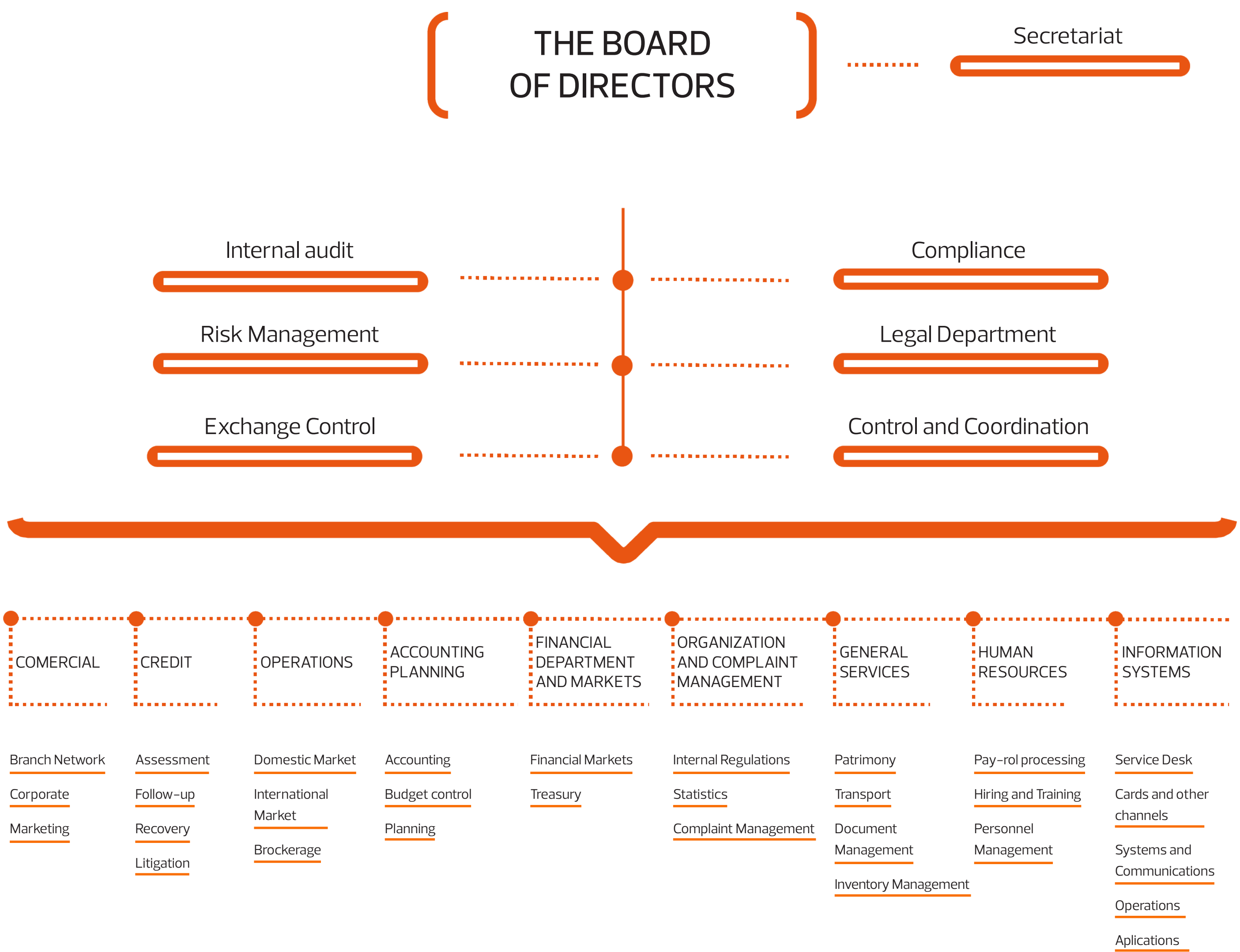
Shareholder Structure

As at 31 December 2019, the capital of Banco Comercial do Huambo was owned by 5 shareholders, as follows:

Shareholders	Interest
Natalino Bastos Lavrador	51,50%
Valdomiro Minoru Dondo	20,00%
António Mosquito	20,00%
Sebastião Bastos Lavrador	5,50%
Carlos Saturnino Guerra Sousa e Oliveira	3,00%

BCH

The Board of Directors, Board Committees and Shareholder Structure



Activity in 2019

Activity in 2019

Key indicators

Amounts in thousands of Akz

	2016	2017	2018	2019	Var 16 - 17	Var. 17 - 18	Var. 18 - 19
INDICATORS							
Total Assets	19 885 756	29 375 014	37 796 794	45 665 043	47.72%	28.67%	20.82%
Credit to the Economy	**9 861 980**	**22 284 214**	**19 234 267**	**30 444 295**	**125.96%**	**-13.69%**	**58.28%**
Loans and advances to customers	231 697	112 283	1 316 865	69 761	-51.54%	1072.81%	-94.70%
Loans and advances to the Government	9 630 283	22 171 931	17 917 402	30 374 534	130.23%	-19.19%	69.53%
Customer Deposits	11 776 185	15 728 826	14 448 356	18 267 547	33.56%	-8.14%	26.43%
Regulatory Capital	6 523 678	10 557 116	17 204 408	24 408 700	61.83%	62.97%	41.87%
Net operating Income	4 158 369	5 982 573	9 653 346	10 172 042	43.87%	61.36%	5.37%
Net Interest Income	1 037 571	1 804 585	3 724 449	5 057 140	73.92%	106.39%	35.78%
Net Profit	2 660 572	4 004 677	6 630 044	7 163 989	50.52%	65.56%	8.05%
	2016	**2017**	**2018**	**2019**	**Var 16 - 17**	**Var. 17 - 18**	**Var. 18 - 19**
Financial Ratios							
Cost to Income ratio	17.74%	21.39%	14.93%	18.51%	20.57%	-30.20%	24.00%
Loan/deposit ratio	2.14%	0.80%	9.11%	0.38%	-62.62%	1039.29%	-95.81%
Solvency ratio	154.22%	142.32%	107.52%	189.20%	-7.71%	-24.45%	75.97%
Return on total Assets (ROA)	13.34%	13.63%	17.54%	15.69%	2.20%	28.67%	-10.56%
Return on Equity (ROE)	37.77%	36.32%	37.57%	28.93%	-3.84%	3.45%	-22.99%
Overdue loans/Total loans	2.84%	4.12%	0.29%	0.00%	45.07%	-92.98%	-100.00%
Loan provisions/overdue loans	215.19%	80.34%	40.47%	0.00%	-62.67%	-49.62%	-100.00%
	2016	**2017**	**2018**	**2019**	**Var 16 - 17**	**Var. 17 - 18**	**Var. 18 - 19**
Business Development							
No of Branches	5	5	6	6	0.00%	20.00%	0.00%
No of Employees	45	55	57	59	22.22%	3.64%	3.51%
Customers	10 556	14 172	14 893	17 586	34.26%	5.09%	18.08%
	2016	**2017**	**2018**	**2019**	**Var 16 - 17**	**Var. 17 - 18**	**Var. 18 - 19**
Administrative costs	**861 351**	**1 037 759**	**1 381 963**	**1 883 137**	**20.48%**	**33.17%**	**36.27%**
Staff costs	302 204	386 422	471 978	572 308	27.87%	22.14%	21.26%
Third parties cost	449 966	560 961	787 063	1 081 147	24.67%	40.31%	37.36%
Amortisation and depreciation	33 483	90 376	122 922	229 682	169.92%	36.01%	86.85%
Other	75 698	-	-	-	0.00%	0.00%	0.00%

BCH has been building a stable commercial network, resources and customer base, as statistics show below. In the process the Bank significantly increased its profitability and is one of the most profitable and efficient banks in the banking system in Angola.

+5.08%

+18.08%

Branches

In 2019, the Bank did not open new branches. However, BCH intends to continue to expand its commercial network through opening of new branches.

Team reinforcement

At the end of 2019, the Bank's staff includes 62 employees, 3 more than in 2018.

Customer growth

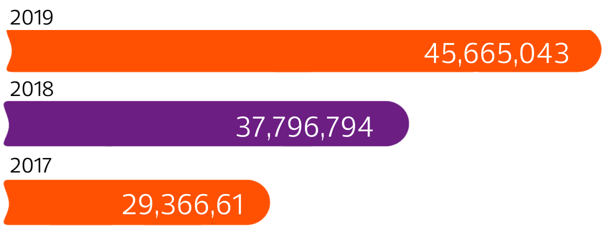
The number of customers in 2018 increased by 2,693 and reached a total of 17,586 as at 31 December 2019.

Activity in 2019

Business Development

Total assets

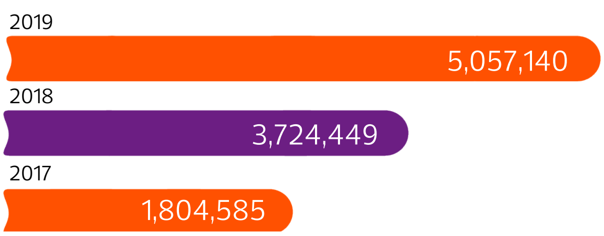
In 2019, BCH accounted for about 21% increase of total assets, which reflects the growth in activity.



Amounts in thousands of Akz

Net Interest income

In 2019, the Bank increased its net interest income by about 36%, which stood at Akz 5,057,140,000 as at 31 December 2019.



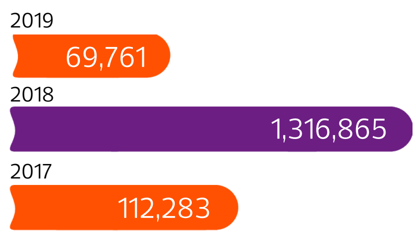
Amounts in thousands of Akz

ROE and ROA

Return on equity decreased by 22.99% from 37.57% in 2018 to 28.93% in 2019. On the other hand, return on assets fell by 10.56%. from 17.54% in 2018 to 15.69% in 2019.

Loans and Advances to Customers

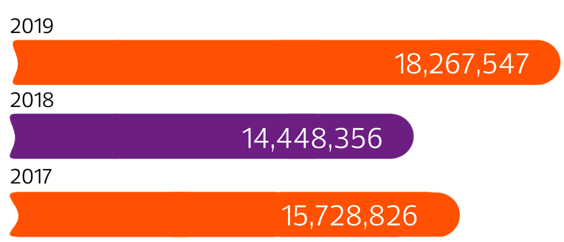
Contrary to 2018, the loans and advances to customers decreased significantly from Akz 1,316,865,000 to Akz 69,761,000. Impairment levels of the loan portfolio remain residual, which reveals the quality of the Bank´s portfolio and its conservative risk policy.



Amounts in thousands of Akz

Customer Deposits

In 2019, the amount of customer deposits increased from Akz 14,448,356,000 in 2018 to Akz 18,267,547,000 in 2019.



Amounts in thousands of Akz

Solvency Ratio

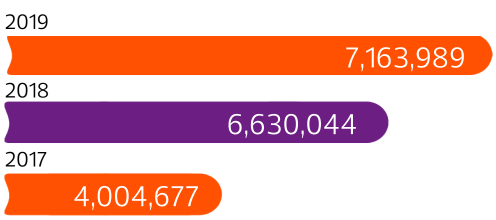
The Bank maintains high financial soundness, on the basis of the formula defined in art. 1 of Notice No. 05/07 of 15 of July. This ratio at the end of 2019 stood at 189.20% (107.52%, in 2018) a percentage well above the minimum requirement of 10% set by the National Bank of Angola.

Activity in 2019

Business Development

Net profit

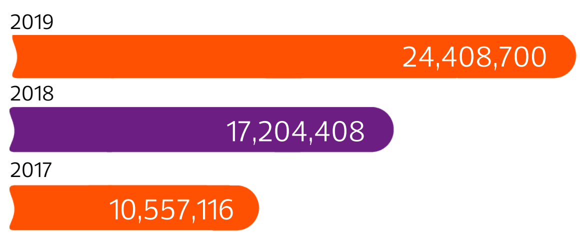
The Bank´s net profit amounted to AKZ 7,163,989,000 an increase of AKZ 533,945,000 compared to the amount recorded in the financial year of 2018.



Amounts in thousands of Akz

Regulatory Capital

In 2019, own funds amounted to Akz 24,408,700,000, which is an increase of Akz 7,204,292,000, a significant rise of 41.87% compared to 2018.



Amounts in thousands of Akz

Administrative Costs

In 2019, the Bank's cost structure accounted for a 36.27% increase in comparison to 2018. The main administrative cost items are personnel costs up by about 21.26% and utilities costs which rose 37.36%.

Administrative costs 2016 – 2019

	2016	2017	2018	2019	Var 16 - 17	Var. 17 - 18	Var. 18 - 19
Administrative costs	**861 351**	**1 037 759**	**1 381 963**	**1 883 137**	**20.48%**	**33.17%**	**36.27%**
Staff costs	302 204	386 422	471 978	572 308	27.87%	22.14%	21.26%
Third parties cost	449 966	560 961	787 063	1 081 147	24.67%	40.31%	37.36%
Amortisation and depreciation	33 483	90 376	122 922	229 682	169.92%	36.01%	86.85%
Other	75 698	-	-	-	0.00%	0.00%	0.00%

544 POS operating as at 31 December 2019

11 ATMs between Luanda and Huambo

4,924

POS

At the end of 2019, the Bank had a total of 544 POS.

ATMs

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

Debit cards

In 2019, the Bank recorded an average of 1 card per every 4 customers.

Activity in 2019

Risk management

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

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

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

The years 2018 and 2019 consolidated the activities carried out by this function, formally created in 2016. Currently, in addition to the regulatory reports required by the BNA, the Risk Management function has been broadening its vision on risk management by using not only the tools required by the BNA but also complementary internal maps, important for the decision-making by the Board of Directors. In this way, during 2017 the following internally developed maps were submitted to the Board of Directors:

- Credit Risk Indicators – analyses credit exposure and its breakdown by branch and segment, as well as credit concentration;
- ALM tool – analyses a set of indicators of liquidity risk, foreign exchange risks and interest rate risk and assigns a level of risk associated with each indicator value.

As to the Compliance function, likewise officially independent as of 2016, it also consolidated until 2019 the efficiency and effectiveness of the tasks it was assigned with. The following tasks are part of the scope of activities carried out by the Compliance function:

- Monitor the commercial network as to the acceptance of customers, performance of certain operations or sale of products and services.
- Ensure the compliance of produced and reported information with applicable laws and legislation, mainly from the BNA.
- Ensure compliance with the Bank´s code of ethics/conduct in a comprehensive manner

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

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

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

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

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

- Monitoring of internal and external customer lists.

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

- Analysis and approval of account opening.

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

- Follow-up of domestic operations and abroad.

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

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

- Contribute to knowledge sharing in PBC/CFT matters.

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

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

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

Outlook for 2020

Outlook for 2020

Having in mind the global economic environment, prospects for growth of the African economy and in particular the Angolan economy, the Bank´s strategy continues to be one of focus on sustained growth, ensuring a flexible structure which allows a fast and efficient response to the demanding business and regulatory challenges in the financial sector. In that way, in 2020, BCH is committed to:

- Continuing to offer a structure of differentiated financial products which can continue to meet the needs of our customers;
- Keeping its focus on the Bank´s sustained growth while preserving the profit margin;
- Working towards strengthening its Control functions (Risk Management, Compliance and Internal Audit) by continuing the implementation of good practices in this area and improving the efficiency and effectiveness of internal processes, so at to comply with regulatory requirements in force;
- Monitoring and implementing in a rigorous and effective manner all regulatory changes applicable to the financial sector and the Bank;
- Further developing and executing training plans that reinforce the qualification of our employees and maintain the high levels of motivation of our teams;
- Taking into account the deterioration of the country's economic and social situation due to COVID-19, a year with more challenges is expected, in which BCH will take containment measures and try to maintain the same level of profitability.

Proposed appropriation of profit

The profit after tax in 2019 of AKZ 7,163,989,000 will be appropriated as follows:

- 10% to Legal Reserves;
- The remainder, to increase Retained Earnings.

The Board of Directors

Financial Statements

BCH Banco Comercial do Huambo

Financial Statements

Income Statement as at 31 December 2019 and 2018

(thousands of kwanzas)

	Notes	31.12.2019	31.12.2018
Interest and similar income	4	5 472 179	4 568 162
Interest expense and similar charges	4	(415 039)	(843 713)
Net Interest Income		**5 057 140**	**3 724 449**
Fee and commission income	5	3 234 983	4 690 634
Fee and commission expense	5	(433 357)	(273 624)
Income from foreign currency transactions	6	2 571 340	1 747 675
Other operating income (expense)	7	(258 064)	(235 788)
Net operating income		**10 172 042**	**9 653 346**
Staff costs	8	(572 308)	(471 978)
Utilities and contracted services	9	(1 081 147)	(787 063)
Depreciations and amortizations for the year	17 e 18	(229 682)	(122 922)
Provisions net of write-offs	23	-	-
Impairment losses on loans, net of reversals and recoveries	15	21 783	(8 082)
Impairment losses on other financial assets, net of reversals and recoveries	14	(15 389)	(3 775)
Profit before tax		**8 295 299**	**8 259 526**
Corporate income tax			
Current	19	(1 131 310)	(1 629 482)
Deferred	19	-	-
Net profit for the year		**7 163 989**	**6 630 044**
Average number of issued ordinary shares		10 000 000	10 000 000
Basic earnings per share (in kwanzas)	25	716	663
Diluted earnings per share (in kwanzas)	25	716	663

The accompanying notes are an integral part of these financial statements

Balance Sheet

Balance Sheet as at 31 December 2019 and 2018

(thousands of kwanzas)

	Notes	31.12.2019	31.12.2018
Assets			
Cash and deposits with central banks	10	6 068 128	7 500 150
Deposits with other banks	11	2 826 782	3 848 256
Loans and advances to central and other banks	12	4 293 878	5 976 911
Financial assets at fair value through other comprehensive income	13	43 656	43 656
Financial assets at amortised cost	14	30 374 534	17 917 402
Loans and advances to customers	15	69 761	1 316 865
Non-current assets held for sale	16	6 221	6 221
Other tangible assets	17	1 271 728	676 614
Intangible assets	18	420 217	270 181
Current tax assets	19	61 507	58 243
Deferred tax assets	19	6 015	1 253
Other assets	20	222 616	181 042
Total Assets		**45 665 043**	**37 796 794**
Liabilities			
Deposits from central and other banks		-	-
Customer accounts and other borrowing	21	18 267 547	14 448 356
Provisions	22	21 917	21 917
Current tax liabilities	19	1 131 310	1 629 482
Deferred tax liabilities	19	-	-
Other liabilities	23	1 484 106	4 049 893
Total Liabilities		**20 904 880**	**20 149 648**
Equity			
Share Capital	24	10 000 000	10 000 000
Other reserves and retained earnings	25	7 596 174	1 017 102
Net profit		7 163 989	6 630 044
Total Equity		**24 760 163**	**17 647 146**
Total Liabilities and Equity		**45 665 043**	**37 796 794**

The accompanying notes are an integral part of these financial statements

Balance Sheet

Statements of income and other comprehensive income for the years ended 31 December 2019 and 2018

(thousands of kwanzas)

	Notes	31.12.2019	31.12.2018
Net profit for the year		7 163 989	6 630 044
Other comprehensive income		-	-
Separate comprehensive income for the year		**7 163 989**	**6 630 044**

The accompanying notes are an integral part of these financial statements

Statement of changes in equity for the years ended 31 December 2019 and 2018

(thousands of kwanzas)

	Notes	Share Capital	Other Reserves and Retained Earnings				Net Profit (loss)	Total Equity
			Legal Reserve	Effect of changes in accounting policies	Other Reserves and Retained Earnings	Total Other Reserves and Retained Earnings		
Balance as at 1 January 2018		**3 000 000**	**486 318**	**(8 290)**	**3 534 397**	**4 012 425**	**4 004 677**	**11 017 102**
Appropriation of net profit	25 & 26	-	400 468	-	3 604 209	4 004 677	(4 004 677)	-
Capital increase	25 & 26	7 000 000	-	-	(7 000 000)	(7 000 000)	-	-
Effect of change in accounting policies	25 & 26	-	-	-	-	-		-
Net profit	25 & 26	-	-	-	-	-	6 630 044	6 630 044
Balance as at 31 December 2018		**10 000 000**	**886 786**	**(8 290)**	**138 606**	**1 017 102**	**6 630 044**	**17 647 146**
Balance as at 1 January 2019		**10 000 000**	**886 786**	**(8 290)**	**138 606**	**1 017 102**	**6 630 044**	**17 647 146**
Appropriation of net profit	25 e 26	-	663 004	-	5 967 040	6 630 044	(6 630 044)	-
Profit distribution	25 e 26	-	-	-	(50 000)	(50 000)	-	(50 000)
Net profit	25 e 26	-	-	-	-	-	7 163 989	7 163 989
Other movements	25 e 26	-	-	-	(972)	(972)	-	(972)
Balance at 31 December 2019		**10 000 000**	**1 549 790**	**(8 290)**	**6 054 674**	**7 596 174**	**7 163 989**	**24 760 163**

The accompanying notes are an integral part of these financial statements

BCH Banco Comercial do Huambo

Balance Sheet

Cash flow statement for the years ended December 2019 and 2018

(thousands of kwanzas)

	Notes	31.12.2019	31.12.2018
Cash flows from operating activities			
Interest and similar income received		4 300 092	4 591 767
Interest expense and similar charges paid		(358 996)	(854 565)
Fees and commissions received		3 234 983	4 690 634
Fees and commissions paid		(433 357)	(273 624)
Cash payments to staff and suppliers		(1 653 455)	(1 259 039)
		5 089 267	**6 895 173**
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		2 571 340	1 747 675
Loans and advances to banks		1 683 032	(4 594 132)
Deposits from banks		41 677	(36 189)
Loans and advances to customers		1 267 808	(1 213 718)
Customer deposits and other borrowings		3 846 695	(1 280 142)
Other operating assets and liabilities		(3 324 495)	2 431 345
Net cash from operating activities before corporate income tax		**11 175 324**	**3 950 012**
Corporate income tax paid		(1 637 508)	(941 800)
Net cash from operating activities		**9 537 816**	**3 008 212**
Cash flows from investing activities			
Purchase/sale of financial assets at amortised cost		-	-
Financial assets at amortised cost		(11 512 138)	3 867 995
Purchase/disposal of plant, property and equipment		(244 030)	(226 889)
Net cash from investing activities		**(11 941 312)**	**3 641 106**
Cash flows from financing activities			
Dividends paid on ordinary shares		(50 000)	-
Net cash from financing activities		**(50 000)**	**-**
Net increase (decrease) in cash and cash equivalents		**(2 453 496)**	**6 649 318**
Cash and cash equivalents at beginning of year		**11 348 406**	**4 699 088**
Net increase (decrease) in cash and cash equivalents		(2 453 496)	6 649 318
Cash and cash equivalents at end of year		**8 894 910**	**11 348 406**
Cash and cash equivalents comprise:			
Cash and deposits with central banks	10	6 068 128	7 500 150
Deposits with other banks	11	2 826 782	3 848 256
Total		**8 894 910**	**11 348 406**

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1. Introductory note

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

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

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

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

2 – Accounting Policies

2.1 Basis of presentation

Under the provisions of Notice n.º 6/2016 of June 22 of the BNA (National Bank of Angola), the Bank´s financial statements are prepared on a going concern basis by using the Bank´s accounting books and records and in compliance with the International Accounting Standards/ International Financial Reporting Standards (IAS / IFRS). These financial statements refer to the Bank´s separate activity as at 31 December 2019 and were prepared in order to comply with the requirements for the presentation of separate accounts defined by the BNA.

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

The financial statements hereby presented refer to the year ended 31 December 2019.

The accounting policies presented in this note were applied in a manner consistent with those used in the financial statements at 31 December 2018, except for the changes arising from the adoption of: IFRS 15 – Revenue from Contracts with Customers which replaces IAS 18 - Revenue and IAS 11 Construction Contracts; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 - Transfer of Assets from Customers and SIC-13 - Barter Transactions involving Advertising Services and IFRS 16 - Leases which replaces IAS 17 - Leases which establishes new requirements regarding the scope, classification/recognition and measurement of leases. There were no significant impacts on the Bank's financial statements related to the adoption of IFRS 15.

Details of the impacts on the Bank's financial statements resulting from the adoption of IFRS 16 can be found in Note 30. The Bank applied IFRS 16 according to the Modified Retrospective approach, so comparative information has not been restated.

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

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

The financial statements for the year ended 31 December 2019 were approved at the annual meeting of the Board of Directors on 30 April 2020.

2.2 Foreign currency transactions

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

Foreign currency transactions are translated into Kwanzas (functional currency) at the rate ruling on the date of the transaction.

Monetary assets and liabilities in foreign currency are translated into Kwanzas (functional currency) at the period end exchange rate. Exchange gains and losses are taken to the income statement.

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

- Recorded at historical cost – at the rate ruling on the date of the transaction.
- Recorded at fair value– at the average exchange rate ruling at the date the fair value is determined with fair value changes in profit or loss, except for financial assets at fair value through other comprehensive income, which difference is reported in equity.

	2018	2019
USD	308.607	482.227
EUR	353.015	540.817

2.3 Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Bank, which are not intended to be sold in the short-term, and which are recognised on the date cash is advanced to the customer.

Loans and advances to customers are initially recorded at fair value and subsequently measured at amortised cost less impairment losses. The associated transaction costs are part of the effective interest rate of these financial instruments. Interests recognised by using the effective interest method are recognised in net interest income.

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

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

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

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

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

Impairment

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

After initial recognition, a customer loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when there is objective evidence of impairment as a result of one or more events that has(have) an impact on the recoverable amount of the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated. The loan portfolio is subject to impairment tests on a monthly basis under the requirements of IFRS 9 - Financial Instruments. This standard establishes that a financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial assets occur

Identified impairment losses are recognised in the income statement and are subsequently reversed through profit or loss if, in a subsequent year, there is a reduction in the amount of the impairment loss.

IFRS 9 replaces the incurred loss model of IAS 39 with expected credit loss model – ECL, which considers expected losses over the life of the financial instruments. Thus in the determination of the ECL macroeconomic factors are taken into account, changes in which impact the expected losses.

The Bank calculates impairment of financial instruments, mainly with regard to loans and advances to customers on the basis of the expected credit loss model (ECL). Under the ECL model, assets subject to impairment calculation must be classified in one of the following stages, according to changes in credit risk since initial recognition of the asset:

- Stage 1 – Includes assets for which there is not a significant increase of credit risk since initial recognition. For these assets 12-month expected credit losses are recognised, as from the reporting date;
- Stage 2 – In case there has been a significant increase in risk since initial recognition, the assets are classified in stage 2. In this stage, lifetime ECL are recognised for these assets.
- Stage 3 – Assets which are impaired must be classified in this stage, with recognition of lifetime ECL. In relation to stage 2, the difference is the way the effective interest rate is recognized which should be on net carrying amount (gross carrying amount in stage 2).

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

- 12-month expected credit losses: expected loss that results from a default event occurring within 12 months after the calculation date, applied for operations in stage 1; and,
- Lifetime expected credit losses: expected loss that results from the difference between contractual cash flows and the cash flows the entity expects to receive until the maturity of the contract. That is, the expected loss is a result of all possible default events until maturity, applied to operations in stage 2 and 3.

IFRS 9 - "Financial Instruments" does not define a concept of default. However, the Bank applies the criterion of more than 90 days past due.

The impairment calculation of IFRS 9 is complex and requires management decisions, estimates and assumptions, particularly in the assessment of the existence of significantly increased credit risk since initial recognition.

Pursuant to IFRS 9 there are two methods for the calculation of impairment losses: (i) individual assessment and (ii) collective assessment.

(i) Individual Assessment

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

Segment	Criterion
Customers/economic groups for which there is objective evidence of impairment.	0.1% of the institution's own funds
Customers/economic groups for which there is not objective evidence of impairment	0.5% of the institution's owns funds

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

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

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

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past-due event;
- The lenders for economic or contractual reasons relating to the borrower´s financial difficulty granting the borrower a concession that would not otherwise be considered;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for the financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

(ii) Collective Assessment

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

Impairment losses based on the collective assessment are calculated through homogeneous groups of loans that are considered individually insignificant. Impairment losses in collective terms are determined considering the following aspects

- Historical credit loss experience in similar credit risk portfolio;
- Knowledge of the current economic and credit environment and its influence on the level of historical losses;
- Estimated period between the occurrence of the loss and its identification.

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

Segmentation of portfolio of loans for collective assessment

Pursuant to IFRS 9, individually insignificant loans are included in homogeneous groups of loans with similar credit risk, by taking into account the Bank´s management model and subject to collective assessment of impairment. In that way, it is intended to ensure that for the purposes of assessing these exposures and setting credit risk parameters, the same present similar credit risk characteristics.

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

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

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

Type of customer	Segment
Individual customers	Overdrafts - Individuals
	Consumer credit
	Home loans
	Personal loans
	Employees
Corporate customers	Current accounts
	Overdrafts-Corporate
	Corporate loans
	Guarantees given and CDI

Collateral valuation process

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

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

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

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

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

Reversal of impairment

The analysis and subsequent determination of the amount of an existing impairment loss in prior years, may only result in a reversal if it is related to an event occurring after the impairment was recognised (ex. improvement of the client´s credibility or additional collateral). The amount of the reversal can not exceed the accumulated impairment amounts previously recorded.

Written-off loans

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

Modification of customer credit exposures

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

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

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

2.4 Financial Instruments

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

According to IFRS 9 - "Financial Instruments" can be classified into three measurement categories (amortised cost, fair value through profit or loss and fair value through other comprehensive income).

The classification of the assets depends on the contractual cash flows and the associated business model for their management.

As to the characteristics of the contractual cash flows, the criterion is to assess whether they represent solely payments of principal and interest (SPPI).

As to the associated business model, the standard identifies two models of relevance to the Bank´s activity

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

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

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

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

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

The classification in the above categories is carried out by considering both of the following elements:

- The characteristics of the contractual cash flows of the financial assets; and
- The Bank´s business model for the management of the financial assets.

Financial assets at amortised cost

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

- The asset is held within a business model whose objective is to hold the instrument in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank´s business model is based on the acquisition of treasury bills and treasury bonds with the objective to collect the contractual cash flows, i.e., principal and interest (and revaluations in the case of indexed instruments). In this way, the Bank set the following limits for holding instruments under this category:

- Sale of 10% of the portfolio value is sold during the period;

- Existence of more than one monthly sale.

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

- Interest is recognised in profit or loss, by using the effective interest rate of the transaction on the gross carrying amount of the transaction (except for impaired assets in which the interest rate is applied on the carrying amount net of impairment);

- Other changes in value will be recognised as income or expense when the financial instrument is derecognised from the balance sheet when it is reclassified and in the case of financial assets, when there are impairment losses or recovery gains.

Treasury bonds issued in national currency indexed to the US dollar and those indexed to the Consumer Price Index are subject to revaluation of the nominal value of the security according to the variation of the respective indexes. Thus, the result of the referred revaluation of the security is reflected in the income statement of the year in which it takes place under the item "foreign exchange results".

When there is objective evidence that an investment at amortised cost is impaired, the potential impairment loss corresponds to the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows (excluding the effect of future events), discounted at the original effective interest rate, calculated at initial recognition, and it must be recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the allowance is adjusted and the amount of the reversal is recognised in the income statement

Financial assets at fair value through other comprehensive income

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

- The asset is held within a business model whose objective is both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Income and expense of financial Income and expense of financial instruments at fair value through other comprehensive income are recognised according to the following criteria:

- Interest, or where applicable dividends are recognised in profit or loss, for the interest on the same basis as for amortised cost assets;

- Foreign exchange differences are recognised in profit or loss for monetary financial assets, and in other comprehensive income for non-monetary financial assets;

- For debt instruments, credit impairment losses/reversals are recognised under the item "Results in financial assets at fair value through other comprehensive income" or "impairment of other financial assets" in the income statement;

- Other changes in value are recognised in other comprehensive income.

All financial assets not measured according to the criteria previously defined as at amortised cost or at fair value through other comprehensive income, are measured at fair value through profit or loss.

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

The portfolio of financial instruments mandatorily accounted for at fair value through profit or loss contains all instruments for which at least one of the following requirements is met:

- Assets originated or acquired with the purpose of selling in the short term;

- Compliance with the SPPI criteria referred to above is not in place;

- Assets held as an integral part of an asset portfolio, normally securities, for which there is a recent pattern of short-term profit taking;

- Derivative instruments that do not comply with the definition of a financial collateral agreement and have not been designated as a hedging instrument.

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

- Changes in fair value are directly recognised in profit or loss, separating between the part attributable to the income from the instrument which is recognized as interest or dividends according to its nature and the rest which is recognised as results from financial operations in the corresponding heading;

- Interest on debt instruments is calculated by applying the effective interest method.

As at 31 December 2019 and 2018, the Bank does not hold any financial asset at fair value through profit or loss.

Financial Liability

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

Non-derivative financial liabilities include deposits from banks and from customers, loans and debt securities.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The associated transaction costs are part of the effective interest rate. The interest recognised by effective interest method is taken to net interest income.

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

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

Identification and measurement of impairment

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

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

A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment as a result of one or more events that occured after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For financial assets at amortised cost, impairment losses correspond to the difference between the carrying amount of the asset and the present value of estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the financial asset and are recognised in the income statement. These assets are presented on the balance-sheet net of impairment. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, determined on the basis of each contract. Regarding financial assets at amortised cost, if in a subsequent period the amount of the impairment loss decreases and such decrease can be objectively related to an event that occurred after the impairment loss was recognised, the previously recognised impairment is reversed through profit or loss.

If there is evidence that a financial asset at fair value through other comprehensive income is impaired, the potential cumulative loss recognised in reserves, measured as the difference between the acquisition cost and the current fair value, net of any impairment loss on the financial asset previously recognised in the income statement, is taken to the income statement. If in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through profit or loss up to the acquisition cost if the increase is objectively related to an event that occurred after the impairment loss was recognised.

In the portfolio of financial instruments, impairment is calculated by attributing:

- Probability of Default (PD) which derives from the credit rating of the issuer or the counterparty, respectively;
- Loss Given Default(LGD) which results from market parameters.

Offsetting of financial instruments

The Bank undertakes to offset financial assets and financial liabilities, presenting a net amount on the balance sheet when, and only when, the Bank has legally enforceable right to offset the amounts on a net basis and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are offset only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence the most advantageous market to which the bank has access to make the transaction at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value is determined according to evidence of fair value on the market, namely:

- Level 1 – Fair value is determined on the basis of prices, quoted in active markets;
- Level 2 – Fair value is determined on the basis of inputs observable in active markets;
- Level 3 – Fair value is determined on the basis of data, unobservable in active markets.

2.5 Equity instruments

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

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

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

2.6 Other fixed assets

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

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

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

IAS 36- Impairment of assets requires that its recoverable amount is calculated and an impairment loss should be recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

2.7 Intangible assets

Software

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

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

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

2.8 Non-current assets held for sale

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

The Bank also classifies as non-current assets held for sale all non-current assets or a group of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and the sale is highly probable.

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

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

Immediately before the initial classification as non-current assets held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group is carried out in accordance with applicable IFRS. After classification, these assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

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

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

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

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

2.9 Leases

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

- The contract involves the use of an identified asset - an asset can be identified either explicitly or implicitly and must be physically distinct or represent substantially all of the capacity of an asset that is not physically distinct. Even if an asset is specified, the Bank would not have the right to use an identified asset if the supplier has a substantive right to substitute the asset throughout the period of use;

- The Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset, throughout the period of use; and

- The Bank has the right to direct the use of the identified asset. The Bank has that right when it has the most relevant decision-making rights to changing how and for what purpose the asset is used throughout the period of use. When decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of an asset if:

- The bank has the right to operate the identified asset (or to instruct others to operate the asset in a way it determines) without the supplier having the right to change those operating instructions, or

- The Bank has designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

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

2.9.1 As lessee

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

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

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

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

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

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

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

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

Short-term leases and leases of low value assets

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

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

2.9.2 As lessor

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

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

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

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

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

2.10 Corporate income tax

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

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

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

Tax returns are subject to review and correction by the tax authorities for a period of 10 years, which may result in possible corrections to the taxable income for the years 2014 to 2019.

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

The Bank is also subject to indirect taxes, such as customs duties, stamp duty, consumption tax, as well as other taxes.

Investment Income Tax (IIT)

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

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

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

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

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

Deferred taxes

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for: goodwill, not deductible for tax purposes; differences resulting from the initial recognition of assets and liabilities that do not affect neither the accounting nor the taxable profit, and differences related to investments in subsidiaries to the extent that they are not likely to reverse in the future.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (including unused tax losses).

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

2.11 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

2.12 Provisions

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

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

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

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

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

2.13 Recognition of interest income and expense

Interest income and interest expense for all financial instruments (assets and liabilities) measured at amortised cost are recognised under the heading "Interest income and similar interest" or "Interest expense and similar charges" (net interest income), using the effective interest method. Interest calculated at the effective interest rate on financial assets at fair value through other comprehensive income is also recognised in net interest income as is interest on financial assets and liabilities at fair value through profit or loss.

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

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

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

2.14 Recognition of dividends

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

2.15 Recognition of fee and commission income

Fees and commissions are recognised according to the following criteria:

- When earned over the period during which the services are provided, they are recognised in the income statement in the period to which they refer;

- When resulting from a single provision of services, their recognition takes place upon completion of the referred service.

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

2.16 Net trading income

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

2.17 Cash and cash equivalents

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

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

2.18 Financial guarantees and loan commitments

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

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

2.19 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares outstanding, excluding the average number of treasury shares.

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

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

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

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

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

3.1 Impairment losses on loans and advances to customers

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

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

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

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

3.2 Corporate income tax

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

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

The Tax Authorities can review the calculation of the taxable income made by the Bank during a period of 10 years. Therefore, it is possible that corrections to the taxable income take place mainly resulting from differences in the interpretation of tax legislation but given that it is rather unlikely, the Board of Directors considers that they will not have material effect on the amounts recognised in the financial statements.

4 – Net Interest income

The amount of this item is comprised of the following:

(thousands of kwanzas)

	31.12.2019			31.12.2018		
	From assets/ liabilities at amortised cost	From assets/ liabilities at fair value through profit or loss	Total	From assets/ liabilities at amortised cost and available-for-sale assets	From assets/ liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest from loans and advances to customers	302 999		302 999	151 784	-	151 784
Interests from deposits with and loans and advances to banks	367 827		367 827	9 927	-	9 927
Interest from financial assets at amortised cost	4 801 353		4 801 353	4 406 451	-	4 406 451
	5 472 179	-	**5 472 179**	**4 568 162**	-	**4 568 162**
Interest expense and similar charges						
Interest on customer deposits and deposits from Central banks	345 613		345 613	843 713	-	843 713
Interest on leases	69 426		69 426	-	-	-
	415 039	-	**415 039**	**843 713**	-	**843 713**
Net interest income	**5 057 140**	-	**5 057 140**	**3 724 449**	-	**3 724 449**

The line items "Interest and similar income" and "Interest and similar expense" are measured at amortised cost on the basis of the effective interest method.

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

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

The line item "Deposits from banks and customer accounts" refers to mainly interest paid to customers on the funds deposited with the Bank. This line item shows a cost of Akz 345,613,000 in the financial year of 2019 (31 December 2018: Akz 843,713,000) which is lower than the previous year due to reduction of interest paid on savings accounts which reflects the pattern verified in this portfolio.

The significant increase in the amount of this item is due mainly to interest generated by treasury bills during 2019

.5 – Net fee and commission income

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Fee and commission income		
Banking Services rendered	3 234 983	4 690 634
Fee and commission expense		
Commissions charged to customers	433 357	273 624
	2 801 626	**4 417 010**

Here below as per type of commission:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Fee and commission income		
Commisions on sale of banknotes	152 488	102 729
Commissions on bank transfers	1 107 872	2 486 737
Commissions on Loan Approval	381 275	1 424 677
Money Transfers – Moneygram	39 188	15 205
Comissions on guarantees and collaterral	1 247 379	505 461
Comissions on credit facility arrangement	44 120	7 129
Commissions on standard services (cards, clearing)	59 553	19 721
Other commissions	203 108	128 975
	3 234 983	4 690 634
Fee and commission expense		
Costs of importing banknotes	43 186	17 480
Fees for automated clearing	37 477	26 659
Charges for other services provided by third-parties	352 694	229 485
	433 357	273 624
	2 801 626	**4 417 010**

The significant reduction that occurred in the balance of this item results mainly from the decrease in income from services and commissions charged to customers for money transfers, as well as from reduction in commissions charged for approving loans as there was a decrease in this activity during the year of 2019.

6 – Income from foreign currency transactions

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Income from foreign currency transactions		
Foreign Currency Transactions	2 103 705	1 123 941
Foreign Currency Revaluation	467 635	623 734
	2 571 340	**1 747 675**

The line item "Foreign currency transactions" translates the results from purchase and sale of foreign currency, according to the accounting policy in Note 2.2.

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

7 – Other operating income

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Other operating income		
Fines applied by regulatory entities	(69 443)	(661)
Direct and indirect taxes	(295 289)	(449 611)
Other operating expenses	(36 505)	(14 282)
Other operating income	143 173	228 766
	(258 064)	**(235 788)**

The line item of "Direct and indirect tax" includes the amount of Akz 212,841,000 (31 December 2018: Akz 350,770,000) related to taxation of investment income and capital gains (IIT).

8 – Staff costs

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Members of management and supervisory boards		
Remunerations	130 847	123 220
Holliday allowances and Benefits for Christmas	28 354	25 460
Other allowances	37 822	36 392
Other remunerations and costs	43 827	3 597
Employees		
Remunerations	224 509	192 940
Holliday allowances and Christmas allowances	30 653	29 686
Other allowances	16 258	14 829
Other staff costs		
Social security costs	39 571	21 226
Insurance against accidents at work	20 467	24 627
	572 308	**471 978**

As at 31 December 2019 and 2018, the line item "Other allowances" includes various allowances granted to the employees such as child benefit, representation allowance, housing benefit and allowance for errors.

Salary costs and other benefits attributed to the members of the management and supervisory bodies for the years 2019 and 2018 refer in their total to remunerations and other short-term benefits.

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

(thousands of kwanzas)

	31.12.2019			31.12.2018		
	Board of Directors	Audit Committee	Total	Board of Directors	Audit Committee	Total
Remunerations and short-term benefits	13 967	1 427	15 394	13 967	930	14 897
Variable remunerations	-	-	-	-	-	-
Total	**13 967**	**1 427**	**15 394**	**13 967**	**930**	**14 897**

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

	31.12.2019		31.12.2018	
	Average for the year	Final for the year	Average for the year	Final for the year
Administration	3	3	3	3
Management	1	1	1	1
Head of Department	1	1	1	1
Administrative area	30	30	27	27
Commercial area	28	27	25	27
	63	**62**	**57**	**59**

9 – Utilities and contracted services

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Consulting	546 855	370 054
Leasing and rentals	36 993	170 682
Security, conservation and repair	192 004	115 343
Communications	55 831	43 923
Materials	165 909	67 947
Transports, travel and accommodation	7 098	6 991
Water, energy and fuel	2 950	3 520
Insurances	31 576	1 482
Publications, advertising and publicity	9 325	1 970
Other utilities	32 606	5 150
	1 081 147	**787 062**

In 2019, the variation in the balance of the item "Utilities and contracted services" results mainly from increase in the balances of the items "Consulting and auditing" and "Security, conservation and repair".

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

As at 31 December 2019, the line item "Rental and leasing" includes the amount of Akz 6,952,000 (2018: Akz 28,376,000) related to short-term leases not included in the measurement of the lease liability, as described in accounting policy 2.9.1.

10 – Cash and deposits with central banks

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Cash		
Banknotes in agencies	698 849	1 101 812
Banknotes in ATM	117 198	109 110
	816 047	1 210 922
Deposits with central Banks		
National Bank of Angola	5 252 081	6 289 228
	5 252 081	6 289 228
	6 068 128	**7 500 150**

The item "Deposits with Central Banks" includes deposits of a mandatory nature at the National Bank of Angola, which purpose is to meet legal requirements regarding liquidity requirements. It is important to point out that they are non-interest bearing.

As at 31 December 2019 and 2020, here below is a breakdown of the deposits with the Central Bank of Angola:

(thousands of kwanzas)

	31.12.2019			31.12.2018		
	USD	EUR	AOA	USD	EUR	AOA
Required reserves						
Kwanzas	-	-	3 435 401	-	-	1 875 799
American dollars	795 698	-	383 707	797 198	-	246 021
Euros	-	250 000	135 204	-	250 000	88 253
	795 698	250 000	3 954 312	797 198	250 000	2 210 073
Free reserves	-	-	1 297 769	-	-	4 079 155
			5 252 081			**6 289 228**

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

On 4 June 2010, Regulation 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 which comprise the reserve base and USD for the accounts in foreign currency which comprise the reserve base.

In 2016, the BNA issued Instruction nº 2/2016 which establishes that the reserves in national currency must be 30%, except 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 Treasury bonds belonging to the banks' own portfolio, provided that those are issued as of January 2015 and to the amount of the financing agreements signed with the Ministry of Finance, according to the weights defined in the referred Instruction.

11 — Deposits with other banks

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Cash and deposits with other banks abroad	2 776 826	3 819 867
Pending operations and settlement	49 956	28 389
	2 826 782	**3 848 256**

At 31 December 2019 and 2018, the line item "Deposits with other banks abroad" includes the account balances at the respective banks and those amounts are part of the management of the Bank's current operations without there being any associated remuneration.

12 — Loans and advances to central banks and other banks

This item, as at 31 December 2019 and 2018 is analysed as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Loans and advances to banks abroad		
Short-term loans and advances	231 903	5 968 048
Operations with resale agreement	4 053 559	-
Interest receivable	8 416	8 863
	4 293 878	**5 976 911**
Impairment losses	-	-
	4 293 878	**5 976 911**

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

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

The distribution of loans and advances to Central Banks and other banks by maturity as at 31 December 2019 and 2018 is as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Up to 3 months	4 061 975	-
From 3 months to one year	231 903	5 976 911
	4 293 878	**5 976 911**

13 – Financial assets at fair value through other comprehensive income

As at 31 December 2019 and 2018 this item has the following structure:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Shares	43 656	43 656
	43 656	**43 656**

As at 31 December 2019 and 2018, this item only includes the interest in the entity EMIS – Empresa Interbancária de Serviços, S.A.R.L. (interbank service company), with head office in Luanda, which is valued at acquisition cost since the Bank holds less than 10% of the capital.

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

The analysis of the financial assets at fair value through other comprehensive income, per levels of valorisation, as at 31 December 2019 and 2018, is presented as follows:

(thousands of kwanzas)

	Level 1	Level 2	Level 3	Total
Shares	43 656	-	-	43 656
Balance as at 31 December 2019	**43 656**	**-**	**-**	**43 656**
Shares	43 656	-	-	43 656
Balance as at 31 December 2018	**43 656**	**-**	**-**	**43 656**

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

14 – Financial assets at amortised cost

As at 31 December 2019 and 2018 this item has the following structure:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Bonds and other fixed income securities		
From public issuers		
Treasury Bills	21 341 915	13 926 312
Treasury Bonds in national currency	8 480 818	3 632 879
Treasury Bonds in foreign currency	580 373	371 394
Impairment		
Treasury Bonds in national currency	(21 146)	(8 584)
Treasury Bonds in foreign currency	(7 426)	(4 599)
	30 374 534	**17 917 402**

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

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

The distribution of investments at amortised cost by maturity, is as follows:

(thousands of kwanzas)

	Less than three months	From three months to one year	From one to five years	Over five years	Total
From public issuers					
Treasury Bills		21 341 915	-	-	21 341 915
Treasury Bonds in national currency	-	2 535 069	5 924 603	-	8 459 672
Treasury Bonds in foreign currency	-	-	572 947	-	572 947
Balance as at 31 December 2019	**-**	**23 876 984**	**6 497 550**	**-**	**30 374 534**
From public issuers					
Treasury Bills	13 926 312	-	-	-	13 926 312
Treasury Bonds in national currency	-	3 624 295	-	-	3 624 295
Treasury Bonds in foreign currency	-	-	366 795	-	366 795
Balance as at 31 December 2018	**13 926 312**	**3 624 295**	**366 795**	**-**	**17 917 402**

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Carrying balance	13 183	-
Charges, net of reversals	15 389	13 183
Utilisations and other movements	-	-
Closing balance	**28 572**	**13 183**

All of the investments at amortised cost are in Stage 1.

15 – Loans and advances to customers

As at 31 December 2019 and 2018 this item has the following structure:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Internal Loans		
To companies		
Loans	24 622	-
Short-term loans	-	1 268 404
Overdrafts	-	78
	24 622	**1 268 482**
To individuals		
Loans	47 154	46 107
Overdrafts	-	8
	47 154	**46 115**
	71 776	**1 314 597**
Past-due loans		
Up to 3 months	-	761
From 3 months to 1 year	-	2 957
From 1 to 3 years	-	92
Over 3 years	-	-
	-	**3 810**
	71 776	**1 318 407**
Accumulated impairment losses	(2 015)	(1 542)
	69 761	**1 316 865**

As at 31 December 2019 and 2018, the composition of the loan portfolio by residual maturity is as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Up to 3 months	2 492	-
From three months to one year	-	1 276 083
From one to five years	45 184	16 457
Over five years	24 100	25 867
Undetermined	-	-
	71 776	**1 318 407**

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

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Opening balance	1 542	3 842
Charges, net of reversals	(21 783)	8 082
Utilisations and other movements	22 256	(10 382)
Closing balance	**2 015**	**1 542**

All credit exposures are in Stage 1.

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Fixed rate	19 258	1 279 150
Floating rate	52 518	35 447
	71 776	**1 314 597**

As at 31 December 2019 and 2018, total loans and impairment per segment and per type is as follows:

(thousands of kwanzas)

Segment	Exposure 2019					Impairment 2019		
	Performing loans	Non-performing loans	Guarantees granted	Total exposure	Relative weigh	Performing loans	Non-performing loans	Total impairment
Public sector								
Companies	**24 622**	**-**	**2 450 851**	**2 475 473**	**98%**	**432**	**-**	**432**
Loans	24 622	-	-	24 622	1%	432	-	432
Guarantees granted and CDI	-	-	2 450 851	2 450 851	97%	-	-	-
Individuals	**47 154**	**-**	**-**	**47 154**	**2%**	**1 583**	**-**	**1 583**
Loans	22 169	-	-	22 169	1%	612	-	612
Employee	24 985	-	-	24 985	1%	971	-	971
Total	**71 776**	**-**	**2 450 851**	**2 522 627**	**100%**	**2 015**	**-**	**2 015**

(thousands of kwanzas)

Segment	Exposure 2018					Impairment 2018		
	Performing loans	Non-performing loans	Guarantees granted	Total exposure	Relative weigh	Performing loans	Non-performing loans	Total impairment
Public sector								
Companies	**1 268 482**	**166**	**2 833 890**	**4 102 538**	**99%**	**72**	**-**	**72**
Current accounts	1 268 404	-	-	1 268 404	31%	72	-	72
Overdrafts	78	166	-	244	0%	-	-	-
Guarantees granted and CDI			2 833 890	2 833 890	68%	-	-	-
Individuals	**46 115**	**3 644**	**-**	**49 759**	**1%**	**1 256**	**214**	**1 470**
Overdrafts	8	3 529	-	3 537	0%	-	-	-
Loans	8 302	114	-	8 416	0%	158	214	372
Empployee	37 805	1	-	37 806	1%	1 098	-	1 098
Total	**1 314 597**	**3 810**	**2 833 890**	**4 152 297**	**100%**	**1 328**	**214**	**1 542**

As at 31 December 2019, total loans and impairment per year of lending to individuals is the following:

(thousands of kwanzas)

Segment	2016 and previous			2017			2018			2019			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Companies															
Current	-	-	-	-	-	-	3	1 268 404	-		-	-	3	1 268 404	-
Overdrafts	15	209	-	1	5	-	18	6	-		-	-	34	220	-
Loans	-	-	-	-	-	-	-	-	71	1	24 622	432	1	24 622	503
Individuals															
Overdrafts	446	1 160	-	888	2 313	-	1 303	87	-		-	-	2 637	3 560	-
Loans	9	9 560	104	-	-	-	4	8 935	268	8	22 169	612	21	40 664	984
Employee	7	12 842	932	4	9 650	10	4	5 236	157	8	24 985	971	23	52 713	2 070
Total	**477**	**23 771**	**1 036**	**893**	**11 968**	**10**	**1 332**	**1 282 668**	**496**	**17**	**71 776**	**2 015**	**2 719**	**1 390 183**	**3 557**

As at 31 December 2018, total loan and impairment per year of lending to Individuals is the following:

(thousands of kwanzas)

Segment	2015 and previous			2016			2017			2018			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Companies															
Current	-	-	-	-	-	-	-	-	-	3	1 268 404	-	3	1 268 404	-
Overdrafts	12	186	-	3	23	-	1	5	-	18	6	-	34	220	-
Loans	-	-	-	-	-	-	-	-	-	-	-	71	-	-	71
Individuals															
Overdrafts	293	751	-	153	409	-	888	2 313	-	1 303	87	-	2 637	3 560	-
Loans	8	8 939	104	1	621	-	-	-	-	4	8 935	268	13	18 495	372
Employee	7	12 842	932	-	-	-	4	9 650	10	4	5 236	157	15	27 728	1 099
Total	**320**	**22 718**	**1 036**	**157**	**1 053**	**-**	**893**	**11 968**	**10**	**1 332**	**1 282 668**	**496**	**2 702**	**1 318 407**	**1 542**

16 — Non-current assets held for sale

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

(m ilhares de kwanzas)

	31.12.2019	31.12.2018
Non-current assets held for sale		
Property	6 221	6 221
Accumulated impairment losses	-	-
	6 221	**6 221**

Movements in this item for the years ended 31 December 2019 and 2018 are hereby presented:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Opening balance	6 221	6 221
Additions	-	-
Other movements	-	-
Closing balance	**6 221**	**6 221**

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

17 — Other fixed assets

As at 31 December 2019 and 2018, this item is presented as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Property		
For own use	206 819	206 819
Works on property	425 086	425 086
	631 905	**631 905**
Equipment		
Office	80 076	80 076
Banking	44 932	44 932
Security	10 456	10 456
Vehicles	2 722	2 722
Basic	1 544	1 544
Computer	735	735
Other	44 316	44 316
	184 781	**184 781**
Work in progress		
Other	138 828	81 497
	138 828	**81 497**
Right-of-use asset	731 223	-
	731 223	-
Gross fixed assets	**1 686 737**	**898 183**
Accumulated depreciation	**415 009**	**221 569**
	1 271 728	**676 614**

The amount in right-of-use assets refers to the value underlying the lease contracts for the premises, occupied by the branches, ATMs and equipment, recognized as at 1 January 2019 in the scope of transition to IFRS 16.

Movements in this item for the years ended 31 December 2019 and 2018 are hereby presented:

(thousands of kwanzas)

	Balance as at 31/12/2018	Adjustment Transition IFRS 16	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2019
Property						
For own use	206 819	-	-	-	-	206 819
Works on property	425 086	-	-			425 086
	631 905	**-**	**-**	**-**	**-**	**631 905**
Equipment						
Office	80 076	-	-	-	-	80 076
Banking	44 932	-	-	-	-	44 932
Security	10 456	-	-	-	-	10 456
Vehicles	2 722	-	-	-	-	2 722
Basic	1 544	-	-	-	-	1 544
Computer	735	-	-	-	-	735
Other	44 316	-	-	-	-	44 316
	184 781	**-**	**-**	**-**	**-**	**184 781**
Right-of-use asset	**-**	**731 223**	**-**	**-**	**-**	**731 223**
Work in progress						
Other	81 497		57 331	-	-	138 828
	81 497		**57 331**	**-**	**-**	**138 828**
	898 183	**731 223**	**57 331**	**-**	**-**	**1 686 737**
Accumulated depreciation						
Property						
For own use	(29 675)		(4 136)	-	-	(33 811)
Works on property	(106 958)		(51 326)			(158 284)
	(136 633)		**(55 462)**	**-**	**-**	**(192 095)**
Equipment						
Office	(41 521)		(9 802)	-	(422)	(51 745)
Banking	(25 105)		(5 778)	-	-	(30 883)
Security	(4 471)		(1 116)	-	-	(5 587)
Vehicles	(2 494)		(99)	-	-	(2 593)
Basic	(198)		-	-	-	(198)
Computer	(316)		-	-	-	(316)
Other	(10 831)		(9 017)	-	-	(19 848)
	(84 936)		**(25 813)**	**-**	**(422)**	**(111 171)**
Right-of-use asset	**-**	**-**	**(111 743)**	**-**	**-**	**(111 743)**
	(221 569)	**-**	**(193 018)**	**-**	**(422)**	**(415 009)**
	676 614		**(135 687)**	**-**	**(422)**	**1 271 728**

(thousands of kwanzas)

	Balance as as 01.01.2018	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2018
Property					
For own use	206 819	-	-	-	206 819
Works on property	413 262	11 824			425 086
	620 081	**11 824**	**-**	**-**	**631 905**
Equipment					
Office	74 802	5 274	-	-	80 076
Banking	47 101	-	(2 169)	-	44 932
Security	7 175	3 281	-	-	10 456
Vehicles	2 722	-	-	-	2 722
Basic	1 544	-	-	-	1 544
Computer	735	-	-	-	735
Other	1764	42 552	-	-	44 316
	135 843	**51 107**	**(2 169)**	**-**	**184 781**
Work in progress					
Other	115 314	81 497	-	(115 314)	81 497
	115 314	**81 497**	**-**	**(115 314)**	**81 497**
	871 238	**144 428**	**(2 169)**	**(115 314)**	**898 183**
Accumulated depreciation					
Property					
For own use	(25 539)	(4 136)	-	-	(29 675)
Works on property	(55 632)	(51 326)			(106 958)
	(81 171)	**(55 462)**	**-**	**-**	**(136 633)**
Equipment					
Office	(31 608)	(9 913)	-	-	(41 521)
Banking	(19 754)	(5 351)	-	-	(25 105)
Security	(3 273)	(1 198)	-	-	(4 471)
Vehicles	(2 395)	(99)	-	-	(2 494)
Basic	(198)	-	-	-	(198)
Computer	-	(316)		-	(316)
Other	(626)	(10 205)		-	(10 831)
	(57 854)	**(27 082)**	**-**	**-**	**(84 936)**
	(139 025)	**(82 544)**	**-**	**-**	**(221 569)**
	732 213	**61 884**	**(2 169)**	**(115 314)**	**676 614**

18 – Intangible assets

As at 31 December 2019 and 2018, this item is presented as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Software	153 270	153 270
Studies, projects and consultancy	139 955	96 029
Other	133 026	133 026
	426 251	**382 325**
Work in progress		
Other	**334 333**	**147 634**
Accumulated depreciation	**(340 367)**	**(259 778)**
	420 217	**270 181**

Movements in the line item "Intangible assets" for the years ended 31 December 2019 and 2018 are as shown below:

(thousands of kwanzas)

	Balance as at 01.01.2019	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2019
Intangible assets	**529 959**	**186 699**	**-**	**43 926**	**760 584**
Software	153 270	-		-	153 270
Studies, projects and consultancy	96 029	-	-	43 926	139 955
Outros	133 026	-	-	-	133 026
	382 325	-	-	43 926	426 251
Work in progress	147 634	186 699	-	-	334 333
Accumulated amortisation	**(259 778)**	**(36 664)**	**1**	**(43 926)**	**(340 367)**
Software	(115 992)	(9 640)	1	-	(125 631)
Studies, projects and consultancy	(95 106)	(237)	-	(43 926)	(139 269)
Outros	(48 680)	(26 787)	-	-	(75 467)
Net balance	**270 181**	**150 035**	**1**	**-**	**420 217**

(thousands of kwanzas)

	Balance as at 01.01.2018	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2018
Intangible assets	**350 803**	**63 842**	**-**	**115 314**	**529 959**
Software	153 270	-		-	153 270
Studies, projects and consultancy	94 829	1 200	-	-	96 029
Outros	81 916	51 110	-	-	133 026
	330 015	52 310	-	-	382 325
Work in progress	20 788	11 532	-	115 314	147 634
Accumulated depreciation	**(219 400)**	**(40 378)**	**-**	**-**	**(259 778)**
Software	(106 353)	(9 639)	-	-	(115 992)
Studies, projects and consultancy	(94 829)	(277)	-	-	(95 106)
Outros	(18 218)	(30 462)	-	-	(48 680)
Net balance	**131 403**	**23 464**	**-**	**115 314**	**270 181**

19 — Taxes

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

The current tax estimate for the years ended 2019 and 2018 was calculated pursuant to paragraphs 1 and 2 of article 64, of Law no. 19/14, of October 22, with applicable tax rate of 30%.

Tax returns are subject to review and correction by the tax authorities for a period of 10 years, which may result in, due to differences in the interpretation of tax legislation, possible corrections to the taxable income for the years 2014 to 2019.

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

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

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

As at 31 December 2019, the provisional assessments amounted to Akz 61,507,000 (2018: Akz 58,243,000).

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using rates enacted or substantively enacted at the reporting date. Thus, for the year ended 2019 and 2018, deferred tax was calculated, in general, on the basis of a 30% rate.

The deferred tax assets recognised in the balance sheet at 31 December 2019 and 2018 can be analysed as follows

(thousands of kwanzas)

	Assets		Liabilities		Net	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Impairment on loans to customers	-	-	-	-	-	-
Effective rate comissions loans	76	76	-	-	76	76
Effective rate for securities	-	-	-	-	-	-
Other fixed assets	1 177	1 177	-	-	1 177	1 177
Other	4 762	-	-	-	4 762	-
Deferred tax asset (liabilities)	**6 015**	**1 253**	**-**	**-**	**6 015**	**1 253**

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

The variation in deferred tax assets results from the adjustment to the estimate of the financial activity tax of 2018, which was only made in 2019.

The movements in the deferred tax items on the balance sheet were recognised as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Opening balance	1 253	1 253
Recognised in profit or loss	4 762	-
Closing balance(Asset/(Liability)	6 015	1 253

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

(thousands of kwanzas)

	31.12.2019		31.12.2018	
	%	Value	%	Value
Profit before tax		8 295 299		8 259 526
Tax rate		30%		30%
Income tax calculated based on the tax rate		(2 488 590)		(2 477 858)
Fiscal benefits on income from public debt securities - Art 47º	17.43%	1 445 600	10.23%	844 800
Investment Income Tax	-2.57%	(212 841)	-0.60%	(49 781)
Other	1.50%	124 521	0.65%	53 357
Tax for the year	**-13.64%**	**(1 131 310)**	**-19.73%**	**(1 629 482)**

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

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

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

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

Therefore, in determining taxable income for the years ended 31 December 2019 and 2018, such income was deducted from the taxable profit.

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

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

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

20 – Other assets

As at 31 December 2019 and 2018, this item is presented as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Salary advances	777	2 977
Prepayments	111 933	42 755
Sundry debtors	63 684	62 354
Office material	3 814	8 442
Deposit Guarantee Fund	30 860	-
Other advance payments	11 548	64 514
	222 616	**181 042**
Impairment losses	-	-
	222 616	**181 042**

As at 31 December 2019, the amount of Akz 30,860,000 refers to the Bank's annual contribution to the Deposit Guarantee Fund which was launched by BNA during the year 2019 and which aims to cover the reimbursement of depositors funds.

21 – Deposits from customers and other borrowings

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Demand deposits		
In national currency	14 176 836	7 566 586
In foreign currency	2 040 968	2 109 832
	16 217 804	9 676 418
Time deposits		
In national currency	2 019 829	4 714 520
In foreign currency	29 914	57 418
	2 049 743	4 771 938
	18 267 547	**14 448 356**

The distribution of Deposits from customers and other borrowings per maturity as at 31 December 2019 and 2018, is as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Sight deposits	**16 217 804**	**9 676 418**
Time deposits		
Up to 3 months	709 949	2 131 814
From 3 months to 1 year	1 339 794	2 640 124
	2 049 743	**4 771 938**
	18 267 547	**14 448 356**

As at 31 December 2019 and 2018, time deposits in local and foreign currency bear interest at an annual average rate of 5.53% and 5.75% (2018: 6% and 3.25%), respectively.

22 – Provisions

The main provisions are detailed below:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Provisions		
Liabilites of tax nature	21 917	21 917
	21 917	**21 917**

In 2016, the Bank made a provision for contingent liabilities to cover tax contingencies classified as probable. The Bank did not change the value of this provision, as there is no evidence to suggest that it is increased, reduced or annulled.

23 – Other liabilities

This item is comprised of the following:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Tax charges payable - own	16 615	10 616
Suppliers	65 178	33 354
Staff Costs	60 578	46 880
Tax charges payable - retained from third parties	43 581	30 285
Other creditors	678 622	3 924 218
Social Security contribution	4 026	4 540
Lease liabilities	615 506	-
Total	**1 484 106**	**4 049 893**

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Letters of credit	603 348	3 765 554
Commissions on letters of credit	21 982	142 363
Other	53 292	16 301
Total	**678 622**	**3 924 218**

The balance "Letters of credit" concerns deposits that are delivered as collateral on 31 December 2019 and 2018, not yet settled on those dates.

As of December 31, 2019, the lease liability relates to the lease contracts for the premises, occupied by the branches, ATM and equipment, recognized under IFRS 16. The undiscounted future lease payments related to the contract under IFRS 16, by maturity, are as follows:

(thousands of kwanzas)

	31.12.2019
Up to one year	-
From one year to five years	197 716
Over five years	487 216
Undiscounted future lease payments	**684 932**
Interest to be accrued in the net interest income	(69 426)
Lease liability 31.12.2019	**615 506**

24 – Share capital, Share premium and treasury shares

Ordinary shares

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

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

As at 31 December 2019 and 2018, the share distribution among the Bank's shareholders is as follows:

	31.12.2019				31.12.2018			
	Nominal Value	No.Shares	Total	% Capital	Nominal Value	No.Shares	Total	% Capital
Natalino Lavrador	1 000	5 150	5 150 000	51,50%	1 000	5 150	5 150 000	51,50%
Minoru Dondo	1 000	2 000	2 000 000	20,00%	1 000	2 000	2 000 000	20,00%
António Mosquito	1 000	2 000	2 000 000	20,00%	1 000	2 000	2 000 000	20,00%
Sebastião Lavrador	1 000	550	550 000	5,50%	1 000	550	550 000	5,50%
Carlos Oliveira	1 000	300	300 000	3,00%	1 000	300	300 000	3,00%
	5 000	**10 000**	**10 000 000**	**100,00%**	**5 000**	**10 000**	**10 000 000**	**100,00%**

Earnings and dividends per share

In 2018 and 2017, the earnings per share and the dividend attributed in each financial year, with respect to the previous year's profit, were as follows:

(thousands of kwanzas)

	31.12.2019	31.12.2018
Net profit for the year	**7 163 989**	**6 630 044**
Weighted average number of ordinary shares issues (thousands)	10 000 000	10 000 000
Average number of shares outstanding (thousands)	**10 000 000**	**10 000 000**
Basic earnings per share (in kwanzas)	**716**	**663**

25 — Other reserves and retained earnings

The movements in equity items, during the years ended 31 December 2019 and 2018, are hereby described:

(thousands of kwanzas)

	Share Capital	Other Reserves and Retained Earnings				Net profit (loss)
		Legal Reserve	Effect of changes in accounting policies	Other reserves and retained earnings	Total other reserves and retained earnings	
Opening balance 1 January 2018	**3 000 000**	**486 318**	**(8 290)**	**3 534 397**	**4 012 425**	**4 004 677**
Constitution of legal reserve	-	400 468	-	3 604 209	4 004 677	(4 004 677)
Transfer to retained earnings	7 000 000	-	-	(7 000 000)	(7 000 000)	-
Effect of changes in accounting policies	-	-	-	-	-	-
Closing balance 31 December 2018	**10 000 000**	**886 786**	**(8 290)**	**138 606**	**1 017 102**	**6 630 044**
Opening balance 1 January 2019	**10 000 000**	**886 786**	**(8 290)**	**138 606**	**1 017 102**	**6 630 044**
Constitution of legal reserve	-	663 004	-	-	663 004	(663 004)
Transfer to retained earnings	-		-	5 967 040	5 967 040	(5 967 040)
Distribution of profit	-	-	-	(50 000)	(50 000)	-
Net profit	-	-	-	-	-	7 163 989
Other movements	-	-	-	(972)	(972)	-
Closing balance 31 December 2019	**10 000 000**	**1 549 790**	**(8 290)**	**6 054 674**	**7 596 174**	**7 163 989**

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

The net profit from 2019 was applied towards the building up of the legal reserves, in accordance with the commercial law and the remaining amount was transferred to retained earnings.

26 — Off-balance sheet accounts

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Documentary credits	2 450 851	2 833 890
Guarantees and collaterals received	50 000	140 000
Committments to third parties - Revocable credit lines	5 391 272	4 750 476
Custody of customers securities	123 913	79 706

The documentary credits are irrevocable commitments made by the Bank on behalf of its customers, to pay/arrange to pay a determined amount to the supplier of goods or services, within a stipulated period, against the presentation of documents referring to the dispatch of the goods or provision of the service. The irrevocable condition is that its cancellation or alteration is not possible without the express consent of all parties involved. The documentary credits as at 31 December 2018 and 2017 are guaranteed by time deposits.

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

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

Financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loan portfolio, especially in regard to the assessment of the adequacy of the created provisions as described in the accounting policy described in Note 2.18, the maximum credit exposure is represented by nominal value that could be lost on contingent liabilities and other commitments assumed by the Bank in the event of default by the respective counterparties, without taking into account potential loan or collateral recovery.

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

Documentary credits and guarantees provided are recorded in stage 1 and the impairment associated with these liabilities is Akz 300,000

27 – Related party transactions

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

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

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

In 2019:

(thousands of kwanzas)

Related Party	Demand deposits	Time deposits	Interest	Loans
Shareholders	393 705 396	205 000 000	7 861	-
Members of the Board of Directors	95 520 836	60 000 000	2 523	-
Entities where Shareholders have significant influence	515 224 460	700 000 000	1 863	-
Entities where members of the Board of Directors have significant influence	-	-	-	-
	1 004 450 692	**965 000 000**	**12 247**	-

In 2018:

(thousands of kwanzas)

Related Party	Demand deposits	Time deposits	Interest	Loans
Shareholders	368 866 043	35 000 000	738	-
Members of the Board of Directors	69 551 096	50 000 000	403	-
Entities where Shareholders have significant influence	393 326 118	100 000 000	1 852	-
Entities where members of the Board of Directorsa have significant influence	-	-	-	-
	831 743 257	**185 000 000**	**2 993**	-

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

Shareholders, Member of the Board of Directors and Next to Kin

Natalino Lavrador
Sebastião Lavrador
Valdomiro Minoru Dondo
António Mosquito
Carlos Saturnino
Salim Valimamade
Cristiana Lavrador
Agda Dondo
Eduarda Nassandjuka M`bakassy
Paulo Sérgio Lavrador
Djavana Saturnino Oliveira
Fauzia Valimamade
Ana Maria LavradorSociedades

Companies, related parties

Amosmid Lda
Auto Zuid
Bacatral, sociedade de transp. LDA
Bobs Comércio geral Lda
Consorcio Mayaca/Sol Mayor
Esplanada Grill Lda
Exacta Engenharia LDA
M´bakassy & Filhos
Parige Lda
Sol Maior Emp. Part. Lda
Taiping Lda
Kulanda Belas Malls Gestao E Part LDA
Unitransfer Casa de Câmbios SA
Nocebo

28 – Fair value of financial assets and liabilities

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

Fair value of the financial assets and liabilities held by the Bank at 31 December 2019 and 2018 is presented as follows:

(thousands of kwanzas)

	31.12.2019					
	Amortised cost	Impairment	Valued at fair value			Fair value
			Level 1	Level 2	Level 3	
Assets						
Cash and balances at central banks	6 068 128		-	-	-	6 068 128
Deposits with other banks	2 826 782		-	-	-	2 826 782
Loans and advances to Central Banks and other banks	4 293 878		-	-	-	4 293 878
Financial assets at fair value through other comprehensive income	-		43 656	-		43 656
Financial assets at amortised cost	30 403 106	(28 572)	-	-	-	31 130 678
Loans and advances to customers	71 776	(2 015)	-	-	-	69 761
Total Assets	43 663 670	(30 587)	43 656	-	-	44 432 883
Liabilities						
Customer deposits and other borrowing	18 267 547		-	-	-	18 267 547
Total Liabilities	18 267 547	-	-	-	-	18 267 547

(thousands of kwanzas)

31.12.2018	Amortised cost	Impairment	Valued at fair value			Fair value
			Level 1	Level 2	Level 3	
Assets						
Cash and balances at central banks	7 500 150		-	-	-	7 500 150
Deposits with other banks	3 848 256		-	-	-	3 848 256
Loans and advances to Central Banks and other banks	5 976 911		-	-	-	5 976 911
Financial assets at fair value through other comprehensive income	43 656		43 656	-	-	87 312
Financial assets at amortised cost	17 930 585	(13 183)	-	-	-	17 663 469
Loans and advances to customers	1 318 407	(1 542)	-	-	-	1 316 865
Total Assets	36 617 965	(14 725)	43 656	-	-	36 392 963
Liabilities						
Customer deposits and other borrowing	14 448 356		-	-	-	14 448 356
Total Liabilities	14 448 356	-	-	-	-	14 448 356

The Bank uses the following three-level hierarchy in the valuation of financial instruments (assets or liabilities) which reflects the level of judgment, observable inputs and their prioritization in determining the fair value of the instrument, in accordance with the provisions of IFRS 13:

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

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

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

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

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

- The above mentioned price quotes change regularly;

- There are executable quotes from more than one entity.

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

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

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

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

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

Investments at amortised cost

The fair value of these financial instruments is based on quoted market prices, when available. If they do not exist, the fair value is estimated based on the discounted expected future cash flows of principal and interest from these instruments.

For the purposes of this disclosure, it was assumed that Treasury Bills have short-term residual maturities and that Treasury Bonds in foreign currency bear interest rates in line with comparable legal market rates, and therefore their carrying amount represents substantially the fair value of these assets.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discounted expected future cash flows of principal and interest, assuming that the instalments are paid on the dates fixed in the agreements.

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

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

Deposits from central banks and other banks

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

Customer deposits and other borrowings

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

29 – Risk management

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

The risk management policy aims to define the profile for each risk identified as material for the Bank, aiming to protect the Bank's solidity, as well as to establish guidelines for the implementation of a risk management system that allows the identification, evaluation, monitoring, control and reporting of all material risks inherent in the Bank's activity.

In this context, major importance is attributed to the monitoring and control of the principal financial risks - credit, market and liquidity - and non-financial risks- operational - to which the Bank's activity is exposed.

Principal Risk Categories

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

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

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

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

Risk assessment

Credit risk

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

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

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

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

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

(thousands of kwanzas)

	31.12.2019		
	Gross carrying amount	Impairment	Net carrying amount
Cash and balances at central banks	6 068 128	-	6 068 128
Deposits with other banks	2 826 782	-	2 826 782
Financial assets at amortised cost	30 403 106	(28 572)	30 374 534
Loans and advances to customers	71 776	(2 015)	69 761
Other assets	222 616	-	222 616
	39 592 408	(30 587)	39 561 821
Off-balance sheet			
Documentary credit	2 450 851	-	2 450 851
Committments towards third parties	5 391 272	-	5 391 272
	7 842 123	-	7 842 123
	47 434 531	**(30 587)**	**47 403 944**

(thousands of kwanzas)

	31.12.2018		
	Gross carrying amount	Impairment	Net carrying amount
Cash and balances at central banks	7 500 150	-	7 500 150
Deposits with other banks	3 848 256	-	3 848 256
Financial assets at amortised cost	17 930 585	(13 183)	17 917 402
Loans and advances to customers	1 318 407	(1 542)	1 316 865
Other assets	181 042		181 042
	30 778 440	(14 725)	30 763 715
Off-balance sheet			
Documentary credit	2 833 890	-	2 833 890
Committments towards third parties	4 750 476	-	4 750 476
	7 584 366	-	7 584 366
	38 362 806	**(14 725)**	**38 348 081**

The details of the amortized cost exposures by risk level and by stage of impairment are shown below:

(thousands of Kwanzas)

	2019							
	Gross Exposure				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Customer loans								
Risk level Low	**13 171**	**-**	**-**	**13 171**	**(1 050)**	**-**	**-**	**(1 050)**
Level B	13 171	-	-	13 171	(1 050)	-	-	(1 050)
Risk level Average	**58 605**	**-**	**-**	**58 605**	**(965)**	**-**	**-**	**(965)**
Level C	58 605	-	-	58 605	(965)	-	-	(965)
Investmentes at amortised cost	**30 403 106**	**-**	**-**	**30 403 106**	**(28 572)**	**-**	**-**	**(28 572)**
Angolan State	30 403 106	-	-	30 403 106	(28 572)	-	-	(28 572)
	30 474 882	**-**	**-**	**30 474 882**	**(30 587)**	**-**	**-**	**(30 587)**

Market risk

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

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

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

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

The control of the interest rate risk is ensured by the Risk Management Office. This type of risk occurs in the Bank's activity whenever it enters into transactions with financial cash flows sensitive to changes in the interest rate. There is therefore a real interest rate risk, arising from changes in market interest rates, associated with mismatches in the timings of assets and liabilities' interest rate repricing, decreasing their expected profitability (net interest income) or increasing their financial cost.

The Bank's exposure to interest rate risk is monitored on the basis of the analysis of the level of compliance with the limits and maximum tolerable limits set for exposure to this risk. In this risk aspect, assessment is made as to what is the impact of shocks applied to interest rates on total exposure.

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

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

(thousands of kwanzas)

Description	CHF	EUR	GBP	JPY	NAD	USD	ZAR	Impact on OF
Total currency as at 31-12-2019	148 906	496 058	(30)	(17 959 215)	80	1 161 934	2 892 333	
Exchange rate at 31-12-2019	496	541	632	4	34	482	34	
Positive change of 5%	3 693	13 414	(1)	(3 968)	0	28 016	4 967	0.000%
Positive change of 10%	7 386	26 828	(2)	(7 936)	0	56 032	9 933	0.000%
Positive change of 20%	14 772	53 655	(4)	(15 872)	1	112 063	19 866	0.001%
Negative change of 5%	(3 693)	(13 414)	1	3 968	(0)	(28 016)	(4 967)	0.000%
Negative change of 10%	(7 386)	(26 828)	2	7 936	(0)	(56 032)	(9 933)	0.000%
Negative change of 20%	(14 772)	(53 655)	4	15 872	(1)	(112 063)	(19 866)	-0.001%

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

As to the foreign exchange risk, the following table contains sensitivity analysis of the Bank´s exposure to the foreign exchange rates with reference to 31 December 2019:

(thousands of kwanzas)	Rate: LUIBOR 12 months	Rate: LUIBOR 6 months	Rate: LUIBOR 1 month	Total
Balance as at 31-12-2019				
Due loans	31 482	2 629	18 407	52 518
Overdue loans	-	-	-	-
	31 482	**2 629**	**18 407**	**52 518**
Positive change of 1%	110	4	44	159
Positive change of 2%	221	9	87	317
Positive change of 5%	552	22	218	793
Negative change of 1%	(110)	(4)	(44)	(159)
Negative change of 2%	(221)	(9)	(87)	(317)
Negative change of 5%	(552)	(22)	(218)	(793)

(thousands of kwanzas)	Rate: LUIBOR 12 months	Rate: LUIBOR 6 months	Total
Balance as at 31-12-2018			
Due loans	30 346	4 986	35 332
Overdue loans	-	115	115
	30 346	5 101	35 447
Positive change of 1%	63	8	71
Positive change of 2%	127	15	142
Positive change of 5%	316	38	354
Negative change of 1%	-63	-8	- 71
Negative change of 2%	-127	-15	- 142
Negative change of 5%	-316	-38	- 354

The assets and liabilities of the Bank are presented by type of rate as of 31 December 2019 and 2018 as follows:

(milhares de kwanzas)

	31.12.2019			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Floating rate		
Assets				
Cash and deposits with Central Banks	-	-	6 068 128	6 068 128
Deposits with other banks	-	-	2 826 782	2 826 782
Loans and advances to central and other banks	4 293 878	-	-	4 293 878
Financial assets at fair value through other comprehensive income	-	-	43 656	43 656
Financial assets at amortised cost	30 374 534	-	-	30 374 534
Loans and advances to customers	18 717	51 044	-	69 761
	34 687 129	**51 044**	**8 938 566**	**43 676 739**
Liabilities				
Deposits from central and other banks	-	-	-	-
Customer deposits and other borrowings	18 267 547	-	-	18 267 547
	18 267 547	**-**	**-**	**18 267 547**
Total	**16 419 582**	**51 044**	**8 938 566**	**25 409 192**

(thousands of kwanzas)

	31.12.2018			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Floating rate		
Assets				
Cash and deposits with Central Banks	-	-	7 564 615	7 564 615
Deposits with other banks	-	-	3 848 256	3 848 256
Loans and advances to central and other banks	5 976 911	-	-	5 976 911
Financial assets at fair value through other comprehensive income	-	-	43 568	43 568
	17 917 402	-	-	17 917 402
	1 281 418	35 447	-	1 316 865
	25 175 731	**35 447**	**11 456 439**	**36 667 617**
Liabilities				
Deposits from central and other banks	-	-	-	-
Customer deposits and other borrowings	14 448 356	-	-	14 448 356
	14 448 356	**-**	**-**	**14 448 356**
Total	**10 727 375**	**35 447**	**11 456 439**	**22 219 261**

The following table shows the average interest rates for the major categories of financial assets and liabilities of the Bank for the years ended 31 December 2018 and 2017, as well as the respective average balances and income and expenses for the year:

(thousands of kwanzas)

	31.12.2019			31.12.2018		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
Loans and advances						
Loans and advances to customer	6 784 139	302 999	4,5%	5 709 709	151 784	2,7%
Deposits with and loans to	12 268 597	367 827	3,00%	11 012 203	9 927	0,1%
Portfolio of securities	24 189 624	4 801 353	19,8%	20 088 323	4 406 451	21,9%
Total Loans and Advances	**43 242 360**	**5 472 179**	12,7%	**36 810 235**	**4 568 162**	12,4%
Deposits						
Customer deposits and deposits f	32 715 903	345 613	1,1%	30 177 182	843 713	2,8%
Lease Liabilities	615 506	69 426	11,3%	-	-	0,0%
Financial liabilities	**33 331 409**	**415 039**	1,2%	**30 177 182**	**843 713**	2,8%
Net Interest Income	**9 910 951**	**5 057 140**		**6 633 053**	**3 724 449**	

Pursuant to article 6 of Notice no. 08/2016 of June 22, the Bank must inform the BNA whenever the banking book´s economic value is potentially reduced by more than 20% of regulatory capital or of net interest income as a result of a 2% change in the interest rate. During the years 2018 and 2017, the Bank complied with this requirement.

The breakdown of assets and liabilities as at 31 December 2019 and 2018, by currency, is hereby presented:

(thousands of kwanzas)

	31.12.2019				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and deposits with Central Banks	1 977 611	386 752	3 568 351	135 414	6 068 128
Deposits with other banks	-	2 414 378	-	412 404	2 826 782
Loans and advance to central and other banks	-	-	4 293 878	-	4 293 878
Financial assets at fair value through other comprehensive income	43 656	-	-	-	43 656
Financial assets at amortised cost	30 372 834	1 700	-	-	30 374 534
Loans and advances to customers	69 701	1	59	-	69 761
Non-current assets held for sale	6 221	-	-	-	6 221
Other tangible assets	1 271 728	-	-	-	1 271 728
Intangible assets	420 217	-	-	-	420 217
Current Tax assets	61 507	-	-	-	61 507
Deferred tax assets	6 015	-	-	-	6 015
Other assets	202 558	20 058	-	-	222 616
	34 432 048	**2 822 889**	**7 862 288**	**547 818**	**45 665 043**
Liabilities					
Deposits from Central banks and other banks	13 974 117	2 211 225	2 075 229	6 976	18 267 547
Provisions	21 917	-	-	-	21 917
Current tax liabilities	1 131 310	-	-	-	1 131 310
Other liabilities	184 921	1 047 384	-	251 801	1 484 106
	15 312 265	**3 258 609**	**2 075 229**	**258 777**	**20 904 880**
	19 119 783	**(435 720)**	**5 787 059**	**289 041**	**24 760 163**

(thousands of kwanzas)

	31.12.2018				
	Kwanzas	US dollars	Euros	Other currencies	Total
Assets					
Cash and deposits with Central Banks	6 934 988	304 268	260 764	130	7 500 150
Deposits with other banks	28 389	2 144 515	1 369 757	305 595	3 848 256
Loans and advance to central and other banks	-	-	4 406 952	1 569 959	5 976 911
Financial assets at fair value through other comprehensive income	43 568	-	-	-	43 568
Financial assets at amortised cost	17 546 079	371 323	-	-	17 917 402
Loans and advances to customers	1 316 804	86	5	-	1 316 895
Non-current assets held for sale	6 221	-	-	-	6 221
Other tangible assets	824 248	-	-	-	824 248
Intangible assets	122 547	-	-	-	122 547
Current Tax assets	58 243	-	-	-	58 243
Deferred tax assets	-	-	-	-	-
Other assets	181 042	-	-	-	181 042
	27 062 129	**2 820 192**	**6 037 478**	**1 875 684**	**37 795 483**
Liabilities					
Deposits from Central banks and other banks	-	-	-	-	-
Customer deposits and other borrowings	11 898 620	2 327 583	212 946	9 207	14 448 356
Provisions	21 917	-	-	-	21 917
Current tax liabilities	1 629 482	-	-	-	1 629 482
Deferred tax liabilities	-	-	-	-	-
Other liabilities	127 349	456 006	3 465 392	1 145	4 049 892
	13 677 368	**2 783 589**	**3 678 338**	**10 352**	**20 149 647**
	13 384 761	**36 603**	**2 359 140**	**1 865 332**	**17 645 836**

Liquidity risk

The Risk Management Office monitors the mismatches arising from the use of short-term liabilities to hedge medium and long-term assets in order to avoid impacts and liquidity shortages and to ensure that the institution's reserves are sufficient to meet daily cash needs, both cyclical and non-cyclical, as well as the long-term needs.

Incorporated in the process of quantification and evaluation of the liquidity risk, the BCH periodically evaluates the resources in national currency and foreign currency, aiming to maintain a satisfactory level of available funds to meet the financial needs in the short, medium and long both in a normal scenario and in a crisis scenario.

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

As at 31 December 2019 and 2018, the liquidity gap of the Bank's balance sheet presented the following structure:

(thousands of kwanzas)

	31.12.2019						
	Sight	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Undetermined	Total
Activos							
Cash and balances at Central banks	6 068 128	-	-	-	-	-	6 068 128
Deposits with other banks	2 826 782	-	-	-	-	-	2 826 782
Loans and advances to Central banks and other banks	-	4 061 975	231 903	-	-	-	4 293 878
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 656	43 656
Financial assets at amortised cost	-	-	29 801 588	572 946	-	-	30 374 534
Loans and advances to customers	-	2 492	-	43 169	24 100	-	69 761
	8 894 910	**4 064 467**	**30 033 491**	**616 115**	**24 100**	**43 656**	**43 676 739**
Liabilities							
Deposits from central banks and other banks	-	-	-	-	-	-	-
Customer deposits and other borrowings	16 217 804	709 949	1 339 794	-	-	-	18 267 547
	16 217 804	**709 949**	**1 339 794**	**-**	**-**	**-**	**18 267 547**
	(7 322 894)	**3 354 518**	**28 693 697**	**616 115**	**24 100**	**43 656**	**25 409 192**

(thousands of kwanzas)

	31.12.2018						
	Sight	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Undetermined	Total
Assets							
Cash and balances at Central banks	7 500 150	-	-	-	-	-	7 500 150
Deposits with other banks	3 848 256	-	-	-	-	-	3 848 256
Loans and advances to Central banks and other banks	-	-	5 976 911	-	-	-	5 976 911
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 656	43 656
Financial assets at amortised cost	-	13 926 312	3 624 295	366 795	-	-	17 917 402
Loans and advances to customers		-	1 276 083	14 915	25 867	-	1 316 865
	11 348 406	**13 926 312**	**10 877 289**	**381 710**	**25 867**	**43 656**	**36 603 240**
Liabilities							
Deposits from central banks and other banks	-	(15 765)	-	-	-	-	(15 765)
Customer deposits and other borrowings	9 676 418	2 131 814	2 640 124	-	-	-	14 448 356
	9 676 418	**2 116 049**	**2 640 124**	**-**	**-**	**-**	**14 432 591**
	1 671 988	**11 810 263**	**8 237 165**	**381 710**	**25 867**	**43 656**	**22 170 649**

Operational risk

The operational risk management covers the whole of the bank's activities, making the various business units responsible for identifying and managing the risks associated with their activities. The risk management office identifies and evaluates specific instances of the principal risks that may jeopardise the achievement of the bank's objectives, and performs ongoing monitoring and development of risk mitigation measures.

The quantification of operational risk is determined in accordance with Instructions No. 16/2016 and No. 17/2016, corresponding to 15% of the average of the last three years of the annual exposure indicator if positive and calculated by the basic indicator approach, which considers the sum of several items on the income statement, such as net interest income, net investment income, net trading income of securities held for trading, net income from foreign currency transactions and net income from provision of financial services, which in turn is constant until the end of the period, suffering change only in December.

The amounts in these accounts have to do with the good functioning and commitment of all the areas of the institution and a periodic monitoring is performed with monthly reporting to the regulatory body.

Capital management and solvency ratio

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

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

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

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

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

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

(thousands of kwanzas)

	31.12.2019	31.12.2018
Regulatory Capital	24 408 700	17 204 408
Risk-weigthed assets	1 952 920	2 524 922
Regulatory capital requirements	1 290 122	1 600 092
Own Funds Requirements for Credit Risk	232 612	256 027
Own Funds Requirements for Market Risk	60 010	346 566
Own Funds Requirements for Operational Risk	997 499	997 499
Core Tier 1 ratio - Base	189,20%	107,52%
Core Tier 1 ratio- Adjusted	189,20%	107,52%

30 – Recently issued accounting standards and interpretations

New standards and interpretations applicable to the financial year

The accounting standards and interpretations recently issued that have come into force and which BCH applied in the preparation of its financial statements, are as follows:

IFRS 16 – Leases

The standard introduced a single model of accounting for leases on the balance sheet. Accordingly, the Bank as a lessee recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. The accounting as a lessor is unchanged from the previous accounting policies.

The Bank adopted IFRS 16 using the modified retrospective approach, an approach that does not imply an impact on equity as, except for previous or accrued lease payments related to the lease recognized in the statement of financial position immediately before the date of initial application, there are no differences between the right to use the asset and the lease liability at the time of initial recognition (January 1, 2019). The comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, in accordance with IAS 17 and related interpretations. Details of changes in accounting policies are disclosed bellow.

Definition of a lease

Previously, the Bank determined on the contract inception date whether an agreement is or contains a lease under IFRIC 4- Determining Whether an Agreement Contains a Lease. The Bank assesses whether a contract is or contains a lease based on the definition of a lease. According to IFRS 16, a lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a certain period of time, in exchange for consideration.

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

As lessee

As a lessee, the Bank previously classified leases as operating leases or finance leases, on the basis of an overall assessment as to whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. In accordance with IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for certain asset classes - i.e. these leases are recognized in the entity's balance sheet.

The Bank elected not to recognise right-of-use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low value assets. The Bank recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease term.

The Bank presents the right-of-use assets in "Other Fixed Assets", that is, within the same line item as that within which the Bank presents the corresponding underlying assets that it owns and the lease liabilities within "Other Liabilities" in the statement of financial position.

Leases classified as operating leases in accordance with IAS 17

On transition, for leases classified as operating leases in accordance with IAS 17, the lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate on 1 January 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any corresponding prior or accrued lease payments, recognized in the statement of financial position immediately before the initial application date.

The Bank used the following practical expedients in applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

- Applying a single discount rate to a portfolio of leases that have similar characteristics;
- Applying the recognition exemption to right-of-use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low value assets;
- Excluding initial direct costs from the measurement of right-of-use on the initial application date;
- Using insights in determining the lease term if the lease contract includes options to extend or terminate the lease.

Leases previously classified as finance leases

For leases that have been classified as finance leases in accordance with IAS 17, the carrying amount of the right--of-use assets and lease liabilities on 1 January 2019 are determined by the carrying amount of the lease asset and lease liability in accordance with IAS 17 immediately before that date.

As lessor

The Bank is not required to make any adjustments in the transition to IFRS 16 for leases in which it is a lessor, except for subleases. The Bank accounted for its leases in accordance with IFRS 16 since the date of initial application.

The Bank applied IFRS 15- Revenue from Contracts with Customers to allocate the consideration in the contract to each lease and non-lease component.

Impacts on financial statements

On transition to IFRS 16, the Bank recognized right-of-use assets and lease liabilities in the amount of Akz,560,001,807 with the right-of-use assets being adjusted in the notes to the financial statements.

The Bank discounted the lease liabilities by using its incremental borrowing rate on 1 January 2019. The weighted average of the Bank's incremental borrowing rate is 16.5%..

IFRS 15 - Revenue from contracts with customers

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

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

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

- At the exact moment when the control over the goods or services is transferred to the customer; or
- Over time, as performance obligations are satisfied.

There were no material impacts from the application of this standard on the Bank's financial statements.

IFRIC 23 – Uncertainty over income tax treatments

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

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criteria of probability defined by the standard as to the favourable outcome in favour of the entity on the matter concerned.

In this context, the entity may use the most probable amount method or, if the decision can dictate ranges of values, use the expected value method.

IFIRC 23 is applied for periods beginning on or after 1 January 2019 and can be adopted in advance.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this interpretation.

Prepayment features with negative compensation– Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or fair value through other comprehensive income provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and that the instrument is held in a business model which permits such classification.

Amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstances causing early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract.

The Basis for Conclusions, for this amendment clarifies that the early termination may be a consequence of a contractual clause or an event that is beyond of the control of the contracting parties, such as change of laws or regulations leading to early termination.

Modification or exchange of financial liability not resulting in derecognition of the liability.

In the Basis for Conclusions, the IASB also clarifies that the requirements of IFRS 9 for adjusting the amortised cost of a financial liability when a modification (or exchange) does not result in its derecognition are consistent with the requirements applied to a modification of a financial asset that does not result in its derecognition.

This means that a gain or loss when a financial liability is modified without this resulting in derecognition, calculated by subtracting the modified cash flows discounted at the original effective interest rate from the contractual cash flows, is immediately recognised in profit or loss.

The IASB made this comment in the Basis for Conclusions regarding this amendment as it believes that the current requirements of IFRS 9 provide a good basis for entities to account for modifications or exchanges of financial liabilities and that there is no need for a formal amendment to the IFRS 9 with regard to that matter.

This amendment was endorsed on 22 March 2018 and is effective for periods beginning on or after 1 January 2019. It is to be applied retrospectively. The amendment comes with specific requirements to be adopted in the transition, but only if entities adopt it in 2019 and not in 2018 together with IFRS 9.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this interpretation.

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

Definition of Material – Amendments to IAS 1 and IAS 8

The purpose of this amendment was to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality depends on the nature and magnitude of the information, or both. An entity has to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Obscuring information

The amendments explain that information is obscured if it is communicated in a way that would have the same effect as omitting or misstating the information. Material information can be obscured, for example, if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated or conversely, if similar items are inappropriately disaggregated.

New threshold

The amendments replace the threshold "could influence" with "could reasonably be expected to influence" decisions of users, in the definition of material. In the amended definition, it is thus clarified that the materiality assessment will need to take into account how primary users of the financial statements could reasonably be expected to be influenced in making economic decisions.

Primary users of the financial statements

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to respond to concerns that the term "users" may be interpreted too widely.

This amendment is effective for annual periods beginning on or after 1 January 2020. The amendment must be applied prospectively. Earlier application is permitted and it must be disclosed.

Conceptual framework for financial reporting

The conceptual framework sets out a comprehensive set of concepts for:

- Financial reporting;
- Standard setting;
- Development of consistent accounting principles; and
- Assistance in the understanding and interpretation of the standards.

The revised conceptual framework includes:

- Some new concepts;
- Updated definitions and recognition criteria for the recognition of assets and liabilities; and
- Clarifications on important concepts.

This structure is organized as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

The revised Conceptual Framework for financial reporting is not a standard, and none of its concepts override the concepts or requirements in any standard. It is applicable to entities that develop accounting policies based on the Conceptual Framework and effective for annual periods beginning on or after 1 January 2020.

Amendments to references to the conceptual framework in IFRS standards

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the Revised Conceptual Framework for Financial Reporting (conceptual framework), which aims to update the references to and quotations from the previous version of the conceptual framework or its version of 2010, so that they refer to the Revised Conceptual Framework.

The revised conceptual framework has an effective date of adoption 1 January 2020 - with earlier adoption permitted - for companies that use the conceptual framework to develop accounting policies when no IFRS standard applies to a specific transaction.

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

On September 26, 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to relieve the potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about the company's hedging relationships, which are directly affected by these uncertainties.

The amendments provide exceptions so that entities would apply the hedge accounting requirements assuming that the interest rate benchmark on which the hedged risk or the hedged cash flows of the hedged item, or the cash flows of the hedging instrument are based, is not altered as a result of the IBOR reform. The proposed exceptions apply only to hedge accounting requirements and the amendments do not provide relief from other consequences arising from the interest rate benchmark reform.

The amendments are of limited scope. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, then discontinuation of hedge accounting is still required.

In addition, the amendments clarify that if an entity designates interest rate benchmark-based cash flows as the hedged item in a cash flow hedge, the entity will not assume, in order to measure the ineffectiveness of the hedge, that the expected replacement of the benchmark interest rate with an alternative benchmark rate will result in zero cash flow after replacement. Hedging gain or loss should be measured using interest rate benchmark-based cash flows by applying a present value technique and a discount rate that reflects the expectations of market participants about the uncertainty resulting from the reform.

The amendments are mandatory for all hedging relationships to which exceptions apply.

The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier adoption is permitted. The changes are applied retrospectively to the hedging relationships existing at the beginning of the reporting period in which the entity first applies the amendments and to the gain or loss recognized in comprehensive income at the beginning of the period in which the entity first applies the amendments (that is, even if the reporting period is not an annual period).

IFRS 17 Insurance contracts

IFRS 17 applies to all insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity which issues them, as well as to certain guarantees and financial instruments with discretionary participation features. A few exceptions will apply. The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for issuers.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, and it is necessary to present comparatives in that year. Earlier application is permitted if the entity also applies IFRS 9 and IFRS 15 on or before the date it applies IFRS 17. In November 2018, the IASB decided to propose the amendment of the date of entry into force of the standard to annual reporting periods beginning on or after 1 January 2022.

Since IFRS 17 is a standard applicable only to entities in the insurance sector, it will have no impact on the Bank's financial statements.

IFRS 3 Business Combinations – Interest previously held in a joint operation

On 22 October 2018, the IASB issued changes to its definition of a business. These amendments clarify that when an entity gets control of a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring at fair value previously held interests in the assets and liabilities relating to the joint operation. In doing so, the acquirer remeasures its previously held interest in the joint operation.

This change is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Earlier adoption is permitted and disclosure of this fact is necessary.

Annual improvements to 2015-2017 cycle

In the Annual Improvements to the 2015-2017 Cycle, the IASB introduced improvements to four standards which are summarised below:

IFRS 11 Joint arrangements - Previously held interest in a joint operation

A party which participates, but does not have joint control in a joint operation can obtain joint control in a joint operation which activity is a business as defined in IFRS 3. This amendment clarifies that the previously held interest must not be remeasured.

This amendment applies to transactions in which the entity obtains joint control and which take place on or after the first reporting period beginning on or after 1 January 2019.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this amendment.

IAS 12 Income tax – Income tax consequences of payments on instruments classified as equity

These amendments clarify that the income tax consequences of dividends are directly linked to past transaction or event which generated profit distributable to shareholders. Consequently, the entity recognises the tax impacts in the income statement, in other comprehensive income or equity in the same way it accounted for the transactions and events themselves in the past.

These amendments are applicable for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. When the entity applies these alterations for the first time, it should apply to the tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this interpretation.

IAS 23 Borrowing costs – borrowing costs eligible for capitalization

The amendment clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The amendments are applicable to borrowing costs incurred on or after the beginning of the reporting period in which the entity adopts these amendments.

These amendments are applicable for annual reporting periods beginning on or after 1 January 2019.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this interpretation.

Long-term interests in associates and joint ventures – Amendments to IAS 28

The amendments clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint-venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint-venture (long term interests). This clarification is relevant since it implies that the expected loss model of IFRS should be applied to such investments.

The IASB also clarified that in applying IFRS 9 an entity does not take into account any losses of that associate or joint-venture nor impairment losses on the net investment which are recognised as an adjustment to the net investment resulting form the application of IAS 28.

To illustrate how entities should apply the requirements of both IAS 28 and IFRS 9 with regard to long-term interests, the IASB published illustrative examples when it issued this amendment.

This amendment is effective for annual periods beginning on or after 1 January 2019. The amendment has to be applied retrospectively, with some exceptions. Earlier application is permitted and it must be disclosed.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this interpretation.

Plan amendment, curtailment or settlement (Amendments to IAS 19)

In February 2018, the IASB issued amendments to IAS 19. The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

The amendments now specify that an entity should use the updated assumptions for remeasurement of its net defined benefit liability (asset) to determine the current service cost and net interest for the remainder of the reporting period after a plan amendment.

The amendments result in a different allocation of total comprehensive income among service cost, interest and other comprehensive income.

The amendments apply to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

There were no significant effects on the Bank's financial statements as at 31 December 2019 resulting from this interpretation.

31 – Subsequent events

After 31 December 2019, the global financial markets were significantly affected by the consequences of the pandemic declared by the World Health Organization (WHO) related to the worldwide spread of the new coronavirus (Covid-19). In the specific case of Angola, this situation assumes greater relevance when combined with the current evolution of the oil price and its reduction in international markets, facts that further amplify the effects of the current crisis. These situations have a significant impact on the execution of the State Budget in force for the year 2020, which is strongly dependent on the revenues from oil sale, and is expected to be significantly reduced.

The Board of Directors is following the developments in the pandemic, in Angola and the rest of the world, as well as the projections of the impact those developments may have on the Bank. Thus, and given that these are estimated to be significant for the economy, measures are being taken to defend the interests of the different stakeholders including employees, depositors, customers and shareholders. Considering the Bank's asset structure, the main impacts may arise as a result of an increase in credit risk and an increase in the volatility of financial and non-financial assets. Nevertheless, the Bank's priority in the face of an unexpected epidemic is to try to maintain the continuity of its activity and protect the health of its employees and customers. The effects of this situation are uncertain, and might affect the Bank's cash flow position and equity.

Despite the fact that governments, central banks and multilateral agencies are designing packages with measures that aim to stimulate the economies, such as the flexibility of terms for the fulfillment of credit obligations determined in Instruction No. 04/2020 of the National Bank of Angola, the existing data currently do not allow to safely quantify the financial impacts. However, the Bank is taking steps to reduce these impacts on its solvency and liquidity. On this basis, the Board of Directors, after the balance sheet date, initiated actions to review the budget for 2020 that aim to translate (i) an expectation of lower revenue; and (ii) significant containment of business costs.

Consequently, the continuity of the Bank's operations, the realization of its assets and settlement of its liabilities at the amounts recorded in its financial statements depend on the continuing financial support provided by its shareholders, on the referred budget review and cost containment, and/or the future success of its operations.

External Auditor´s Report

Crowe Angola – Auditors and Consultants,SA
Address: Edifício Caravela | Praia do Bispo
Av. Agostinho Neto | Lote 1 | 6.º Piso
Luanda | Angola

Tel. +244 940 059 963
www.crowe.com

INDEPENDENT AUDITOR'S REPORT

(amounts in thousands of Kwanzas)

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

Introduction

1. We have audited the financial statements of Banco Comercial do Huambo, S.A, ("Bank"), which comprise Balance Sheet as at 31 December 2019 (showing a total of AOA 45,665,043 thousand and equity of AOA 24,760,163 thousand including profit after tax of AOA 7,163,989 thousand; Income Statement by nature of expense; Statement of Comprehensive Income, Statement of Changes in Equity and Cash flow Statement for the year then ended as well as Notes to the Financial Statements which include a summary of the significant accounting policies.

Responsibility of 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 the International Financial Reporting Statements and for the internal control that it deems necessary to permit the preparation of those financial statements free of material misstatements due to fraud or error.

Responsibility of the Auditor

3. Our responsibility is to express an independent opinion on the financial statements based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Accounting Technicians of Angola (OCPCA). These standards require that we comply with ethical requirements as well as to plan and conduct such examination as to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of risk of material misstatements in the financial statements due to fraud or error. By conducting these 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

Crowe

circumstances, but not for the purpose of expressing an opinion on the efficiency of the Bank´s internal control. An audit also includes assessment of the adequacy of the applied accounting policies and reasonableness of significant accounting estimates made by the Board of Directors, as well as assessment of the overall presentation of the financial statements.

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

Unqualified opinion

6. In our opinion, the financial statements referred to in paragraph 1 present, in all material respects, the financial position of Banco Comercial do Huambo, SA as at 31 December 2019 and its financial performance and cash flows cash for the period then ended, in accordance with the International Financial Reporting Standards (IFRS).

Emphasis of Matter

7. As a result of the COVID-19 pandemic, a global crisis is expected with significant impacts on the global economy. As of the date of this report, we are not aware of any situation that could give rise to adjustments to the financial statements under analysis, however, the Bank should create conditions to assess the potential impacts of this situation on its operating activity and future financial statements.

Luanda, 30 April 2020

[signature - illegible]

CROWE ANGOLA
Represented by João Martins de Castro
Accounting technician, registered with OCPCA under no. 20140123.

BCH Banco Comercial do Huambo

Audit Commitee´s Report And Opinion

AUDIT COMMITTEE'S REPORT AND OPINION

Dear shareholders,

Pursuant to legal and statutory provisions, we hereby present the report on the supervisory activity we developed and submit the Audit Committee´s Report and Opinion on the Report and Accounts for the year ended 31 December 2019 of Banco Comercial do Huambo, S.A. (hereby referred to as Bank), as well as on the proposal for appropriation of profit, which are a responsibility of the Board of Directors. The balance sheet shows a total of AOA 45,665,043 thousand and equity of AOA 24,760,163 thousand including profit after tax of AOA 7,163,989 thousand.

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

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

3. We analysed the Management Report which describes with sufficient clarity the Bank's activity during 2019.

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

5. We analysed the Independent Auditors' Report, issued by Crowe Angola – Auditors and Consultants, SA which contains an unqualified audit opinion.

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

   a) The approval of the Management Report and the Accounts for the year ended 31 December 2019.

   b) The approval of the proposed appropriation of net profit from 2019, as described in the Management Report.

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

Luanda, 4 May 2020

The AUDIT COMMITTEE

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