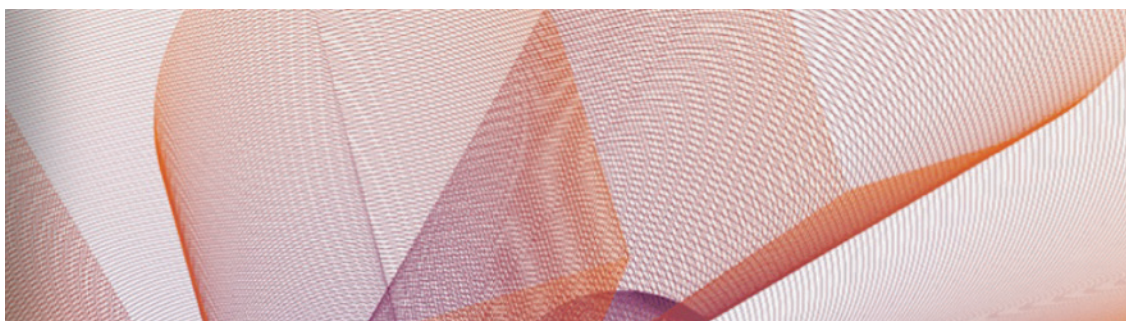




## **Annual Report & Accounts 2020**

By your side every step of the way



## Contents

<b>05</b>	<b>Message from the Chairman</b>
<b>07</b>	<b>Macroeconomic Environment</b>
<b>08</b>	International economy
<b>11</b>	Angolan economy
<b>15</b>	Legal framework
<b>18</b>	Prospects
<b>20</b>	<b>BCH</b>
<b>21</b>	Vision, mission and values
<b>22</b>	The board of directors, board committees and shareholder structure
<b>24</b>	<b>Activity in 2020</b>
<b>25</b>	Key indicators
<b>26</b>	Business development
<b>28</b>	Risk management
<b>30</b>	<b>Outlook 2021</b>
<b>31</b>	<b>Proposed appropriation of profit</b>
<b>32</b>	<b>Financial Statements</b>
<b>33</b>	Income statements
<b>34</b>	Balance sheet
<b>35</b>	Statement of comprehensive income
<b>35</b>	Statement of changes in equity
<b>36</b>	Cash flow statement
<b>37</b>	<b>Notes to the Financial Statements</b>
<b>38</b>	Introductory note
<b>38</b>	Accounting policies
<b>38</b>	Basis of presentation
<b>39</b>	Foreign currency transaction
<b>40</b>	Loans and advances to customers
<b>45</b>	Financial instruments
<b>50</b>	Equity instruments
<b>50</b>	Other fixed assets
<b>51</b>	Intangible assets
<b>51</b>	Non-current assets held for sale
<b>52</b>	Leases
<b>54</b>	Corporate income tax
<b>56</b>	Employee benefits
<b>56</b>	Provisions

56	Recognition of interest income and expense
57	Recognition of dividends
57	Recognition of fee and commission income
57	Net trading income
57	Cash and cash equivalents
57	Financial guarantees and loan commitments
58	Earning per share
58	Key estimates and judgements used in the preparation of the financial statements
58	Impairment losses on loans and advances
59	Corporate income tax
59	Net interest income
60	Net fee and commission income
61	Income from foreign currency transactions
61	Other operating income
62	Staff costs
63	Utilities and contracted services
64	Cash and deposits with central banks
66	Deposits with other banks
67	Loans and advances to central banks and others banks
68	Financial assets at fair value through other comprehensive income
69	Financial assets at amortised cost
70	Loans and advances to customers
73	Non-current assets held for sale
74	Other fixed assets
77	Intangible assets
78	Taxes
80	Other assets
81	Deposits from customers and other borrowings
82	Provisions
82	Other liabilities
83	Share capital, share premium and treasury shares
85	Other reserves and retained earnings
85	Off-balance sheet accounts
86	Related party transactions
88	Fair value of financial assets and liabilities
91	Risk management
100	Recently issued accounting standards and interpretations
107	Subsequent events
108	<b>External auditor's report</b>
111	<b>Audit committee's report and opinion</b>



## Message from the Chairman

Dear Stakeholders,

Another year has gone by and now it is time to evaluate the financial year of 2020.

Despite the continuity observed in the process of fiscal and budgetary consolidation in Angola, through the structural reform program that has been implemented by the Angolan authorities with the support of the International Monetary Fund (IMF), the year 2020 was inevitably marked by the COVID-19 pandemic, which had very significant impacts on the world economy and, particularly, on the Angolan economy.

Indeed, after four consecutive years of recession, the COVID-19 pandemic has driven an even larger output contraction in 2020. This additional economic contraction has aggravated the hardship and living conditions of many Angolans who were already facing high levels of poverty and falling incomes.

The coronavirus containment measures, especially a country-wide lockdown, depressed domestic activity, while also led to deterioration of the balance of payments. The oil exports remain fragile, with the non-oil economy, namely agriculture, showing a gradual recovery, but still insufficient to offset the observed effects on the oil sector. Inflation rose throughout 2020 and remains high, which is due to COVID-related supply disruptions (both domestic and international), exchange rate depreciation and the modification of the value-added tax (VAT) in September 2020. Even with the continuation of the structural reform program, previously mentioned, there is rising fiscal imbalance – budget deficit – and record-high levels reached by both public debt in 2020, further exacerbating the over-indebtedness of the Angolan state, and the country's external debt.

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

Angolan banks record high level of non-performing loans (NPLs) and their asset quality has been further challenged by the COVID-19 pandemic, which is reflected in the recognition of increasing amounts of impairment. In this respect and even though the IMF considers the capital levels of the Angolan banks to be adequate (for all but two credit institutions), the country's banking sector is clearly struggling and banks are limited in their capacity to pay dividends to their shareholders.

In view of the above, in our opinion, the year 2020 presented a set of significant setbacks for the Angolan banking sector which nevertheless proved to be relatively resilient and had the capacity to reasonably overcome them. As for BCH, given the main economic and financial indicators, we conclude that we continue to stand as a solid institution.

In 2020, the net result reached Akz 6,298,697,000 which, compared to 2019, shows a slight drop of 12%, penalized as previously mentioned by the need to recognize additional impairment losses in relation to other financial assets. Net interest income grew by about 24% and regulatory capital by about 25%. The solvency ratio reached 205%, when the minimum required is 10%.

The year 2021 is foreseen to be challenging for the financial system. In fact, just as Angola's economy was 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.

In light of the foregoing, as we strive to maintain a coherent policy and prudent also responsible management, we shall not be paying any dividends to the shareholders this year.

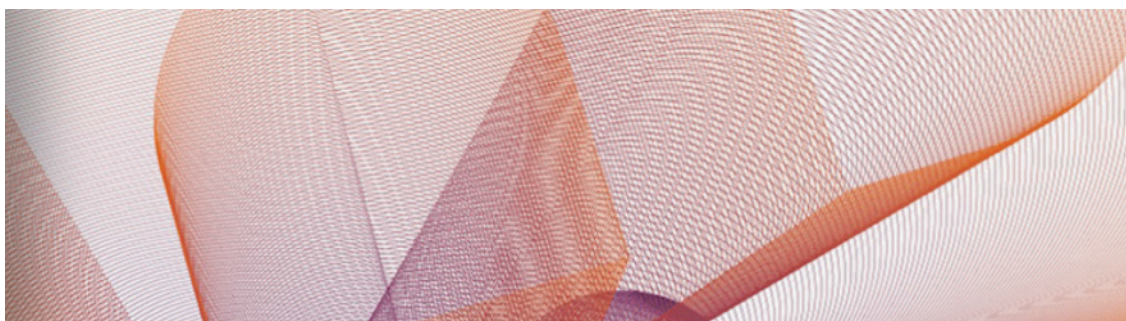
Yet despite this bleak scenario, BCH will continue to support the country's economy, companies and individuals, as it has always done, by seeking to grow in a sustained manner and striving to keep its ratios within acceptable levels.

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

We cannot but express our special thanks to our customers for 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,





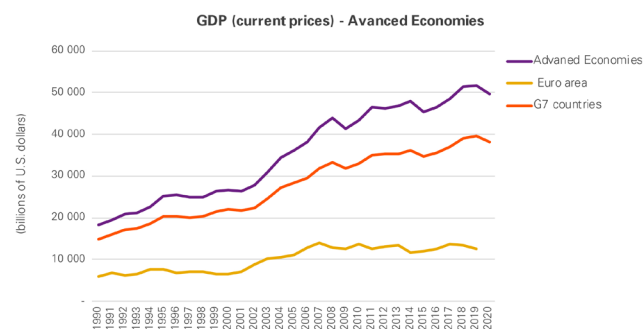
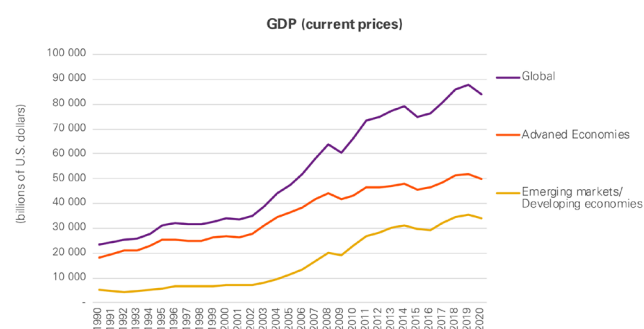
## Macroeconomic environment

## Macroeconomic environment

### International Economy

The year 2020 was inevitably marked by the COVID-19 pandemic, which had very significant impacts on the global economy.

The containment measures adopted by most countries caused a very significant reduction in global economic activity, mainly the shutdown of production and the suspension of new investments, as well as cutbacks in consumption.



As a result, global growth decelerated markedly in 2020 to -4.2% (2.2% in 2019), with global trade and investment remaining fragile.

This weakness was widespread, affecting both advanced economies – particularly the Eurozone – which decreased to -4.9% (-2.4% in 2019), as well as emerging markets and developing economies, which decreased to -4.7% (4.1% in 2019), although it is important to point out that the advanced and African economies were hit far worse, with the emerging economies benefiting to some extent from the rapid recovery achieved by China.

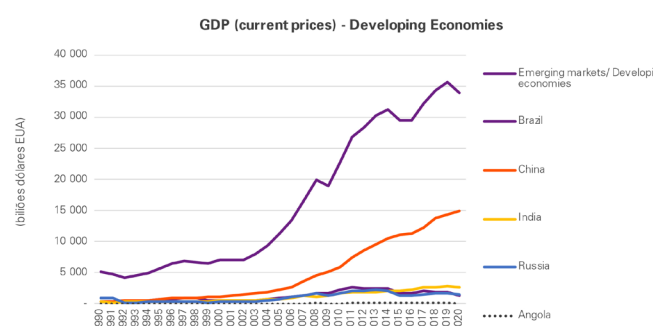
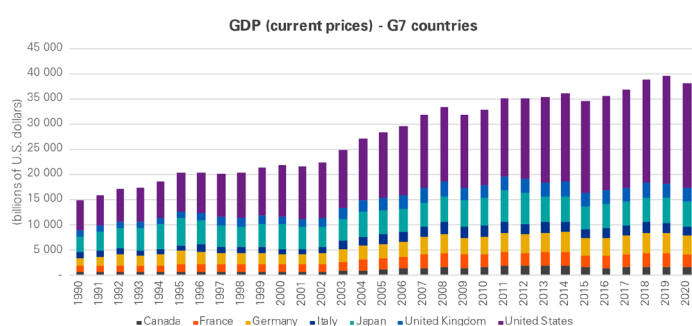
This economic contraction surpassed, in several indicators, the one seen in the great financial crisis of 2008/2009, which urged, particularly in the advanced economies, governments and authorities to adopt expansionary fiscal packages to support both businesses and households – direct taxes, initiatives on the expenditure side, capital injections, loans and provision of guarantees – with the respective central banks reinforcing these initiatives through other measures, such as the expansion of asset acquisition programs, granting of funding to the financial system to finance the real economy and, in some cases, reducing benchmark interest rates.

## Macroeconomic environment

### International Economy (continuing)

In the United States of America (USA) growth slowed to -2.9% (4% in 2019). Despite the recent reaffirmation of phase-one trade deal agreed to between the U.S. and China in early 2020, tensions between the world's two largest economies remain high on several fronts. Additionally, the North American economy also suffered from the uncertainty surrounding "Brexit" throughout the year and the fear of possible increase in trade barriers, higher costs, as well as interruption of pre-existing and long-lasting cross-border production agreements. On the positive side, the trade agreement between the United States, Canada and Mexico entered into force on July 1, 2020, which helped to reduce uncertainty regarding short-term trade policies.

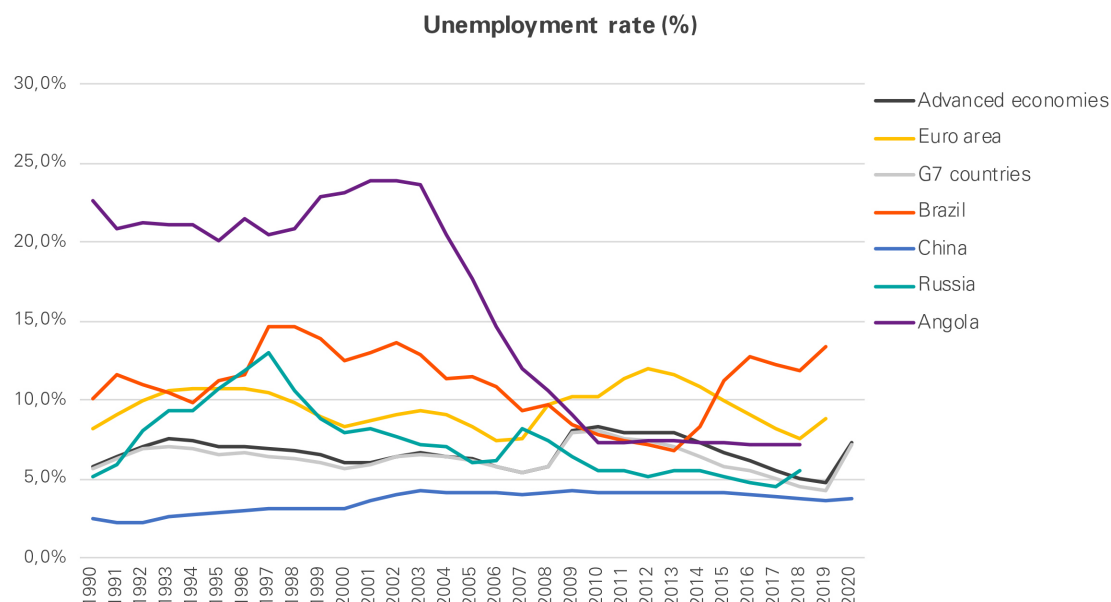
In response to the economic shocks caused by the COVID-19 pandemic, the US government approved fiscal stimulus in the amount of 2.9 trillion dollars, essentially to support individuals and small & medium-sized enterprises. On the other hand, the Federal Reserve (FED) cut its benchmark interest rate twice, bringing it down to a range of 0% to 0.25% and, in addition, approved and launched a bond-purchase program.



Economic activity in the Eurozone deteriorated significantly in 2020, reaching -4.9% (-2.4% in 2019), a drop much more accentuated than that seen in the USA. European economies performed very differently. According to the Organization for Economic Co-operation and Development (OECD), the Spanish economy was the worst hit, with a decline of almost 12%. In both France and Italy, the drop was around 9%, while Germany saw a decrease of around 5.5%. Nevertheless, some member states of the European Union (EU) have reacted a little better to the crisis caused by the COVID-19 pandemic, falling only between 3% to 4%. These different performances are due to several factors: Spain and Italy were the hardest hit by the first wave of the COVID-19 pandemic, which forced longer and more stringent lockdowns. Other sectoral factors also played an important role in this asymmetry: countries with a predominant tourism sector were hit harder than others, while countries more dependent on the industrial sector benefited from the surprising recovery in world trade (e.g., China).

## Macroeconomic environment

### International Economy (continuing)



The European Central Bank (ECB), while maintaining benchmark interest rates, sought to stimulate the European economy through a monetary package that amounted to €1,350 billion, which is expected to remain until the end of 2021.

In China, growth decelerated more than previously expected, to 3.2% (4.0% in 2019). Nevertheless, as mentioned above, the Chinese economy turned out to be one of the quickest to show, even throughout 2020, interesting signs of recovery in face of the COVID-related shocks, possibly due to the anticipated containment of the spread of the virus carried out by the country's authorities. Indeed, although China was the epicentre of the COVID-19 pandemic, it was in fact the first and only major economy to show signs of recovery and to enter 2021 with relatively optimistic prospects from an economic point of view. In addition to the aforementioned virus containment measures, this recovery was also led by a combination of other factors, including massive investment in infrastructure and construction, export booms boosted by the strong global demand for medical supplies, medical equipment, electronics and the pick-up in domestic consumption after a long period of sluggish growth.

## Macroeconomic environment

### Angolan Economy

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

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 2020, Angola entered the fifth consecutive 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 by 29.9% in 2020, but is expected to grow again in 2021 (8.5%) and 2022 (6.3%), 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%).

Average inflation throughout 2020 rose to around 22% which compared to 17.1% in 2019, means that it remains very high.

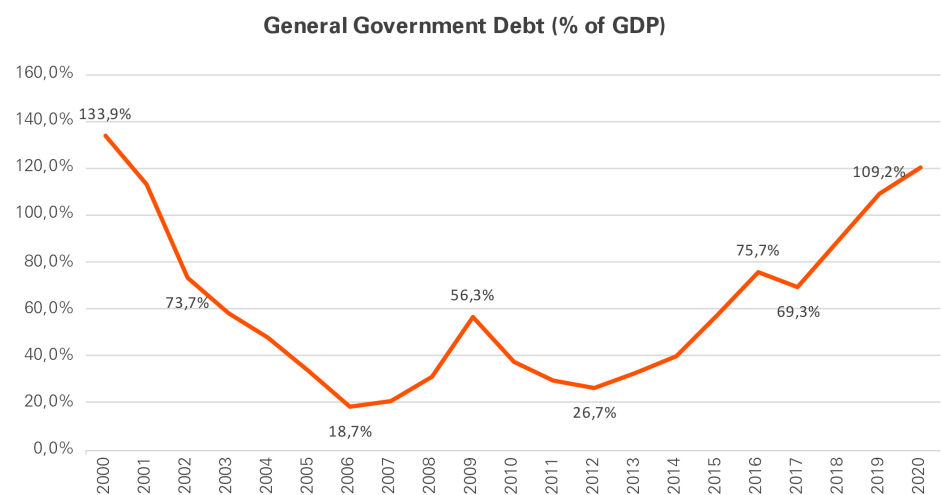
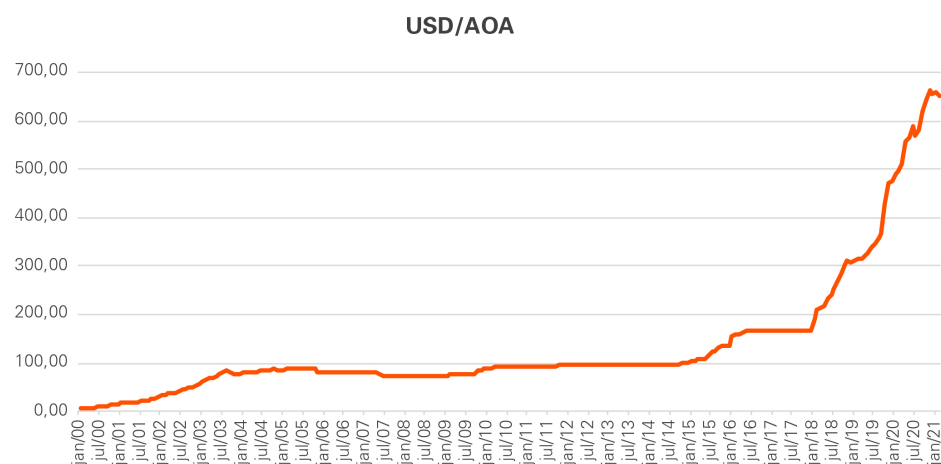
Despite the efforts that have been undertaken through the implementation of the referred structural reforms (e.g., adoption of the Value Added Tax (VAT), exchange rate liberalization, conservative amending budget), in 2020, Angola's economy continued to suffer with the negative outlook for the oil sector.

In fact, the fall in oil revenues prevents the improvement of the budget deficit, which amounted to 2.8% of GDP in 2020 (it is expected to fall to 0.1% of GDP in 2021 and -1% of GDP in 2022).

## Macroeconomic environment

### Angolan economy (continuing)

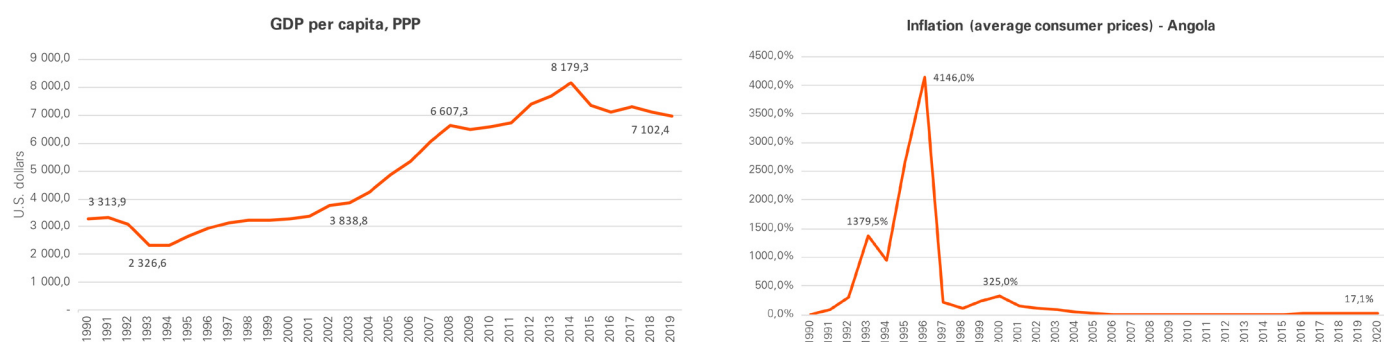
After having reached its peak of 120.3% of GDP in 2020, mainly due to the depreciation of the Kwanza, public debt is expected to decrease to 107.5% of GDP in 2021 and 93.8% of GDP in 2022, according to the IMF. The risk of over-indebtedness remains significant, given that public debt is very vulnerable to currency depreciations, as well as variations of the oil price.





## Macroeconomic environment

### Angolan economy (continuing)



External debt grew and peaked in 2020. 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 2020 continued to be negative due to the transfers from oil companies to their respective parent companies, as well as 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 Import 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 local businesses to connect with global consumers.

In the banking sector, Angola's banks record high level of non-performing loans (NPLs) and their asset quality has been constantly challenged by the COVID-19 pandemic, which is reflected in the recognition of increasing amounts of impairment. In this respect, although according to the IMF, the capital levels of the Angolan banks remain adequate (for all but two credit institutions), the country's banking sector is clearly struggling.

## Macroeconomic environment

### Angolan economy (continuing)

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.

According to the latest review of the program carried out by the IMF, despite considerable challenges, it continues to be implemented satisfactorily, although with some delays on the structural agenda.

## Macroeconomic environment

### Legal framework

#### Regulation approved by the BNA in 2020

Instrument	No.	Status	Topic	Subject	Published on	In force since	Applicable to
Instructions	Instruction No. 21/2020, December 23	In force	Financial System	Financial System – Deadline for Compliance with Notice 10/2020 of April 3	23/12/20	23/12/20	Financial Institutions
Instructions	Instruction No. 20/2020, December 09	In force	Financial System	Financial System – Report on anti-money laundering and combating the financing of terrorism and proliferation – Risk Assessment – Computer Tools and Applications	11/12/20	11/12/20	Financial Institutions
Instructions	Instruction No. 19/2020 December 09	In force	Financial System	Payment System – Value limits for transactions carried out through payment systems	10/12/20	10/12/20	Financial Institutions
Notices	CIRCULAR LETTER No. 01/DMC/2020, November 27	In force	Financial System	Financial System – Segregation of banknotes – Series 2012 and 2020	01/12/20	01/12/20	Financial Institutions
Notices	Notice No. 22/2020, November 27	In force	Foreign Exchange Policy	Foreign Exchange Policy – Foreign currency forward	30/11/20	30/11/20	Financial Institutions
Directives	Directive No. 05/DIF/DRO/2020, November 16	In force	Financial System	Financial System – Statistical Reporting Requirements for Banks	24/11/20	24/11/20	Financial Institutions
Instructions	Instruction No. 18/2020, November 6	In force	Financial System	Financial System – Deposit Operations of Metallic Coins at the National Bank of Angola	06/11/20	06/11/20	Financial Institutions
Directives	Directive No. 01/DSB/2020, October 30	In force	Financial System	Property Valuation	30/10/20	30/10/20	Financial Institutions
Notices	CIRCULAR LETTER No. 003/GAC/2020, October 26	In force	Financial System	Issuance of Statements of Financial Responsibility	29/10/20	29/10/20	Financial Institutions
Notices	Notice No. 21/2020, October 26	In force	Financial System	Financial System – Deferral of impairment recognition for central government debt securities recorded in the balance-sheets of banking financial institutions	28/10/20	28/10/20	Financial Institutions
Instructions	Instruction No. 17/2020, October 15	In force	Foreign Exchange Policy	Foreign Exchange Policy – Limits for foreign exchange transactions involving the importation of goods	15/10/20	15/10/20	Financial Institutions
Directives	Directive No. 04/DMA/2020, October 06	In force	Monetary Policy	Monetary Policy – Calculation and Fulfillment of the Minimum Reserve Requirements	06/10/20	06/10/20	Financial Institutions
Instructions	Instruction No. 16/2020, of 2 of October	In force	Monetary Policy	Monetary Policy – Mandatory Reserves	06/10/20	06/10/20	Financial Institutions
Instructions	Instruction No. 15/2020, September 06	In force	Financial System	Financial System – Conversion of Mortgage Loans granted in Foreign Currency	23/09/20	23/09/20	Financial Institutions
Notices	Notice No. 20/2020, August 05	In force	Financial System	Credit Guarantee Companies – Operational Rules	21/08/20	21/08/20	Financial Institutions
Notices	Notice No. 19/2020, August 04	In force	Financial System	Credit Guarantee Fund – Operational Rules	21/08/20	21/08/20	Financial Institutions
Notices	CIRCULAR LETTER No. 002/DCC/2020, August 18	In force	Foreign Exchange Policy	Procedures for validation and execution of contracts of invisible operations	18/08/20	18/08/20	Financial Institutions

Source: Website of the Angolan National Bank – <http://www.bna.ao/>

## Macroeconomic environment

### Legal framework (continuing)

#### Regulation approved by the BNA in 2020

Instrument	No.	Status	Topic	Subject	Published on	In force since	Applicable to
Notices	Notice No. 18/2020, August 4	In force	Financial System	Financial System – Adequacy of the Minimum Share Capital and Regulatory Own Funds of Non-Bank Financial Institutions – Change in the wording of number 1, article 2 of Notice 8/2018, of 29 November	12/08/20	12/08/20	Financial Institutions
Notices	Notice No. 17/2020, August 03	In force	Foreign Exchange Policy	Rules and Procedures for the Carrying out of Foreign Exchange Transactions by Natural Persons	04/08/20	04/08/20	Financial Institutions
Instructions	Instruction 13/2020, July 17	In force	Financial System	Operation of the Information and Credit Risk Center	17/07/20	17/07/20	Financial Institutions
Directives	Directive No. 04/DSP/DIF/2020, June 16	In force	Payment System	Statistical Reporting on Mobile Payment Services	14/07/20	14/07/20	Financial Institutions
Notices	Notice No. 16/2020, July 10	In force	Currency in circulation	New Family of Kwanza banknotes "2020 Series"	10/07/20	10/07/20	Financial Institutions
Instructions	Instruction No.12/2020, July 06	In force	Financial System	Pricelist	07/07/20	07/10/20	Financial Institutions
Directives	Directive No. 03/DMA/2020, June 26	In force	Foreign Exchange Policy	Indicative Exchange Rates of Purchase and Sale submitted by Banking Financial Institutions on Bloomberg's FXGO Platform (AOA – BGN)	29/06/20	29/06/20	Financial Institutions
Notices	Notice No. 15/2020, July 22	In force	Financial System	Price List for Financial Products and Services and their Disclosure	23/06/20	23/06/20	Financial Institutions
Notices	Notice No. 14/2020, June 22	In force	Financial System	Rules for Preventing and Combating Money Laundering and Terrorism Financing	23/06/20	23/06/20	Financial Institutions
Directives	Directive No. 02/DMA/2020, June 17	In force	Foreign Exchange Policy	Purchase and Sale of Foreign Currency at the Currency Auctions and on the FXGO platform.	17/06/20	17/06/20	Financial Institutions
Directives	Directive No. 01/DMA/2020, June 12	In force	Foreign Exchange Policy	Registration of FX trading transactions on the FXGO platform.	16/06/20	16/06/20	Financial Institutions
Notices	CIRCULAR LETTER No. 01/DMA/2020	In force	Foreign Exchange Policy	Explanatory Note on the Foreign Exchange Position	09/06/20	09/06/20	Financial Institutions
Notices	Notice No. 13/2020, May 29	In force	Foreign Exchange Policy	Exchange Rate Regime Applicable to the Diamond Sector	01/06/20	01/06/20	Financial Institutions
Instructions	Instruction No. 11/2020, May 29	In force	Financial System	Annual Premium Contributions from the Banking Financial Institutions participating in the Deposit Guarantee Fund in Angola	01/06/20	01/06/20	Financial Institutions
Instructions	Instruction No.10/2020 May 29	In force	Financial System	Cybersecurity Incident Reporting	01/06/20	01/07/20	Financial Institutions
Directives	Directive No. 03/DSB/DRO/2020, May 28	In force	Financial System	Temporary Changes to Information Reporting Deadlines via the Financial Institutions Portal (PIF)	01/06/20	01/06/20	Financial Institutions
Instructions	Instruction No. 09/2020, May 11	In force	Monetary Policy	Line for the Purchase of Treasury Bonds established by Instruction No. 06/2020, of 6 of April	11/05/20	11/05/20	Financial Institutions
Directives	Directive No. 02/DSB/DRO/2020, May 8	In force	Financial System	Guidelines on Management of Non-performing and Forborne Exposures, and Foreclosed Assets	08/05/20	08/05/20	Financial Institutions
Instructions	Instruction No. 08/2020, April 28	In force	Financial System	– Simplified Bank Accounts – Definition of Limits for their opening and managing	28/04/20	28/04/20	Financial Institutions
Notices	Aviso n° 12/2020, April 27	In force	Financial System	Simplified Bank Accounts	27/04/20	27/04/20	Financial Institutions
Notices	CIRCULAR LETTER No. 01/DCF/2020, April 23	In force	Financial System	Licensing of Financial Products and Services	24/04/20	24/04/20	Financial Institutions

Source: Website of the Angolan National Bank – <http://www.bna.ao/>

## Macroeconomic environment

### Legal framework (continuing)

#### Regulation approved by the BNA in 2020

Instrument	No.	Status	Topic	Subject	Published on	In force since	Applicable to
Avisos	Notice No. 11/2020, April 21	In force	Financial System	– Requirements and Procedures for the Especial Registration of Financial Institutions. – Authorization for Members of Governing Bodies to exercise functions.	21/04/20	21/04/20	Financial Institutions
Notices	Instruction No. 07/2020 April 20	In force	Financial System	Credit Granting	21/04/20	20/05/20	Financial Institutions
Notices	CIRCULAR LETTER No. 02/DCC/2020, April 18	In force	Financial System	Settlement of Letters of Credit	18/04/20	18/04/20	Financial Institutions
Instructions	Instruction No. 06/2020, April 06	In force	Monetary Policy	Line for the purchase of Treasury Bonds	06/04/20	06/04/20	Financial Institutions
Notices	Notice No. 10/202, April 03	In force	Financial System	Granting of Credit to the Real Sector of the Economy – Terms and Conditions	03/04/20	03/04/20	Financial Institutions
Notices	Notice No. 09/2020, April 03	In force	Financial System	Authorization for the setting-up of Banking Financial Institutions	03/04/20	03/04/20	Financial Institutions
Notices	Notice No. 08/2020, April 02	In force	Financial System	Cybersecurity Policy and Cloud-computing Adoption	02/04/20	02/04/20	Financial Institutions
Notices	Notice No. 07/2020, April 02	In force	Financial System	Expansion of Banking Services	02/04/20	02/04/20	Financial Institutions
Instructions	Instruction No. 05/2020, March 30	In force	Foreign Exchange Policy	Temporary exemption on Payment Instrument Limits for imports of food, medicines and bio-safety materials.	30/03/20	30/03/20	Financial Institutions
Instructions	Instruction No. 04/2020, March 30	In force	Financial System	Moratoria on Loan Repayments	30/03/20	30/03/20	Financial Institutions
Instructions	Instruction No. 03/2020 March 30	In force	Foreign Exchange Policy	Reference Exchange Rates	30/03/20	30/03/20	Financial Institutions
Instructions	Instruction No. 03/2020 March 30	In force	Foreign Exchange Policy	Reference Exchange Rates	30/03/20	30/03/20	Financial Institutions
Instructions	Instruction No. 02/2020 March 30	In force	Foreign Exchange Policy	– Procedures for the Sale of Foreign Currency by Companies in the Oil Sector – Foreign Exchange Transactions in the Interbank Market	30/03/20	30/03/20	Financial Institutions
Notices	Notice No. 06/2020, March 10	In force	Financial System	Credit Granting to Holders of Qualifying Holdings	10/03/20	10/03/20	Financial Institutions
Notices	Notice No. 05/2020, February 28	In force	Financial System	Reporting obligations within the scope of Marketing Indexed and Dual Deposits	28/02/20	28/02/20	Financial Institutions
Notices	Notice No. 04/2020, February 28	In force	Financial System	Information and Credit Risk Center	28/02/20	28/02/20	Financial Institutions
Notices	Notice No. 03/2020, February 28	In force	Financial System	Limits on Fixed Assets of Financial institutions	28/02/20	28/02/20	Financial Institutions
Directives	Directive No. 01/DSB/DRO/2020, February 14	In force	Financial System	Sale of OREO assets acquired via foreclosure	20/02/20	20/02/20	Financial Institutions
Notices	CIRCULAR LETTER No. 01/DCC/2020	In force	Financial System	Notice 12/2019 – Rules and procedures related to foreign exchange operations carried out by natural persons	23/01/20	23/01/20	Financial Institutions
Notices	Notice No. 02/2020, January 09	In force	Foreign Exchange Policy	Rules and procedures related to foreign exchange current invisible operations carried out by legal entities	17/01/20	17/01/20	Financial Institutions
Notices	Notice No. 01/2020, January 09	In force	Foreign Exchange Policy	Change in the wording of article 5 of Notice no. 05/18, of July 17	17/01/20	17/01/20	Financial Institutions
Instructions	Instruction No. 01/2020, of January 10	In force	Foreign Exchange Policy	Maximum Term for the Execution of Foreign Currency Sales and Related Foreign Exchange Transactions	10/01/20	10/01/20	Financial Institutions
Notices	Notice No. 15/2019, December 30	In force	Foreign Exchange Policy	“Foreign Investment carried out by persons qualified as Non-Residents for foreign-exchange purposes – Capital and related income transactions”	03/01/20	03/01/20	Financial Institutions

Source: Website of the Angolan National Bank – <http://www.bna.ao/>

## Macroeconomic environment

### Prospects

In 2020, the Angolan economy contracted for the fifth consecutive year. Lower-than-expected oil production resulting, on the one hand, from 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 2021–2022 period, with an expected improvement both in the oil and non-oil sectors, 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.

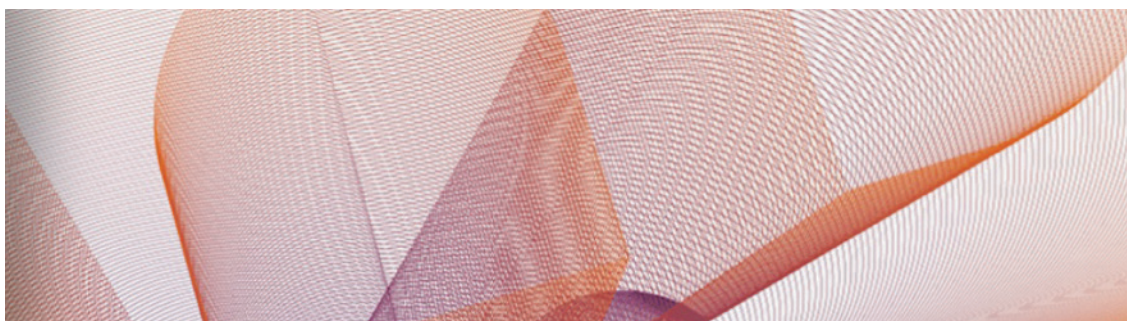
Average inflation throughout 2020 rose to around 22% which compared to 17.1% in 2019, means that it remains very high. In fact, this is as high as it has ever been since 2017. It is expected that inflation remains high in 2021 due to the strong dependence on imported products and the seen depreciation of the Kwanza. In Angola's 2021 draft general budget, an annual accumulated inflation rate of 18.27% for 2021 is estimated.

Drop in oil production and oil prices, as well as the limited availability of international reserves, continued to contribute to a considerable depreciation of the Kwanza in 2020, a trend already seen in 2019. The Kwanza's depreciation risks remain high, despite the recent appreciation of the Angolan currency, which achieved its best result for the last few months. Still, the risk of a strong currency depreciation remains high due to uncertainty in the energy market caused by the COVID-19 pandemic. Indeed, despite the strong currency transactions and improved risk sentiment easing short-term risks, the Kwanza is likely to remain under pressure in the near future due to heavy dependence on oil, which is faced with a reduction in demand and in production. Also, recently, the BNA announced that the exchange rate of the Kwanza has stabilized in recent months and considered that it is expected to remain stable in the short term, with the exchange rate of the Angolan currency approaching the breakeven point.

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 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 qualification of the population and heavy dependence on the oil sector (more recently, cyclically, also due to the negative effects of the COVID-19 pandemic). 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

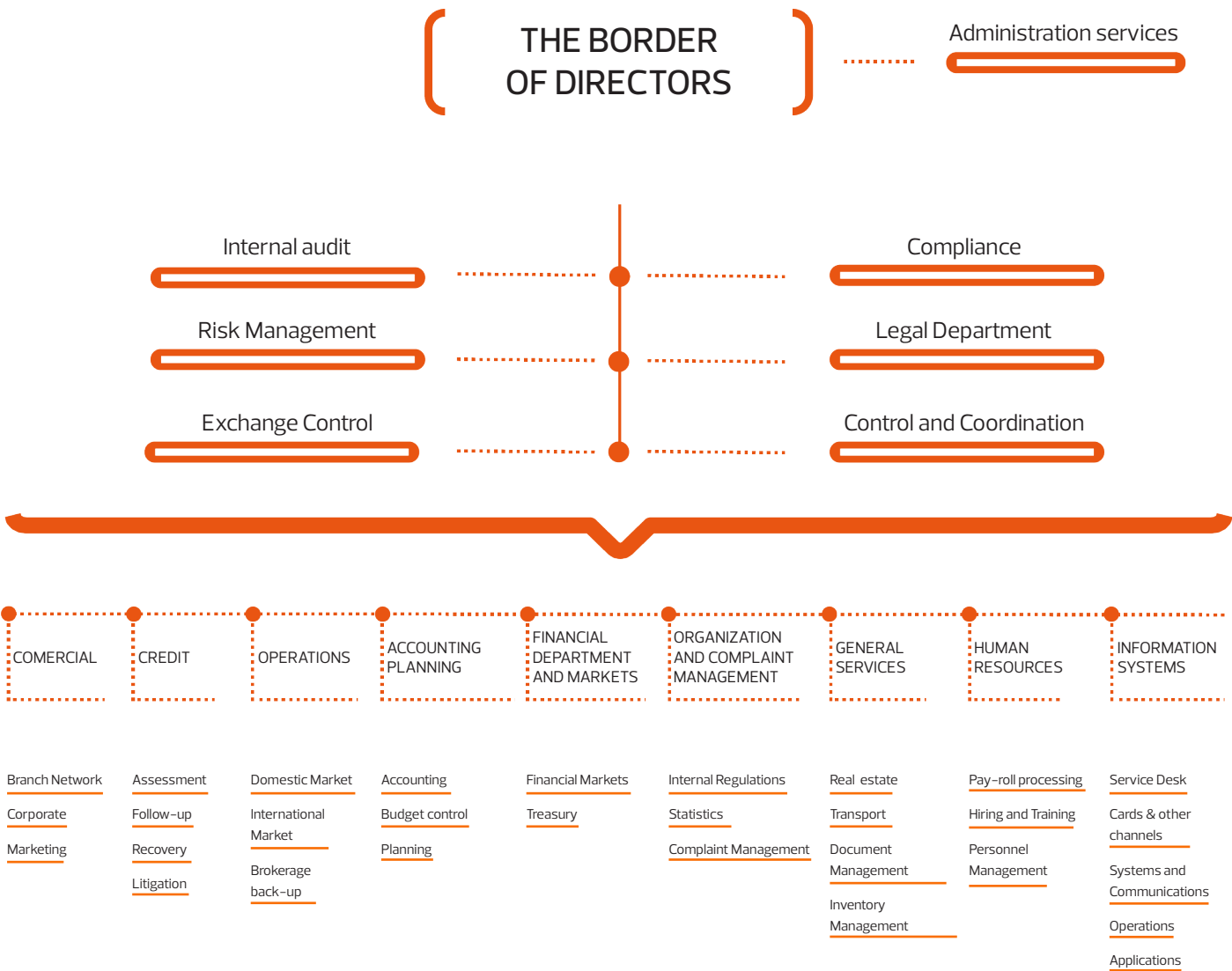
#### Shareholder Structure

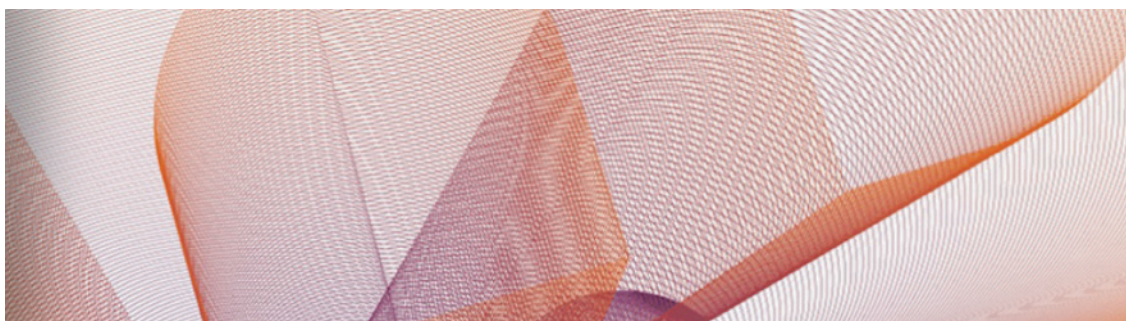
As at 31 December 2020, the capital of Banco Comercial do Huambo was owned by 5 shareholders, as follows:

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

BCH

The Board of Directors, Board Committees and Shareholder Structure





## Activity in 2020

## Activity in 2020

### Key indicators

Amounts in thousands of Akz

	2017	2018	2019	2020	Var 17 - 18	Var. 18 - 19	Var. 19 - 20
<b>INDICATORS</b>							
Total Assets	29 375 014	37 796 794	45 665 043	48 636 124	28,67%	20,82%	6,51%
Credit to the Economy	<b>22 284 214</b>	<b>19 234 267</b>	<b>30 444 295</b>	<b>38 363 618</b>	<b>-13,69%</b>	<b>58,28%</b>	<b>26,01%</b>
Loans and advances to customers	112 283	1 316 865	69 761	847 969	1072,81%	-94,70%	1115,53%
Loans and advances to the Government	22 171 931	17 917 402	30 374 534	37 515 649	-19,19%	69,53%	23,51%
Customer deposits	15 728 826	14 448 356	18 267 547	15 782 351	-8,14%	26,43%	-13,60%
Regulatory capital	10 557 116	17 204 408	24 408 700	30 463 513	62,97%	41,87%	24,81%
Net operating income	5 982 573	9 653 346	10 172 042	9 823 427	61,36%	5,37%	-3,43%
Net interest income	1 804 585	3 724 449	5 057 140	6 280 789	106,39%	35,78%	24,20%
Net profit	4 004 677	6 630 044	7 163 989	6 208 266	65,56%	8,05%	-13,34%
<b>Financial ratios</b>							
Cost to Income ratio	21,39%	14,93%	18,51%	16,08%	-30,20%	24,00%	-13,12%
Loan/deposit ratio	0,80%	9,11%	0,38%	5,37%	1039,29%	-95,81%	1306,94%
Solvency ratio	142,32%	107,52%	189,20%	205,33%	-24,45%	75,97%	8,53%
Return on total Assets (ROA)	13,63%	17,54%	15,69%	12,76%	28,67%	-10,56%	-18,63%
Return on equity (ROE)	36,32%	37,57%	28,93%	19,99%	3,45%	-22,99%	-30,92%
Overdue loans/ Total loans	4,12%	0,29%	0,00%	0,00%	-92,98%	-100,00%	0,00%
Loan provisions / Overdue loans	80,34%	40,47%	0,00%	-25942,79%	-49,62%	-100,00%	-25942,79%
<b>Business Development</b>							
No. of branches	5	6	6	6	20,00%	0,00%	0,00%
No. of employees	55	57	62	66	3,64%	8,77%	6,45%
Customers	14 172	14 893	17 586	18 658	5,09%	18,08%	6,10%
<b>Administrative costs</b>							
Administrative costs	<b>1 037 759</b>	<b>1 381 963</b>	<b>1 883 137</b>	<b>2 190 929</b>	<b>33,17%</b>	<b>36,27%</b>	<b>16,34%</b>
Staff costs	386 422	471 978	572 308	680 420	22,14%	21,26%	18,89%
Third party costs	560 961	787 063	1 081 147	1 205 073	40,31%	37,36%	11,46%
Amortisation and depreciation	90 376	122 922	229 682	305 436	36,01%	86,85%	32,98%
Other	-	-	-	-	0,00%	0,00%	0,00%

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



#### Branches

In 2020 new branches were not opened. However, BCH intends to continue to expand its commercial network with the opening of new branches.



**+6.45%**

#### Team reinforcement

At the end of 2020, the Bank's staff includes 66 employees, 4 more than in 2019.



**+6.10%**

#### Customer growth

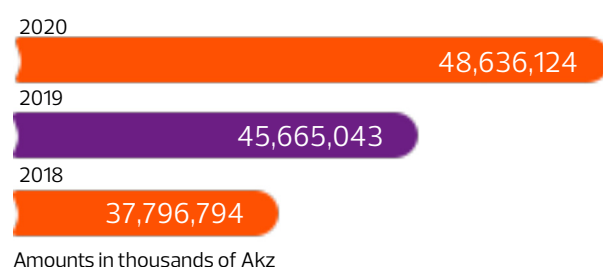
The number of customers in 2020 increased by 1,072 and reached a total of 18,658 as at 31 December 2020.

## Activity in 2020

### Business Development

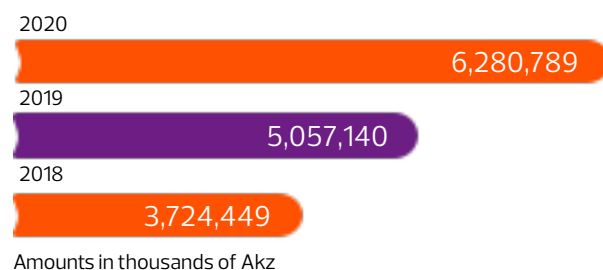
#### Total assets

In 2020, BCH accounted for about 6.51% increase of total assets, which reflects the growth in activity.



#### Net interest income

In 2020, the Bank increased its net interest income by about 24%, which stood at Akz 6,280,789 thousand as at 31 December 2020.

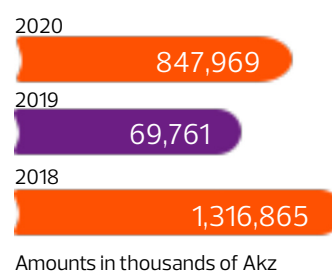


#### ROE and ROA

Return on equity decreased by 10.13 p.p from 28.93% in 2019 to 18.80% in 2020. On the other hand, return on assets fell by 3.93 p.p from 15.69% in 2019 to 12.76% in 2020.

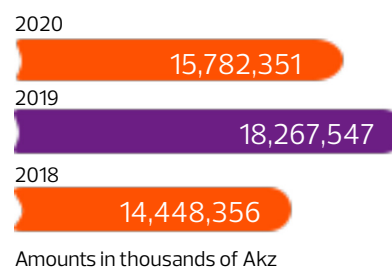
#### Loans and advances to customers

Contrary to 2019, the loans and advances to customers increased significantly from Akz 69,761 thousand to Akz 847,969 thousand. Impairment levels of the loan portfolio remain residual, which reveals the quality of the Bank's portfolio and its conservative risk policy.



#### Customer deposits

In 2020, the amount of customer deposits decreased by 13.6%, down from Akz 18,267,547 thousand in 2019 to Akz 15,782,351 thousand in 2020.



#### Solvency ratio

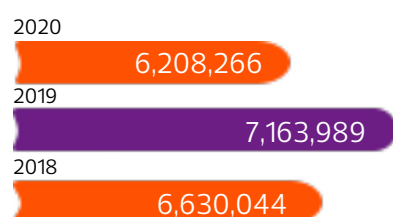
The Bank maintains high financial soundness, on the basis of the formula defined in art. 1 of Notice No. 05/07 of 15 of July. This ratio at the end of 2020 stood at 205.33% (189.20% in 2019) a percentage well above the minimum requirement of 10% set by the National Bank of Angola.

## Activity in 2020

### Business Development

#### Net result

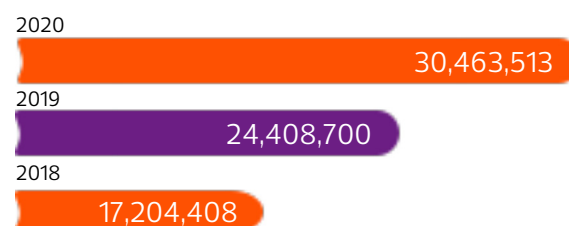
The Bank's net profit amounted to AKZ 6,208,266 thousand, a drop of AKZ 955,723 thousand when compared to the amount recorded in the financial year of 2019.



Amounts in thousands of Akz

#### Regulatory capital

In 2020, own funds amounted to Akz 30,463,513 thousand, which is an increase of Akz 6,054,813 thousand, a significant rise of 24.81% compared to 2019.



Amounts in thousands of Akz

#### Administrative costs

In 2020, the Bank's cost structure recorded an increase of 16.34% in comparison to 2019. The main administrative cost items are personnel costs up by about 18.89% and utilities costs which rose by 11.46%.

#### Administrative costs 2017 – 2020

	2017	2018	2019	2020
Administrative costs	1 037 759	1 381 963	1 883 137	2 190 929
Staff costs	386 422	471 978	572 308	680 420
Third party costs	560 961	787 063	1 081 147	1 205 073
Amortisation and depreciation	90 376	122 922	229 682	305 436
Other	-	-	-	-



4,857

#### POS

At the end of 2020, the Bank had a total of 469 active POS.



11 ATMs  
between Luanda  
and Huambo

#### 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.



469 POS  
operating as at 31  
December 2020

#### Debit cards

In 2020, the Bank recorded an average of 1 card for every 4 customers.

## Activity in 2020

### 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.

Thus, 2020 was a year in which the Risk Management function with the mechanisms, methodologies and tools at its disposal already consolidated, operated normally – without introducing any significant changes – adequately responding to the present and future challenges placed upon it.

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.

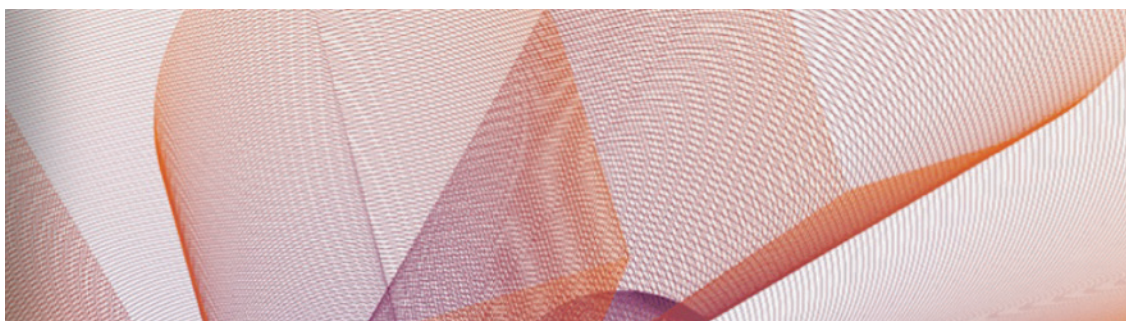
Thus, 2020 was a year in which the Risk Management function with the mechanisms, methodologies and tools at its disposal already consolidated, operated normally – without introducing any significant changes – adequately responding to the present and future challenges placed upon it.

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.

Thus, 2020 was a year in which the Risk Management function, once the mechanisms, methodologies and tools at its disposal were consolidated, operated normally – without introducing any significant changes – adequately responding to the present and future challenges placed upon it.



## Outlook for 2021

## Outlook for 2021

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 2021, BCH is committed to:

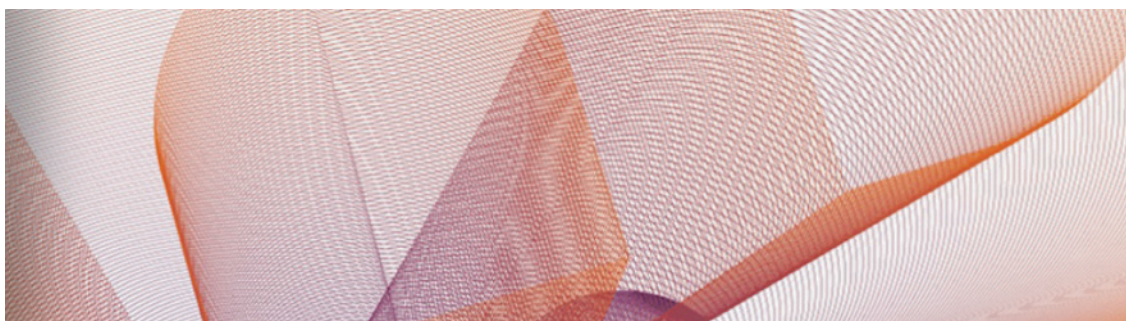
- Continuing to offer a structure of differentiated financial products which can continue to meet the needs of our customers;
- Keeping its focus on the Bank's sustained growth while preserving the profit margin;
- Make a significant investment in applications and training to support the commercial department, so that BCH can respond quickly and effectively to the needs of customers, either through facilitated access to products and services, or through the creation and development of alternative mechanisms of connecting customers with the commercial department;
- Working towards strengthening its Control functions (Risk Management, Compliance and Internal Audit) by continuing the implementation of good practices in this area and improving the efficiency and effectiveness of internal processes, so as to comply with regulatory requirements in force;
- Monitoring and implementing in a rigorous and effective manner all regulatory changes applicable to the financial sector and the Bank;
- In the regulatory context, proceed with the necessary developments in risk management so that the BCH is able to adequately respond to the challenges and additional requirements which will result from the BNA's equivalence process (e.g. SREP, ICAAP, ILAAP);
- 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 the COVID-19 pandemic, 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 2020 of AKZ 6,298,697 thousand will be appropriated as follows:

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

### The Board of Directors



## Financial Statements

## Financial Statements

### Income Statement as at 31 December 2020 and 2019

		(thousands of kwanzas)	
	Notes	31.12.2020	31.12.2019
Interest and similar income	4	6 594 552	5 472 179
Interest expense and similar charges	4	(313 763)	(415 039)
<b>Net Interest Income</b>		<b>6 280 789</b>	<b>5 057 140</b>
Fee and commission income	5	1 555 464	3 234 983
Fee and commission expense	5	(509 578)	(433 357)
Income from foreign currency transactions	6	3 605 173	2 571 340
Gains from sale of other assets	16	3 779	-
Other operating income (expense)	7	(1 173 708)	(258 064)
<b>Net operating income</b>		<b>9 761 919</b>	<b>10 172 042</b>
Staff costs	8	(680 420)	(572 308)
Utilities and contracted services	9	(1 205 073)	(1 081 147)
Depreciations and amortizations for the year	17 e 18	(305 436)	(229 682)
Impairment losses on loans, net of reversals and recoveries	15	(51 651)	21 783
Impairment losses on other financial assets, net of reversals and recoveries	10, 11, 12 e 14	(1 058 764)	(15 389)
<b>Profit before tax</b>		<b>6 460 575</b>	<b>8 295 299</b>
Corporate income tax			
Current	19	(252 309)	(1 131 310)
Deferred	19	-	-
<b>Net profit for the year</b>		<b>6 208 266</b>	<b>7 163 989</b>
Average number of issued ordinary shares		10 000 000	10 000 000
Basic earnings per share (in kwanzas)	24	621	716
Diluted earnings per share (in kwanzas)	24	621	716

The accompanying notes are an integral part of these financial statements

## Financial Statements

### Balance Sheet as at 31 December 2020 and 2019

(thousands of kwanzas)

	Notes	31.12.2020	31.12.2019
<b>Assets</b>			
Cash and deposits with central banks	10	5 718 579	6 068 128
Deposits with other banks	11	1 535 500	2 826 782
Loans and advances to central and other banks	12	928 857	4 293 878
Financial assets at fair value through other comprehensive income	13	43 656	43 656
Financial assets at amortised cost	14	37 515 649	30 374 534
Loans and advances to customers	15	847 969	69 761
Non-current assets held for sale	16	-	6 221
Other tangible assets	17	1 012 714	1 271 728
Intangible assets	18	515 902	420 217
Current tax assets	19	-	61 507
Deferred tax assets	19	6 015	6 015
Other assets	20	511 283	222 617
<b>Total Assets</b>		<b>48 636 124</b>	<b>45 665 044</b>
<b>Liabilities</b>			
Customer accounts and other borrowing	21	15 782 351	18 267 547
Provisions	22	21 917	21 917
Current tax liabilities	19	201 859	1 131 310
Deferred tax liabilities	19	-	-
Subordinated debt		-	-
Other liabilities	23	1 661 567	1 484 106
<b>Total Liabilities</b>		<b>17 667 694</b>	<b>20 904 880</b>
<b>Equity</b>			
Share capital	24	10 000 000	10 000 000
Other reserves and retained earnings	25	14 760 164	7 596 175
Net profit		6 208 266	7 163 989
<b>Total Equity</b>		<b>30 968 430</b>	<b>24 760 164</b>
<b>Total Liabilities and Equity</b>		<b>48 636 124</b>	<b>45 665 044</b>

The accompanying notes are an integral part of these financial statements

## Financial Statements

### Statements of income and other comprehensive income for the years ended 31 December 2020 and 2019

	(thousands of kwanzas)		
	Notes	31.12.2020	31.12.2019
Net profit for the year		6 208 266	7 163 989
Other comprehensive income		-	-
<b>Separate comprehensive income for the year</b>		<b>6 208 266</b>	<b>7 163 989</b>

The accompanying notes are an integral part of these financial statements

### Statement of changes in equity for the years ended 31 December 2020 and 2019

	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 2019		10 000 000	886 786	( 8 289)	138 606	1 017 103	6 630 044	17 647 147
Appropriation of net profit	25 e 26	-	663 004	-	5 967 040	6 630 044	(6 630 044)	-
Distribution of profit	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 as at 31 December 2019		10 000 000	1 549 790	( 8 289)	6 054 674	7 596 175	7 163 989	24 760 164
Balance as at 1 January 2020		10 000 000	1 549 790	( 8 289)	6 054 674	7 596 175	7 163 989	24 760 164
Appropriation of net profit	25 e 26	-	716 399	-	6 447 590	7 163 989	(7 163 989)	-
Profit distribution	25 e 26	-	-	-	-	-	-	-
Net profit	25 e 26	-	-	-	-	-	6 208 266	6 208 266
Other movements	25 e 26	-	-	-	-	-	-	-
Balance at 31 December 2020		10 000 000	2 266 189	( 8 289)	12 502 264	14 760 164	6 208 266	30 968 430

The accompanying notes are an integral part of these financial statements

## Financial Statements

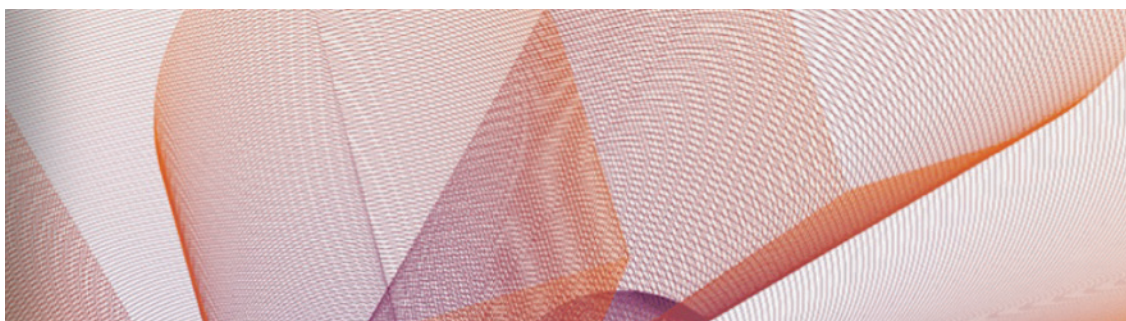
### Cash flow statement for the years ended December 2020 and 2019

(thousands of kwanzas)

	Notes	31.12.2020	31.12.2019
<b>Cash flows from operating activities</b>			
Interest and similar income received		5 572 561	4 319 039
Interest expense and similar charges paid		(193 900)	(358 996)
Fees and commissions received		1 555 958	3 234 983
Fees and commissions paid		(510 072)	(433 357)
Cash payments to staff and suppliers		(1 885 493)	(1 653 455)
		<b>4 539 054</b>	<b>5 108 214</b>
<i>Changes in operating assets and liabilities:</i>			
Financial assets at fair value through profit or loss		3 605 173	2 571 340
Loans and advances to banks		3 365 021	1 683 032
Deposits from banks		21 208	41 677
Loans and advances to customers		(822 855)	1 248 861
Customer deposits and other borrowings		(2 522 006)	3 846 695
Other operating assets and liabilities		(854 833)	(3 324 495)
<b>Net cash from operating activities before corporate income tax</b>		<b>7 330 762</b>	<b>11 175 324</b>
Corporate income tax paid		(1 120 252)	(1 637 508)
<b>Net cash from operating activities</b>		<b>6 210 510</b>	<b>9 537 816</b>
<b>Cash flows from investing activities</b>			
Financial assets at amortised cost		(7 747 939)	(11 512 138)
Sale of non-current assets held for sale		10 000	-
Purchase/sale of plant, property and equipment		(199 071)	(244 030)
Lease transactions		85 669	(185 144)
<b>Net cash from investing activities</b>		<b>(7 851 341)</b>	<b>(11 941 312)</b>
<b>Cash flows from financing activities</b>			
Dividends paid on ordinary shares		-	(50 000)
<b>Net cash from financing activities</b>		<b>-</b>	<b>( 50 000)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(1 640 831)</b>	<b>(2 453 496)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>8 894 910</b>	<b>11 348 406</b>
Net increase (decrease) in cash and cash equivalents		(1 640 831)	(2 453 496)
<b>Cash and cash equivalents at end of year</b>		<b>7 254 079</b>	<b>8 894 910</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and deposits with central banks	10	5 718 579	6 068 128
Deposits with other banks	11	1 535 500	2 826 782
<b>Total</b>		<b>7 254 079</b>	<b>8 894 910</b>

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 2020 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 2020.

The accounting policies presented in this note were applied in a manner consistent with those used in the financial statements at 31 December 2019.

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 2020 were approved at the annual meeting of the Board of Directors on 29 April 2021.

## 2.2 Foreign currency transactions

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

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

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

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

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

The Bank’s financial statements for the years ended 31 December 2020 and 2019 are expressed in Angolan kwanzas, and the assets and liabilities denominated in other currencies are translated into the national currency on the basis of the average indicative exchange rate published by the National Bank of Angola on those dates. At 31 December 2020 and 2019, the average exchange rates of the Angolan kwanza (AOA) against the U.S. dollar (USD) and the Euro (EUR) were as follows:

	2019	2020
USD	482,227	656,225
EUR	540,817	805,117

## 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 owns 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; or;
- 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; and
- Estimated period between the occurrence of the loss and its identification.

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

### 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) and risk buckets. Customers/operations are classified at each time point according to these two vectors, which are the basis for subsequent estimation of credit risk parameters by segment.

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

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

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

## Collateral assessment process

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

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

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

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

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

## 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 cannot exceed the accumulated impairment amounts previously recorded.

## Written-off loans

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

## 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 through 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.

### i. 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 government 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.

Government 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.

## ii. 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 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 heading "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.

## iii. 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 2020 and 2019, the Bank does not hold any financial asset at fair value through profit or loss.

#### iv. 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.

#### v. 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 occurred 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.

## vi. 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 set off the amounts 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.

## vii. 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 tangible assets

### i. Recognition and measurement

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

### ii. Subsequent costs

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

### iii. 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 to 7
Computers and similar equipment	3
Fixtures and fittings	10

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

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

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

## 2.7 Intangible assets

### Software

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

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

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

## 2.8 Non-current assets held for sale

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

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

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

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

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

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

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

The Bank applied IFRS 16 to contracts entered into or amended on or after 1 January 20.



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

### 2.9.1 As lessee

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

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

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

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

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

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

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

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

### Short-term leases and leases of low value assets

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

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

### 2.9.2 As lessor

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

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

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

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

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

### 2.10 Corporate income tax

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

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

With the publication of Law 19/14 which came into force on 1 January 2015, the corporation tax is subject to provisional advance payment by a single instalment made in August and calculated by applying a rate of 2% on net

operating income for the first six months of the previous fiscal year, excluding income subject to capital income tax, regardless of the existence of taxable income in the year.

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

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

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

### Investment Income Tax

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

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

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

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

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

### Deferred taxes

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

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

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

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

## **2.11 Employee benefits**

### **i. Defined contribution plans**

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

### **ii. Short-term employee benefits**

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

## **2.12 Provisions**

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

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

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

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

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

## **2.13 Recognition of interest 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)					
31.12.2020			31.12.2019		
	From assets/ liabilities at amortised cost	From assets/ liabilities at fair value through profit or loss	Total	From assets/ liabilities at amortised cost	From assets/ liabilities at fair value through profit or loss
<b>Interest and similar income</b>					
Interest from loans and advances to customers	292 951		292 951	302 999	
Interests from deposits with and loans and advances to banks	108 247		108 247	367 827	
Interest from financial assets at amortised cost	6 193 354		6 193 354	4 801 353	
	<b>6 594 552</b>	<b>-</b>	<b>6 594 552</b>	<b>5 472 179</b>	<b>-</b>
<b>Interest expense and similar charges</b>					
Interest on customer deposits and deposits from Central banks	214 863		214 863	345 613	
Interest on leases	98 900		98 900	69 426	
	<b>313 763</b>	<b>-</b>	<b>313 763</b>	<b>415 039</b>	<b>-</b>
<b>Net interest income</b>	<b>6 280 789</b>	<b>-</b>	<b>6 280 789</b>	<b>5 057 140</b>	<b>-</b>

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 bills. Income from public debt securities, obtained from treasury bonds and treasury bills, issued by the Angolan government, is subject to taxation of investment income and capital gains (IIT) and is deducted from the taxable income amount.

The 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 214,862,000 in the financial year of 2020 (31 December 2019: Akz 345,613,000) which is lower than the previous year due to reduction of interest paid on savings accounts and in the volume of customer resources throughout 2020, 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 2020.

## 5 – Net fee and commission income

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Fee and commission income		
Banking services rendered	1 555 464	3 234 983
Fee and commission expense		
Commissions charged to customers	509 578	433 357
	<b>1 045 886</b>	<b>2 801 626</b>

Here below as per type of commission:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Fee and commission income		
Commissions on sale of banknotes	45	152 488
Commissions on bank transfers	793 183	1 107 872
Commissions on loan approval	266 132	381 275
Money transfers – Moneygram	24 640	39 188
Commissions on guarantees and collateral	76 138	1 247 379
Commissions on credit facility arrangement	1 473	44 120
Commissions on standard services (cards, clearing)	138 813	59 553
Other commissions	255 040	203 107
	<b>1 555 464</b>	<b>3 234 982</b>
Fee and commission expense		
Costs of importing banknotes	7 248	43 186
Fees for automated clearing	44 625	37 477
Commissions for wealth management	840	-
Commissions for payment processing	92	-
Commissions on fund availability	267 298	-
Charges for other services provided by third-parties	189 475	352 693
	<b>509 578</b>	<b>433 356</b>
	<b>1 045 886</b>	<b>2 801 626</b>



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 granting loans as there was a decrease in this activity during the year of 2020.

## 6 – Income from foreign currency transactions

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Income from foreign currency transactions</b>		
Foreign currency transactions	3 500 613	2 103 705
Foreign currency revaluation	104 560	467 635
	<b>3 605 173</b>	<b>2 571 340</b>

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 heading "Currency Revaluation" includes net gain(loss) arising from the revaluation of monetary assets and liabilities denominated in foreign currency in accordance with the accounting policy described in Note 2.2.2.2.

## 7 – Other operating income

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Fines applied by regulatory entities	( 114 588)	(69 443)
Direct and indirect taxes	( 623 043)	(295 289)
Other operating expenses	( 264 758)	(36 504)
Other operating income	( 171 319)	143 173
	<b>(1 173 708)</b>	<b>( 258 064)</b>

The line item of "Direct & Indirect Tax" includes the amount of Akz 563,047,000 (31 December 2019: Akz 212,841,000) related to taxation of investment income and capital gains (IIT).

The line item "Other operating expenses" includes donations and sponsorships, cancellations of interest on subsidized loans charged in excess and settlement of borrowing operations in the amount of Akz 6,688,000.

## 8 – Staff costs

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Members of management and supervisory boards		
Remunerations	150 097	130 847
Holiday allowances and benefits for Christmas	29 000	28 354
Other allowances	42 624	37 822
Other remunerations and costs	70 560	43 827
	<u>292 281</u>	<u>240 850</u>
Employees		
Remunerations	278 771	224 509
Holiday and Christmas allowances	40 888	30 653
Other allowances	16 346	16 258
	<u>336 005</u>	<u>271 420</u>
Other staff costs		
Social security costs	51 828	39 571
Insurance against accidents at work	306	20 467
	<u>52 134</u>	<u>60 038</u>
	<b>680 420</b>	<b>572 308</b>

As at 31 December 2020 and 2019, the heading "Other Allowances" includes various allowances granted to the employees such as child benefit, representation allowance, housing benefit and allowance for errors.

Salary costs and other benefits attributed to the members of the management and supervisory bodies for the years 2020 and 2019 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)					
	31.12.2020			31.12.2019		
	Board of Directors	Audit Committee	Total	Board of Directors	Audit Committee	Total
Remunerations and short-term benefits	16 627	1 951	18 578	13 967	1 427	15 394
Variable remunerations	-	-	-	-	-	-
<b>Total</b>	<b>16 627</b>	<b>1 951</b>	<b>18 578</b>	<b>13 967</b>	<b>1 427</b>	<b>15 394</b>

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

	<b>31.12.2020</b>		<b>31.12.2019</b>	
	<b>Average for the year</b>	<b>Final for the year</b>	<b>Average for the year</b>	<b>Final for the year</b>
Administration	3	3	3	3
Management	1	1	1	1
Head of department	1	1	1	1
Administrative area	33	34	30	30
Commercial area	27	27	28	27
	<b>65</b>	<b>66</b>	<b>63</b>	<b>62</b>

## 9 – Utilities and contracted services

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

	(thousands of kwanzas)	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Consulting	852 198	546 855
Leasing and rentals	12 554	36 993
Security, conservation and repair	142 537	192 004
Communications	59 387	55 831
Materials	39 648	165 909
Transports, travel and accommodation	7 266	7 098
Water, energy and fuel	6 478	2 950
Insurances	82 064	31 576
Publications, advertising and publicity	1 911	9 325
Other utilities	1 030	32 606
	<b>1 205 073</b>	<b>1 081 147</b>

In 2020, the variation in the balance of the item "Utilities and Contracted Services" results mainly from increase in the balances of the items "Consulting and audit" and "Insurances".

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

As at 31 December 2020, the line item "Rental and leasing" includes the amount of Akz 12,554,000 (2019: Akz 36,993,000) 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)	
	31.12.2020	31.12.2019
<b>Cash</b>		
Banknotes in agencies	663 102	698 849
Banknotes in ATM	152 316	117 198
	<u>815 418</u>	<u>816 047</u>
<b>Deposits with Central Banks</b>		
National Bank of Angola	4 263 305	5 252 081
	<u>4 263 305</u>	<u>5 252 081</u>
<b>Checks to collect</b>		
Checks to collect	643 500	-
	<u>643 500</u>	<u>-</u>
<b>Impairment losses</b>		
Checks to collect	( 3 644)	-
	<u>( 3 644)</u>	<u>-</u>
	<b>5 718 579</b>	<b>6 068 128</b>

The heading "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 2020 and 2019, here below is a breakdown of the minimum reserves held in current accounts at the Central Bank of Angola:

	(thousands of kwanzas)		
	31.12.2020		
	USD	EUR	AOA
<b>Mandatory reserves</b>			
Kwanzas	-	-	1 667 736
American dollars	791 198	-	514 208
Euros		250 000	199 182
	<u>791 198</u>	<u>250 000</u>	<u>2 381 126</u>
<b>Free reserves</b>	-	-	1 882 179
			<b>4 263 305</b>
			<b>5 252 081</b>

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.

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Opening balance	-	-
Charges net of reversals	( 3 644)	-
Utilizations and other movements	-	-
<b>Closing balance</b>	<b>( 3 644)</b>	-

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

On 4 June 2010, Regulation nº 3/2010 of BNA came into force, and determined that the mandatory reserves must be made in two currencies – 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 for Local Government deposits which are subject to 50% and Central Government deposits subject to 75%. The coefficient of mandatory reserves in foreign currency is 15% for customer deposit balances and 100% for Local & Central Government deposit balances, as well as for Town Halls.

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

## 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)	
	31.12.2020	31.12.2019
Cash and deposits with other banks abroad	1 459 353	2 776 826
Pending operations and settlement	76 409	49 956
	<u>1 535 763</u>	<u>2 826 782</u>
<b>Impairment losses</b>		
Cash and deposits with other banks abroad	( 263)	-
	<b>1 535 500</b>	<b>2 826 782</b>

At 31 December 2020 and 2019, the line item "Deposits with other banks abroad" includes the account balances at the respective banks and those amounts are part of the management of the Bank's current operations without there being any associated remuneration.

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Opening balance	-	-
Charges net of reversals	( 263)	-
Utilizations and other movements	-	-
<b>Closing balance</b>	<b>( 263)</b>	<b>-</b>

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

## 12 – Loans and advances to central banks and other banks

This item, as at 31 December 2020 and 2019 is analysed as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Loans and advances to banks abroad</b>		
Short-term loans and advances	195 558	231 903
Operations with resale agreement	733 293	4 053 559
Interest receivable	41	8 416
	<b>928 893</b>	<b>4 293 878</b>
Impairment losses	( 35)	-
	<b>928 857</b>	<b>4 293 878</b>

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

The distribution of loans and advances to central banks and other banks by maturity as at 31 December 2020 and 2019 is as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Up to 3 months	928 857	4 061 975
From 3 months to one year	-	231 903
	<b>928 857</b>	<b>4 293 878</b>

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Opening balance	-	-
Charges net of reversals	( 35)	-
Utilizations and other movements	-	-
<b>Closing balance</b>	<b>( 35)</b>	<b>-</b>

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

## 13 – Financial assets at fair value through other comprehensive income

This item, as at 31 December 2020 and 2019 is analysed as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Shares	43 656	43 656
	<b>43 656</b>	<b>43 656</b>

As at 31 December 2020 and 2019, 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 2020 and 2019, is presented as follows:

	(thousands of kwanzas)			
	Level 1	Level 2	Level 3	Total
Shares	43 656	-	-	43 656
<b>Balance as at 31 December 2020</b>	<b>43 656</b>	<b>-</b>	<b>-</b>	<b>43 656</b>
Shares	43 656	-	-	43 656
<b>Balance as at 31 December 2019</b>	<b>43 656</b>	<b>-</b>	<b>-</b>	<b>43 656</b>

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



## 14 – Financial assets at amortised cost

This item, as at 31 December 2020 and 2019 is analysed as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Bonds and other fixed income securities		
From public issuers		
Treasury Bills	35 459 722	21 341 915
Treasury Bonds in national currency	2 357 209	8 480 818
Treasury Bonds in foreign currency	782 113	580 373
	<b>38 599 044</b>	<b>30 403 106</b>
Impairment		
Treasury Bills	( 921 933)	-
Treasury Bonds in national currency	( 106 033)	(21 146)
Treasury Bonds in foreign currency	( 55 429)	(7 426)
	<b>(1 083 395)</b>	<b>( 28 572)</b>
	<b>37 515 649</b>	<b>30 374 534</b>

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	Undefined period	Total
From public issuers						
Treasury Bills	6 223 939	26 797 711	1 516 139	-		34 537 789
Treasury Bonds in national currency	-	-	2 251 176	-		2 251 176
Treasury Bonds in foreign currency	-	-	2 220	724 464		726 684
<b>Balance as at 31 December 2020</b>	<b>6 223 939</b>	<b>26 797 711</b>	<b>3 769 535</b>	<b>724 464</b>	<b>-</b>	<b>37 515 649</b>
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
<b>Balance as at 31 December 2019</b>	<b>-</b>	<b>23 876 984</b>	<b>6 497 550</b>	<b>-</b>	<b>-</b>	<b>30 374 534</b>

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Opening balance	28 572	13 183
Charges net of reversals	1 054 823	15 389
Utilizations and other movements	-	-
<b>Closing balance</b>	<b>1 083 395</b>	<b>28 572</b>

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

## 15 – Loans and advances to customers

This item, as at 31 December 2020 and 2019 is analysed as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Internal loans</b>		
To companies		
Loans	666 419	24 622
Short-term loans	518	-
	<b>666 937</b>	<b>24 622</b>
To individuals		
Loans	182 060	47 154
Overdrafts	781	-
	<b>182 841</b>	<b>47 154</b>
	<b>849 778</b>	<b>71 776</b>
<b>Past-due loans</b>		
Up to 3 months	7	-
	<b>7</b>	<b>-</b>
	<b>849 785</b>	<b>71 776</b>
<b>Accumulated impairment losses</b>	( 1 816)	( 2 015)
	<b>847 969</b>	<b>69 761</b>

The balance in loans to individuals includes the amount of Akz 122,454,000 referring to mortgage loans which were granted a 60-day moratorium under Instruction No. 04/2020 of the National Bank of Angola, as a measure to mitigate the significant impacts of the COVID-19 pandemic. These moratoriums are effective until January 2021.

As at 31 December 2020 and 2019, the composition of the loan portfolio by residual maturity is as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Up to 3 months	3 027	2 492
From three months to one year	-	-
From one to five years	712 790	45 184
Over five years	133 961	24 100
Undetermined	7	-
	<b>849 785</b>	<b>71 776</b>

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)	
	31.12.2020	31.12.2019
Opening balance	2 015	1 542
Charges net of reversals	51 651	( 21 783)
Utilizations and other movements	( 51 850)	22 256
<b>Closing balance</b>	<b>1 816</b>	<b>2 015</b>

All credit exposures are in Stage 1.

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Fixed rate	679 565	19 258
Floating rate	170 220	52 518
	<b>849 785</b>	<b>71 776</b>

As at 31 December 2020 and 2019, total loans and impairment per segment and per type is as follows:

(thousands of kwanzas)

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

(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
<b>Public sector</b>								
<b>Companies</b>	<b>24 622</b>	<b>-</b>	<b>2 450 851</b>	<b>2 475 473</b>	<b>98%</b>	<b>432</b>	<b>-</b>	<b>432</b>
Loans	24 622	-	-	24 622	1%	432	-	432
Guarantees granted and CDI	-	-	2 450 851	2 450 851	97%	-	-	-
<b>Individuals</b>	<b>47 154</b>	<b>-</b>	<b>-</b>	<b>47 154</b>	<b>2%</b>	<b>1 583</b>	<b>-</b>	<b>1 583</b>
Loans	22 169	-	-	22 169	1%	612	-	612
Employee	24 985	-	-	24 985	1%	971	-	971
<b>Total</b>	<b>71 776</b>	<b>-</b>	<b>2 450 851</b>	<b>2 522 627</b>	<b>100%</b>	<b>2 015</b>	<b>-</b>	<b>2 015</b>

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

(thousands of kwanzas)

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

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

Segment	2016 and previous			2017			2018			2019			(thousands of kwanzas) Total		
	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated	Number of operations	Amount	Impairment allocated
<b>Companies</b>															
Current accounts	-	-	-	-	-	-	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
<b>Individuals</b>															
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
<b>Total</b>	<b>477</b>	<b>23 771</b>	<b>1 036</b>	<b>893</b>	<b>11 968</b>	<b>10</b>	<b>1 332</b>	<b>1 282 668</b>	<b>496</b>	<b>17</b>	<b>71 776</b>	<b>2 015</b>	<b>2 719</b>	<b>1 390 183</b>	<b>3 557</b>

## 16 – Non-current assets held for sale

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Non-current assets held for sale</b>		
Property	-	6 221
Other fixed assets		
	<b>-</b>	<b>6 221</b>
Accumulated impairment losses	-	-
	<b>-</b>	<b>6 221</b>

Movements in this item for the years ended 31 December 2020 and 2019 are hereby presented:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Opening balance</b>	6 221	6 221
Additions	-	-
Sales	( 6 221)	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>6 221</b>

The property recorded under this item, Terreno Cáala, was sold in December 2020, resulting in a capital gain in the amount of Akz 3,779,000, presented in gains on sale of Other Assets.

## 17 – Other Fixed Assets

As at 31 December 2020 and 2019 this item is presented as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Property</b>		
For own use	206 819	206 819
Works on property	425 086	425 086
	<b>631 905</b>	<b>631 905</b>
<b>Equipment</b>		
Office	146 529	80 076
Banking	90 641	44 932
Security	14 263	10 456
Vehicles	2 722	2 722
Basic	1 544	1 544
Computer	62 237	735
Other	44 318	44 316
	<b>362 254</b>	<b>184 781</b>
<b>Proerty under construction</b>		
Other	13 919	138 828
	<b>13 919</b>	<b>138 828</b>
<b>Right-of-use asset</b>	678 487	731 223
	<b>678 487</b>	<b>731 223</b>
<b>Gross fixed assets</b>	<b>1 686 564</b>	<b>1 686 737</b>
<b>Accumulated depreciation</b>	<b>673 850</b>	<b>415 009</b>
	<b>1 012 714</b>	<b>1 271 728</b>

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.

Variation in the line items "Office equipment" and "Computer equipment" refers to the transfer of assets under construction to fixed assets, as can be seen in the movements.

Movements in the items under Other tangible assets for the years ended 31 December 2020 and 2019 are hereby presented:

(thousands of kwanzas)

	Balance as at 01.01.2020	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Saldo em 31.12.2020
<b>Property</b>					
For own use	206 819	-	-	-	206 819
Works on property	425 086	-	-	-	425 086
	<b>631 905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631 905</b>
<b>Equipment</b>					
Office	80 076	4 991	-	61 462	146 529
Banking	44 932	21 102	-	24 607	90 641
Security	10 456	3 807	-	-	14 263
Vehicles	2 722	-	-	-	2 722
Basic	1 544	-	-	-	1 544
Computer	735	8 743	-	52 759	62 237
Other	44 316	2	-	-	44 318
	<b>184 781</b>	<b>38 645</b>	<b>-</b>	<b>138 828</b>	<b>362 254</b>
<b>Right-of-use asset</b>	<b>731 223</b>	<b>-</b>	<b>( 52 736)</b>	<b>-</b>	<b>678 487</b>
<b>Proerty under construction</b>					
Other	138 828	13 918	-	( 138 828)	13 918
	<b>138 828</b>	<b>13 918</b>	<b>-</b>	<b>( 138 828)</b>	<b>13 918</b>
	<b>1 686 737</b>	<b>52 563</b>	<b>( 52 736)</b>	<b>-</b>	<b>1 686 564</b>
<b>Accumulated depreciation</b>					
<b>Property</b>					
For own use	( 33 811)	( 4 136)	-	4 168	( 33 780)
Works on property	( 158 284)	( 51 326)	-	-	( 209 609)
	<b>( 192 095)</b>	<b>( 55 462)</b>	<b>-</b>	<b>4 168</b>	<b>( 243 389)</b>
<b>Equipment</b>					
Office	( 51 745)	( 15 983)	-	( 4 484)	( 72 212)
Banking	( 30 883)	( 10 799)	-	-	( 41 682)
Security	( 5 587)	( 1 150)	-	-	( 6 737)
Vehicles	( 2 593)	( 17 964)	-	-	( 20 556)
Basic	( 198)	( 258)	-	-	( 456)
Computer	( 316)	-	-	316	-
Other	( 19 848)	( 11 400)	-	-	( 31 248)
	<b>( 111 171)</b>	<b>( 57 553)</b>	<b>-</b>	<b>( 4 168)</b>	<b>( 172 892)</b>
<b>Right-of-use asset</b>	<b>( 111 743)</b>	<b>( 141 598)</b>	<b>( 4 228)</b>	<b>-</b>	<b>( 257 569)</b>
	<b>( 415 009)</b>	<b>( 254 613)</b>	<b>( 4 228)</b>	<b>-</b>	<b>( 673 850)</b>
	<b>1 271 728</b>	<b>( 202 050)</b>	<b>( 56 964)</b>	<b>-</b>	<b>1 012 714</b>

(thousands of kwanzas)

	Balance as at 01.01.2019	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2019
<b>Property</b>					
For own use	206 819	-	-	-	206 819
Works on property	425 086	-	-	-	425 086
	<b>631 905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631 905</b>
<b>Equipment</b>					
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
	<b>184 781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184 781</b>
<b>Right-of-use asset</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>731 223</b>
<b>Proerty under construction</b>					
Other	81 497	57 331	-	-	138 828
	<b>81 497</b>	<b>57 331</b>	<b>-</b>	<b>-</b>	<b>138 828</b>
	<b>898 183</b>	<b>57 331</b>	<b>-</b>	<b>-</b>	<b>1 686 737</b>
<b>Accumulated depreciation</b>					
<b>Property</b>					
For own use	( 29 675)	( 4 136)	-	-	( 33 811)
Works on property	( 106 958)	( 51 326)	-	-	( 158 284)
	<b>( 136 633)</b>	<b>( 55 462)</b>	<b>-</b>	<b>-</b>	<b>( 192 095)</b>
<b>Equipment</b>					
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)
	<b>( 84 936)</b>	<b>( 25 813)</b>	<b>-</b>	<b>( 422)</b>	<b>( 111 171)</b>
<b>Right-of-use asset</b>	<b>-</b>	<b>( 111 743)</b>	<b>-</b>	<b>-</b>	<b>( 111 743)</b>
	<b>( 221 569)</b>	<b>( 193 018)</b>	<b>-</b>	<b>( 422)</b>	<b>( 415 009)</b>
	<b>676 614</b>	<b>( 135 687)</b>	<b>-</b>	<b>( 422)</b>	<b>1 271 728</b>



## 18 – Intangible Assets

As at 31 December 2020 and 2019 this item is presented as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Software	153 270	153 270
Studies, projects and consultancy	139 955	139 955
Other	479 060	133 026
	<b>772 285</b>	<b>426 251</b>
<i>Property under construction</i>		
Other	<b>134 808</b>	<b>334 333</b>
Accumulated depreciation	<b>(391 191)</b>	<b>(340 367)</b>
	<b>515 902</b>	<b>420 217</b>

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

Movements in the line item "Intangible assets" for the years ended 31 December 2020 and 2019 are as shown below:

	(thousands of kwanzas)				
	Balance as at 01.01.2020	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2020
<b>Intangible assets</b>	<b>760 584</b>	<b>146 509</b>	-	-	<b>907 093</b>
Software	153 270			-	153 270
Studies, projects and consultancy	139 955				139 955
Others	133 026,0	11 701,0	-	334 333	479 060
	426 251	11 701	-	334 333	772 285
Property under construction	334 333	134 808		(334 333)	134 808
<b>Accumulated amortisation</b>	<b>( 340 368)</b>	<b>( 50 823)</b>	-	-	<b>( 391 191)</b>
Software	(125 632)	(9 640)			(135 272)
Studies, projects and consultancy	(139 269)	( 237)			(139 507)
Others	(75 467)	(40 946)			(116 412)
<b>Net balance</b>	<b>420 216</b>	<b>95 686</b>	-	-	<b>515 902</b>

	(thousands of kwanzas)				
	Balance as at 01.01.2019	Aquisitions/ Additions	Disposals/ Write-offs	Transfers and other adjustments	Balance as at 31.12.2019
<b>Intangible assets</b>	<b>529 959</b>	<b>186 699</b>	-	<b>43 926</b>	<b>760 584</b>
Software	153 270	-		-	153 270
Studies, projects and consultancy	96 029	-	-	43 926	139 955
Others	133 026	-	-	-	133 026
	382 325	-	-	43 926	426 251
Property under construction	147 634	186 699	-	-	334 333
<b>Accumulated amortisation</b>	<b>( 259 778)</b>	<b>( 36 664)</b>	-	<b>( 43 926)</b>	<b>( 340 368)</b>
Software	(115 992)	(9 640)		-	(125 632)
Studies, projects and consultancy	(95 106)	( 237)	-	(43 926)	(139 269)
Others	(48 680)	(26 787)	-	-	(75 467)
<b>Net balance</b>	<b>270 181</b>	<b>150 035</b>	-	-	<b>420 216</b>

## 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 year ended 31 December 2019 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%. During the year 2020, Law No. 26/20, of 20 July was published amending the Corporate Income Tax Code approved by Law 19/14, of 22 October, which increased the tax rate for activities in the banking sector to 35%. Thus, the current tax estimate for the year ended 31 December 2020 was calculated based on a rate of 35%.

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

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

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

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

As at 31 December 2020, the provisional assessments amounted to Akz 50,450,000 (2019: Akz 61,507,000).

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

The deferred tax assets recognised in the balance sheet at 31 December 2020 and 2019 can be analysed as follows:

	(thousands of kwanzas)					
	Assets		Liabilities		Net	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Impairment on loans to customers	-	-	-	-	-	-
Effective commission rate for loans	76	76	-	-	76	76
Effective rate for securities	-	-	-	-	-	-
Other fixed assets	1 177	1 177	-	-	1 177	1 177
Other	4 762	4 762	-	-	4 762	4 762
<b>Deferred tax asset (liability)</b>	<b>6 015</b>	<b>6 015</b>	<b>-</b>	<b>-</b>	<b>6 015</b>	<b>6 015</b>

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

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Opening balance</b>	6 015	1 253
Recognised in profit or loss	-	4 762
<b>Closing balance(Asset/(Liability))</b>	6 015	6 015

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

	(thousands of kwanzas)			
	31.12.2020		31.12.2019	
	%	Amount	%	Amount
<b>Profit before tax</b>		6 460 575		8 295 299
Tax rate		35%		30%
Income tax calculated based on the tax rate		(2 261 201)		(2 488 590)
Fiscal benefits on income from public debt securities - Art 47°	33,74%	2 179 771	17,43%	1 445 600
Investment Income Tax	-8,72%	(563 047)	-2,57%	(212 841)
Other	6,07%	392 168	1,50%	124 521
<b>Tax for the year</b>	<b>-3,91%</b>	<b>(252 309)</b>	<b>-13,64%</b>	<b>(1 131 310)</b>

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

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

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

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

Therefore, in determining taxable income for the years ended 31 December 2020 and 2019, such income was deducted from the taxable profit.

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

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

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

## 20 – Other assets

As at 31 December 2020 and 2019 this item “Other assets” is presented as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Salary advances	4 889	777
Prepayments	179 015	111 933
Sundry debtors	185 266	63 684
Office material	19 979	3 814
Deposit Guarantee Fund	60 609	30 860
Other advance payments	61 525	11 549
	<b>511 283</b>	<b>222 617</b>

As at 31 December 2020, the value of Akz 60,609,000 refers to the Bank's annual contribution to the Deposit Guarantee Fund which was launched by BNA during the year 2019 and which aims to cover the reimbursement of depositors' funds.

The item “Sundry debtors” includes the balances of Akz 106,802,000 and Akz 57,354,000 concerning licenses and invoice validation, respectively.

## 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)	
	31.12.2020	31.12.2019
<b>Demand deposits</b>		
In national currency	11 114 882	14 176 836
In foreign currency	2 091 535	2 040 968
	<u>13 206 417</u>	<u>16 217 804</u>
<b>Time deposits</b>		
In national currency	2 509 210	2 019 829
In foreign currency	66 724	29 914
	<u>2 575 934</u>	<u>2 049 743</u>
	<b>15 782 351</b>	<b>18 267 547</b>

The distribution of Deposits from customers and other borrowings per maturity as at 31 December 2020 and 2019, is as follows:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Sight deposits</b>	<b>13 206 417</b>	<b>16 217 804</b>
<b>Time deposits</b>		
Up to 3 months	1 637 120	709 949
From 3 months to 1 year	938 814	1 339 794
	<u>2 575 934</u>	<u>2 049 743</u>
	<b>15 782 351</b>	<b>18 267 547</b>

As at 31 December 2020 and 2019, time deposits in local and foreign currency bear interest at an annual average rate of 7.62% and 3.52% (2019: 5.53% and 3.25%), respectively.

## 22 – Provisions

The main provisions are detailed below:

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
<b>Provisions</b>		
Liabilities of tax nature	21 917	21 917
	<b>21 917</b>	<b>21 917</b>

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)	
	31.12.2020	31.12.2019
Tax charges payable - own	15 422	16 615
Suppliers	529 119	65 178
Staff Costs	75 064	60 578
Other administrative and marketing costs payable	645	-
Tax charges payable - retained from third parties	216 175	43 581
Pending operations and settlement	43 328	-
Social Security contribution	8 147	4 026
Lease liabilities	743 111	615 506
Other creditors	30 556	678 622
<b>Total</b>	<b>1 661 567</b>	<b>1 484 106</b>

The line item "Suppliers" includes the balances of Akz 164,327,000 and Akz 69,835,000 referring to the suppliers Promosoft and KPMG Angola, respectively

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

	(thousands of kwanzas)	
	31.12.2020	31.12.2019
Letters of credit	1	603 348
Commissions on letters of credit	7 561	21 982
Others	22 995	53 292
<b>Total</b>	<b>30 556</b>	<b>678 622</b>

The balance "Letters of credit" concerns deposits that are delivered as collateral on 31 December 2020 and 2019, not yet settled on those dates.

As of December 31, 2020, 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)	
	31.12.2020	31.12.2019
Up to one year	-	-
From 1 year to 5 years	193 997	197 716
Over five years	450 213	487 216
<b>Undiscounted future lease payments</b>	<b>644 211</b>	<b>684 932</b>
Interest to be accrued in the net interest income	98 900	( 69 426)
<b>Lease liability 31.12.2020</b>	<b>743 111</b>	<b>615 506</b>

## 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 2020 and 2019, the share distribution among the Bank's shareholders is as follows::

	31.12.2020				31.12.2019			
	Nominal Value	No.Shares	Total	% Capital	Nominal Value	No.Shares	Total	% Capital
Natalino Lavrador	1 000	5 150	5 150 000	51.5%	1 000	5 150	5 150 000	51.5%
Minoru Dondo	1 000	2 000	2 000 000	20%	1 000	2 000	2 000 000	20%
António Mosquito	1 000	2 000	2 000 000	20%	1 000	2 000	2 000 000	20%
Sebastião Lavrador	1 000	550	550 000	6%	1 000	550	550 000	6%
Carlos Oliveira	1 000	300	300 000	3%	1 000	300	300 000	3%
	<b>5 000</b>	<b>10 000</b>	<b>10 000 000</b>	<b>100%</b>	<b>5 000</b>	<b>10 000</b>	<b>10 000 000</b>	<b>100%</b>

### Earnings and dividends per share

In 2020 and 2019, 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)	
	31.12.2020	31.12.2019
<b>Net profit for the year</b>	<b>6 208 266</b>	<b>7 163 989</b>
Weighted average number of ordinary shares issues (thousands)	10 000 000	10 000 000
<b>Average number of shares outstanding (thousands)</b>	<b>10 000 000</b>	<b>10 000 000</b>
<b>Basic earnings per share (in kwanzas)</b>	<b>621</b>	<b>716</b>



## 25 – Other reserves and retained earnings

Movements in equity items, during the years ended 31 December 2020 and 2019, 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	
<b>Opening balance 1 January 2019</b>	<b>10 000 000</b>	<b>886 786</b>	<b>( 8 289)</b>	<b>138 606</b>	<b>1 017 103</b>	<b>6 630 044</b>
Constitution of legal reserve	-	663 004	-	-	663 004	( 663 004)
Appropriation of profit	-	-	-	5 967 040	5 967 040	(5 967 040)
Distribution of profits	-	-	-	( 50 000)	( 50 000)	-
Net profit (loss)	-	-	-	-	-	7 163 989
Other movements	-	-	-	( 972)	( 972)	-
<b>Closing balance 31 December 2019</b>	<b>10 000 000</b>	<b>1 549 790</b>	<b>( 8 289)</b>	<b>6 054 674</b>	<b>7 596 175</b>	<b>7 163 989</b>
<b>Opening balance 1 January 2020</b>	<b>10 000 000</b>	<b>1 549 790</b>	<b>( 8 289)</b>	<b>6 054 674</b>	<b>7 596 175</b>	<b>7 163 989</b>
Constitution of legal reserve	-	716 399	-	-	716 399	( 716 399)
Appropriation of profit	-	-	-	6 447 590	6 447 590	(6 447 590)
Distribution of profits	-	-	-	-	-	-
Net profit (loss)	-	-	-	-	-	6 208 266
Other movements	-	-	-	-	-	-
<b>Closing balance 31 December 2020</b>	<b>10 000 000</b>	<b>2 266 189</b>	<b>( 8 289)</b>	<b>12 502 264</b>	<b>14 760 164</b>	<b>6 208 266</b>

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 2020 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)

	31.12.2020	31.12.2019
Documentary credits	776 575	2 450 851
Guarantees and collaterals received	2 395 423	50 000
Committments to third parties - Revocable credit lines	3 555 223	5 391 272
Custody of customers securities	269 691	123 913

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 2020 and 2019 are guaranteed by time deposits.

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

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

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

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

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

## 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 2020

(thousands of kwanzas)					
Related Party	Demand deposits	Time deposits	Interest expense and similar charges	Loans	Interest and similar income
Shareholders	471 671 999	95 000 000	5 875	-	-
Members of the Board of Directors	36 133 690	60 000 000	3 900	-	-
Close relatives of the Shareholders and/or members of the Board of Directors	182 413 268	-	-	-	-
Entities where Shareholders and Next of Kin have significant influence	399 011 514	675 000 000	40 500	10 936 035	2 531
Entities where members of the Board of Directors have significant influence	-	-	-	-	-
	<b>1 089 230 371</b>	<b>830 000 000</b>	<b>50 275</b>	<b>10 936 035</b>	<b>2 531</b>

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	-	-	-	-
	<b>1 004 450 692</b>	<b>965 000 000</b>	<b>12 247</b>	<b>-</b>

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 Lavrador  
 Alexandra Teodora da C. Martins  
 Maria Helena Miguel  
 Regina Luísa Lagos dos Santos Nulli  
 UHY-A. Paredes & Associados – Angola  
 Mário Silva Castelo Branco  
 Francisco Miguel Paulo

### 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  
 Parigi Lda  
 Sol Maior Emp. Part. Lda  
 Taiping Lda  
 Kulanda Belas Malls Gestao e Part Lda  
 Unitransfer Casa de Câmbios SA  
 Nocebo  
 António Mosquito  
 Macon Transport

## 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 2020 and 2019 is presented as follows:

	31.12.2020					(thousands of kwanzas)	
	Amortised cost	Impairment	Valued at fair value			Fair value	Balance sheet value
			Level 1	Level 2	Level 3		
<b>Assets</b>							
Cash and balances with central banks	5 718 579	-	-	-	-	5 718 579	5 718 579
Deposits with other banks	1 535 500	-	-	-	-	1 535 500	1 535 500
Loans and advances to central banks and other banks	928 857	-	-	-	-	928 857	928 857
Financial assets at fair value through other comprehensive income	-	-	43 656	-	-	43 656	43 656
Financial assets at amortised cost	38 599 044	( 161 462)	-	-	-	39 215 471	38 437 582
Loans and advances to customers	849 785	( 1 816)	-	-	-	868 010	847 969
<b>Total Assets</b>	<b>47 631 765</b>	<b>( 163 278)</b>	<b>43 656</b>	<b>-</b>	<b>-</b>	<b>48 310 073</b>	<b>47 512 143</b>
<b>Liabilities</b>							
Customer deposits and other borrowing	15 782 351	-	-	-	-	15 782 351	15 782 351
<b>Total Liabilities</b>	<b>15 782 351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 782 351</b>	<b>15 782 351</b>

31.12.2019						(thousands of kwanzas)	
	Amortised cost	Impairment	Valued at fair value			Fair value	Balance sheet value
			Level 1	Level 2	Level 3		
Assets							
Cash and balances at central banks	6 068 128	-	-	-	-	6 068 128	6 068 128
Deposits with other banks	2 826 782	-	-	-	-	2 826 782	2 826 782
Loans and advances to Central Banks and other banks	4 293 878	-	-	-	-	4 293 878	4 293 878
Financial assets at fair value through other comprehensive income	-	-	43 656	-	-	43 656	43 656
Financial assets at amortised cost	30 403 106	( 28 572)	-	-	-	31 130 678	30 374 534
Loans and advances to customers	71 776	( 2 015)	-	-	-	69 761	69 761
Total Assets	43 663 670	( 30 587)	43 656	-	-	44 432 883	43 676 739
Liabilities							
Customer deposits and other borrowing	18 267 547	-	-	-	-	18 267 547	18 267 547
Total Liabilities	18 267 547	-	-	-	-	18 267 547	18 267 547

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 ventral 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 sub-contracting regime; inefficient decision-making processes; insufficient or inadequate human resources; or the inoperability of the infrastructures.

## Risk assessment

### Credit risk

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

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

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

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

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

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



(thousands of kwanzas)

	<b>31.12.2019</b>		
	<b>Gross carrying amount</b>	<b>Impairment</b>	<b>Net carrying amount</b>
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	222 617	-	222 617
	<b>39 592 409</b>	<b>( 30 587)</b>	<b>39 561 822</b>
<b>Off-balance sheet</b>			
Documentary credit	2 450 851	-	2 450 851
Commitments towards third parties	5 391 272	-	5 391 272
	<b>7 842 123</b>	<b>-</b>	<b>7 842 123</b>
	<b>47 434 532</b>	<b>( 30 587)</b>	<b>47 403 945</b>

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

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

## 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:

Description	(Amounts in original currency)							
	CHF	EUR	GBP	JPY	NAD	USD	ZAR	Impact on FP
Total currency as at 31-12-202	148 345	(410 691)	5 580	14 111 304	80	18 612	1 226 576	
Exchange rate at 31-12-2020	496,02	734,32	796,73	882,32	6,30	44,44	649,91	
Positive change of 5%	3 679	(15 079)	222	622 534	0	41	39 858	0,002%
Positive change of 10%	7 358	(30 158)	445	1 245 067	0	83	79 717	0,004%
Positive change of 20%	14 716	(60 316)	889	2 490 134	0	165	159 433	0,009%
Negative change of 5%	(3 679)	15 079	(222)	(622 534)	(0)	(41)	(39 858)	-0,002%
Negative change of 10%	(7 358)	30 158	(445)	(1 245 067)	(0)	(83)	(79 717)	-0,004%
Negative change of 20%	(14 716)	60 316	(889)	(2 490 134)	(0)	(165)	(159 433)	-0,009%

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

As to the foreign exchange risk, the following table contains sensitivity analysis of the Bank's exposure to the foreign exchange rates with reference to 31 December 2020:

(thousands of kwanzas)	Rate			Total
	LUIBOR 12 months	LUIBOR 6 months	LUIBOR 1 month	
Balance as at 31-12-2020				
Due loans	23 868	1 037	163 531	188 437
Overdue loans	15	-	-	15
	<b>23 883</b>	<b>1 037</b>	<b>163 531</b>	<b>188 452</b>
Positive change of 1 %	97	16	3 306	3 419
Positive change of 2 %	195	17	6 612	6 824
Positive change of 5 %	487	20	16 531	17 039
Negative change of 1 %	(97)	(16)	(3 306)	(3 419)
Negative change of 2 %	(95)	(17)	(6 612)	(6 724)
Negative change of 5 %	(487)	(20)	(16 531)	(17 039)

The assets and liabilities of the Bank are presented by type of rate as of 31 December 2020 and 2019 as follows:

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

(thousands of kwanzas)

	31.12.2019			Total
	Exposure to		Not subject to	
	Fixed rate	Floating rate	interest rate risk	
<b>Assets</b>				
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
	<b>34 687 129</b>	<b>51 044</b>	<b>8 938 566</b>	<b>43 676 739</b>
<b>Liabilities</b>				
Deposits from central and other banks	-	-	-	-
Customer deposits and other borrowings	18 267 547	-	-	18 267 547
	<b>18 267 547</b>	<b>-</b>	<b>-</b>	<b>18 267 547</b>
<b>Total</b>	<b>16 419 582</b>	<b>51 044</b>	<b>8 938 566</b>	<b>25 409 192</b>

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 2020 and 2019, as well as the respective average balances and income and expenses for the year:

(thousands of kwanzas)

	31.12.2020			31.12.2019		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
<b>Loans and advances</b>						
Loans and advances to custome	5 893 354	292 951	5,0%	6 784 139	302 999	4,5%
Deposits with and loans to	8 538 923	108 247	1,3%	12 268 597	367 827	3,0%
Portfolio of securities	33 988 748	6 193 354	18,2%	24 189 624	4 801 353	19,8%
<b>Total Loans and Advances</b>	<b>48 421 024</b>	<b>6 594 552</b>	13,6%	<b>43 242 360</b>	<b>5 472 179</b>	12,7%
<b>Deposits</b>						
Customer deposits and deposits	34 049 898	214 863	0,6%	32 715 903	345 613	1,1%
Lease Liabilities	743 111	98 900	13,3%	615 506	69 426	11,3%
<b>Financial liabilities</b>	<b>34 793 009</b>	<b>313 763</b>	0,9%	<b>33 331 409</b>	<b>415 039</b>	1,2%
<b>Net Interest Income</b>	<b>13 628 015</b>	<b>6 280 789</b>		<b>9 910 951</b>	<b>5 057 140</b>	

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 2020 and 2019, the Bank complied with this requirement.

The breakdown of assets and liabilities as at 31 December 2020 and 2019, by currency, is hereby presented:

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

(thousands of kwanzas)					
31.12.2019					
	Kwanzas	U.S. dollars	Euros	Other currencies	Total
<b>Assets</b>					
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
	<b>34 432 048</b>	<b>2 822 889</b>	<b>7 862 288</b>	<b>547 818</b>	<b>45 665 043</b>
<b>Liabilities</b>					
Deposits from central banks and other banks	-	-	-	-	-
Customer deposits and other borrowings	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
Deferred tax liabilities	-	-	-	-	-
Other liabilities	184 921	1 047 384	-	251 801	1 484 106
	<b>15 312 265</b>	<b>3 258 609</b>	<b>2 075 229</b>	<b>258 777</b>	<b>20 904 880</b>
	<b>19 119 783</b>	<b>( 435 720)</b>	<b>5 787 059</b>	<b>289 041</b>	<b>24 760 163</b>

## 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 2020 and 2019, the liquidity gap of the Bank's balance sheet presented the following structure:

(thousands of kwanzas)

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

(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
<b>Assets</b>							
Cash and balances with 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
	<b>8 894 910</b>	<b>4 064 467</b>	<b>30 033 491</b>	<b>616 115</b>	<b>24 100</b>	<b>43 656</b>	<b>43 676 739</b>
<b>Liabilities</b>							
Customer deposits and other borrowings	16 217 804	709 949	1 339 794	-	-	-	18 267 547
	<b>16 217 804</b>	<b>709 949</b>	<b>1 339 794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 267 547</b>
	<b>(7 322 894)</b>	<b>3 354 518</b>	<b>28 693 697</b>	<b>616 115</b>	<b>24 100</b>	<b>43 656</b>	<b>25 409 192</b>

## 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 n° 10/2014 of 5 December.

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

1. Tier 1 capital includes (i) Paid-up capital; (ii) reserve to record the adjusted value of the paid-up capital; (iii) retained earnings from previous years; (iv) legal, statutory and other reserves from undistributed profits, or created to increase capital, and (v) net profit for the year.
2. Tier 2 capital includes: (i) redeemable preference shares; (ii) general provisions and funds; (iii) reserves from realization of own-use properties; (iv) subordinated debt and hybrid securities; (v) other values, authorized by the BNA.
3. Deductions – include: (i) treasury shares subject to repurchase; (ii) redeemable preference shares and with fixed and cumulative dividends; (iii) loans of a capital nature granted (iv) loans of a capital nature granted; value of 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)	
	31.12.2020	31.12.2019
<b>Regulatory Capital</b>	30 463 513	24 408 700
<b>Risk-weighted assets</b>	1 955 679	1 952 920
<b>Regulatory capital requirements</b>	1 483 601	1 290 122
Own Funds Requirements for Credit Risk	173 741	232 612
Own Funds Requirements for Market Risk	-	60 010
Own Funds Requirements for Operational Risk	1 309 860	997 499
<b>Core Tier 1 ratio - Base</b>	205,33%	189,20%
<b>Core Tier 1 ratio- Adjusted</b>	205,33%	189,20%

## 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:

#### 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 2020 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.

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 2020 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 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 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 cash flows based on a benchmark interest rate 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 when applying a present value technique, discounted at a market 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 2020 resulting from this interpretation.

#### ***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 2020 resulting from this interpretation.

#### ***IAS 23 Borrowing Costs – borrowing costs eligible for capitalization***

The amendment clarified that an entity treats any loan, originally obtained for the development of a qualifying asset, as part of global loans when substantially all the activities necessary to get the asset ready for its intended use or sale are completed.

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 2020 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 from 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, 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 2020 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 between 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 2020 resulting from this interpretation.

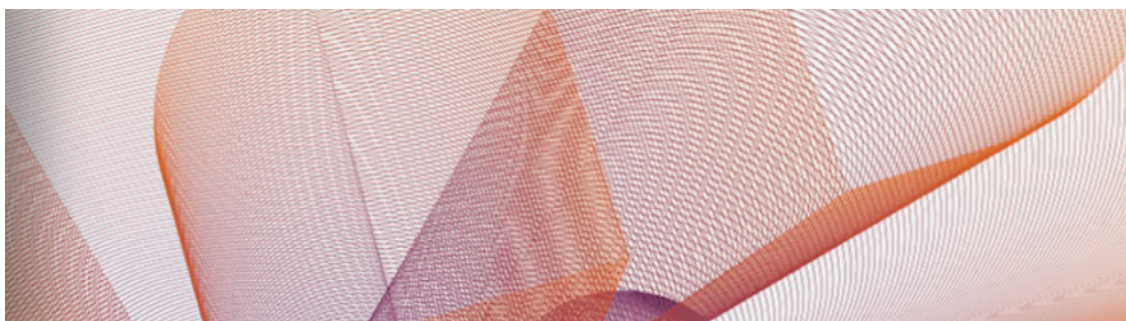
## **31 – Subsequent events**

After 31 December 2020, 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 fall 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 2021, 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 estimates of the impact they 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 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 its 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 2021 that aim to translate (i) an expectation of lower revenue; and (ii) significant containment of business costs.



## External Auditor's Report



**Crowe Angola – Auditors and Consultants,SA**

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[www.crowe.com](http://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



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

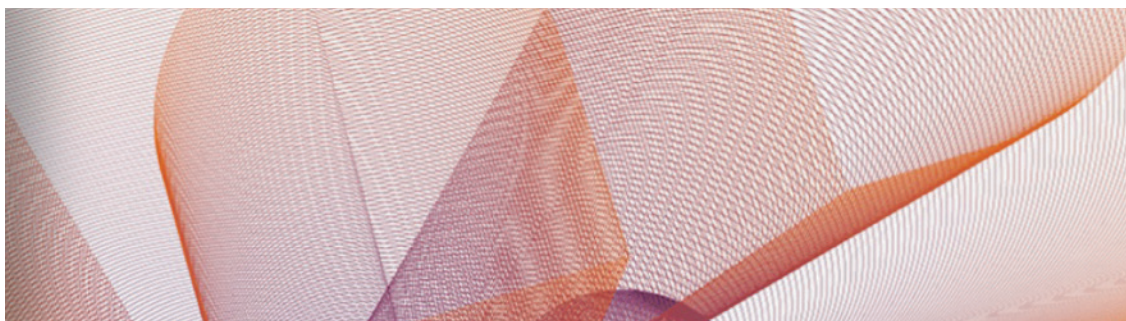
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CROWE ANGOLA

Represented by João Martins de Castro

Accounting technician, registered with OCPCA under no. 20140123.

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## **Audit Committee'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 2020 of **Banco Comercial do Huambo, S.A.** (hereby referred to as Bank), as well as on the proposal for appropriation of profit, which are a responsibility of the Board of Directors. The balance sheet shows total assets of AOA 48,636,124,000 and equity of AOA 30,968,430,000 including profit after tax of AOA 6,208,266,000.

1. Throughout the financial year, we had the chance to periodically monitor the Bank's activity, the adequacy of the accounting records and compliance with applicable legal and statutory standards. The Bank's management and several departments provided us with the explanations and information we requested, necessary for the preparation of our opinion.
2. Within the scope of our duties, we carried out analyses and appraised the Financial Statements which comprise the Balance Sheet, Income Statement, Cash flow Statement and the respective Notes, all of which were prepared in accordance with the International Accounting Standards (IASB) and International Financial Reporting Standards (IFRS), according to the provision of Notice 6/2016 of 16 May, issued by the National Bank of Angola.
3. We analysed the Management Report which describes with sufficient clarity the Bank's activity during 2020.
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 emphasis of matter relating to the effects of the Covid-19 pandemic and its impacts on a global scale.
6. In the light of the foregoing, and taking into consideration the work done we propose:
  - a) The approval of the Management Report and the Accounts for the year ended 31 December 2020.
  - b) The approval of the proposed appropriation of net profit from 2020, as described in the Management Report.
  - c) Approval of a vote of praise, reinforcing the trust in the Board of Directors for its dedication, good performance and for the results achieved in the financial year of 2020, which reflect the bank's soundness and sustained growth.
7. We would also like to express our gratitude to the Board of Directors and the Bank's departments for their collaboration.

Luanda, 29 April 2021

The AUDIT COMMITTEE

Signed: Mr. Armando Nunes Paredes – President

Signed: Mr. Mário Castelo Branco – Deputy-chairman

Mr. Francisco Miguel Paulo – Deputy-chairman