ANNUAL REPORT AND ACCOUNTS

2023

Contents

Message from the Chairman

Dear stakeholders, another year has passed, and it is time to take stock of the 2023 financial year.

Along with the continued fiscal and budgetary consolidation that can be seen in Angola, through the structural reform programme that was implemented by the Angolan authorities, with the support of the IMF, the year of 2023 was marked by major macropolitical and geopolitical events in the global economic panorama.

Contrary to that which was observed in 2022 – a year when certain effects were still being felt –, the COVID-19 pandemic was no longer an obstacle to the correct functioning of the World Economy in 2023, which resulted in the emergence of a number of positive signs, such as a greater movement of people and goods, as a result of the end of the restrictive measures previously imposed during that pandemic.

Despite these signs of global economic recovery, 2023 was also significantly marked by geopolitical instability, particularly the outbreak of war in the Gaza Strip between Israel and Palestine, the continuation of the war in Ukraine, which naturally caused considerable global political and diplomatic instability, along with a feeling of uncertainty with regard to the future, thereby jeopardising a more harmonious functioning of the world economy. This also entailed a slower return to the economic growth and inflation levels that had been hoped for and a delay in restoring the supply chains for raw materials and goods.

It is therefore not surprising that this also caused certain consequences and negative effects on the Angolan economy.

As such, although at the start of 2023, particularly during the first quarter, there was an expectation that the Angolan economy would behave in a similar way to 2022, benefiting from greater diversification through growth in the services sector and a reduction in the relative weight of the oil sector, what indeed happened was that the Kwanza depreciated sharply in the second quarter of the year, largely due to the observed fall in international demand for oil.

This volatility and relative loss of value of the national currency, which also had a negative effect on the public debt ratio (when combined with the unfavourable differential between interest rates and GDP growth) – and which helps to understand the weight that the oil business still has to this day in the performance of the Angolan economy –, reinforced the need and importance of contributing to the diversification of other economic sectors to establish greater stability in Angola's economy.

However, despite these difficulties and these challenges, it is important to note a number of positive and encouraging signs for the Angolan economy in 2023, such as the GDP per capita growth – in line with the constant growth trend shown in recent years, after a fall in such values between 2014 and 2020–, and a slight surplus recorded in the public accounts, which reinforces the Angolan State's commitment to budgetary consolidation made to the IMF and international financial markets, based on the pillars of (i) strengthening the incomes of families and workers, (ii) greater investment in the economy and companies and (iii) the long-term sustainability of the General State Budget.

In addition, there are a number of other encouraging signs for the Angolan economy in the near future, particularly during 2024, such as the IMF's expectation of a real 3.3% growth in Angolan GDP, the positive and consistent trend seen in the reduction of the unemployment rate in recent years, including a significant drop in youth unemployment and the expectation that a budget surplus (albeit slight) can be maintained.

Notwithstanding these advances and setbacks in economic and financial matters that have been observed, we must also emphasise the significant challenges that the Angolan economy continues to face, particularly the difficulty in overcoming certain structural weaknesses, such as the historical maintenance of high levels of inflation, the indebtedness of the Angolan state and the imbalances related to the external debt and the trade balance.

As such, it is crucial that joint state and private initiatives, which have continuously been publicly announced, particularly new economic and social stimulus programmes – with a special focus on the Employment, Entrepreneurship and Professional Training Programme, which forms part of the National Development Plan, and is focused on the country's employment challenges, including investment in human capital skills development and professional qualifications –, are indeed operationalised, along with the following reforms, which have already been implemented or which are underway: (i) diversification of Angola's economic fabric and a reduction in dependence on the oil sector, (ii) exchange rate flexibilization, (iii) tax reforms, (iv) monetary policy restrictions and budgetary consolidation efforts, resulting in reducing public debt, (v) the process of the privatisation and liquidation of certain state-owned companies, particularly through IPOs (as part of PROPRIV), with the subsequent development of the capital market.

It is therefore within this highly challenging economic context which the Angolan banking sector, with the vulnerabilities characteristic of a developing and maturing sector, and which faces an ongoing increase in regulatory requirements and supervisory initiatives (e.g. the approval of the new Law for Financial Institutions, in May 2021, the entry into force of Notice No 1/2022 of the Bank of Angola - Banco Nacional de Angola, BNA), which will of course make it more difficult to obtain "supervisory equivalence" by the BNA and the realisation of initiatives such as SREP, is currently functioning.

As such, and although according to the IMF, the capitalisation levels of Angolan banks continue to be generally adequate, the challenges that the Angolan banking sector faces are well-known and limit its ability to distribute dividends to shareholders.

In view of the above, and despite some of the positive signs shown by the Angolan economy, as mentioned previously, it is felt that 2023 continues to present a significant number of adversities and challenges for the Angolan banking sector which, despite this, has generally proven to be relatively resilient and capable of reasonably accommodating them.

In particular, BCH has also faced a complex 2023, with a number of significant challenges, which it tried to manage appropriately but which, however, in certain cases ended up impacting some of the Bank's main economic and financial economic indicators.

In fact, in 2023 the net result was 3 486 586 thousand of kwanzas (AOA) which, compared to 2022, represents a fall of 45.7%. The net interest income also fell by approximately 28.3%. The variation in these two indicators, with a direct impact on profitability, namely the ROE and ROA, was largely related to a reduction of approximately 12.5% in the Bank's assets, particularly a decrease in one of the respective items, the volume of applications in central banks and other credit institutions.

Furthermore, in 2023, and along with other credit institutions in the market with similar characteristics in terms of size, BCH faced a significant challenge in terms of access to foreign exchange. In fact, it was observed that, although the shortage of foreign exchange naturally affected the entire banking sector, smaller credit institutions, such as BCH, ended up suffering a greater impact and were more penalised in this regard. The difficulties in accessing foreign exchange that it could subsequently sell to its customers therefore had a negative impact, particularly through the loss of important customers and the transfer of their resources (deposits) along with the entire associated commercial relationship, to other larger-sized banks with a greater capacity to access and influence the foreign exchange market. As such, although the Bank sought to develop a number of commercial initiatives to respond to and mitigate this phenomenon, it might have been important to find market solutions, perhaps with the support and backing of supervisory and regulatory authorities, to better control this access to the foreign exchange market.

Despite these challenges, BCH continues to be a solid and resilient institution. In 2023, the Bank increased its capital by incorporating reserves and its regulatory own capital grew by approximately 8.6%. In addition, the solvency ratio reached 183.26%, with the legally required minimum being 10%.

In addition, the Bank has continued to invest. In 2023, it opened in new branch and plans to make further investments in ATMs and POS. Likewise, the Bank has continued to invest in cybersecurity, and made great strides in this area in 2023.

It is indeed our intention to always maintain a coherent policy along with prudent and responsible management, in line with that witnessed in previous years, and there is no foreseeable intention to distribute any dividends to shareholders at this stage.

Furthermore, even in this highly challenging scenario, BCH will continue to support the Angolan economy, its business community and individuals, as it always has, seeking sustained growth and endeavouring to keep its ratios at acceptable levels.

BCH would therefore like to express its acknowledgement of and utmost gratitude to our employees for the dedication and commitment they have shown. It is the professional spirit of our employees that keeps BCH at the top of the country's financial system. May they receive our deepest gratitude.

We would also like to say a special thank you to our customers for their renewed preference, along with our commitment to continuously improve the quality of our services. Our thanks also go to our shareholders for the confidence they have shown in the implementation of our management policies.

To all of you, our sincere thanks.

Chairman of the Board of Directors

Natalino Bastos Lavrador

Macroeconomic Framework

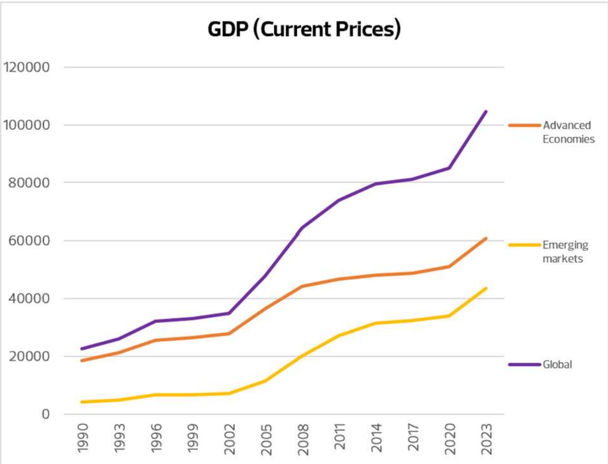
International Economy

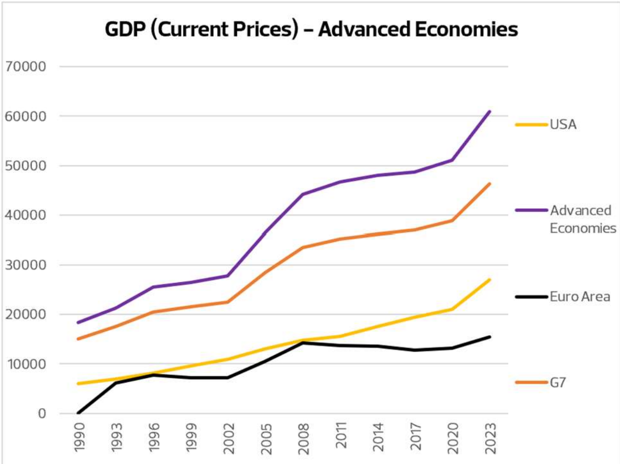
The 2023 financial year was marked by major macropolitical and geopolitical events across the global economy. Contrary to that which was observed in 2022 – a year when certain effects were still being felt –, the COVID-19 pandemic was no longer an obstacle to the suitable functioning of the World Economy in 2023, which resulted in the emergence of a number of positive signs, such as a greater movement of people and goods, as a result of the end of the restrictive measures previously imposed during that pandemic.

As such, we would hope to have a more rapid return to the levels of economic growth, the functioning of the supply chains for raw materials and goods, and the inflation figures experienced in the pre-pandemic and prewar period in Ukraine.

However, although this path is gradually being travelled, the emergence of the confrontation in the Gaza Strip between Israel and Palestine, and the continuing conflict in Ukraine (two conflicts in two of the most important energy export regions) have created enormous political and diplomatic instability and a feeling of uncertainty about the future, thereby jeopardising the sounder functioning of the world economy.

Due to Europe's dependence on Russia/Ukraine for energy and essential foodstuffs, inflation in the Euro Area has reached very high levels, essentially as a result of the scarcity of these products. Core inflation (which excludes energy and food costs) in Europe and the United States of America (USA) is still far from the 2 per cent suggested by the European Central Bank (ECB) and the US Federal Reserve (FED), with the inflation rate still close to 5% and with the outlook that this target will not be reached until 2025. The future of the world economy continues to be debated, with more nations adhering to more protectionist economic models in order to reduce their external dependence on major goods. This kind of behaviour demonstrates a growing mistrust in the proper functioning of a fully open economy.

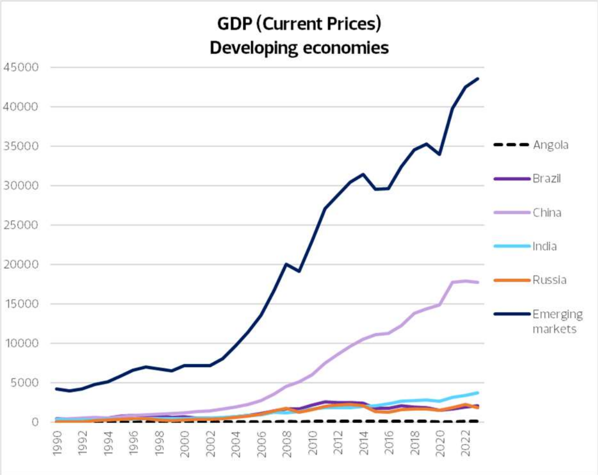


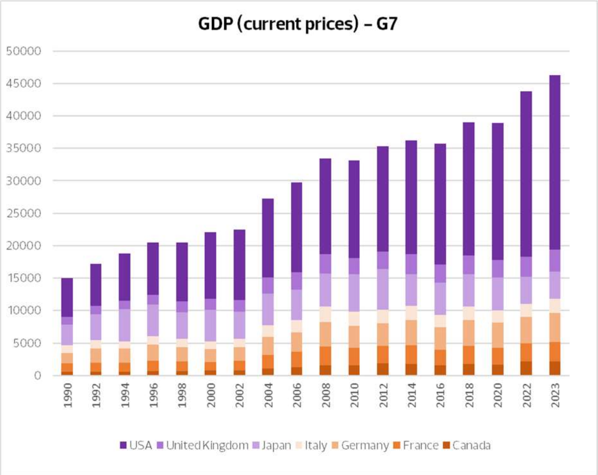


Source: IMF

As a result, the International Monetary Fund (IMF) has projected a certain amount of stagnation in the economic growth of the global economy: 3.1% in 2024, the same as the previous year. Advanced economies are the ones forecast to perform worse than originally expected, going from a modest 1.6% in 2023 to an even lower 1.5% in the projections for 2024, with particular emphasis on Japan and the US, as they are the advanced economies with the largest expected falls compared to the same period last year. Developing economies and emerging markets, as opposed to developed economies, are showing higher growth than globally projected, with an expected level of 4.1%, similar to the previous year and despite the aforementioned signs of global stagnation.

In fact, following the continuous increase in interest rates by the Central Banks, in an attempt to combat the high levels of inflation experienced over the last two years, a stagnation in the economic development of the most advanced economies, as well as a global slowdown, was to be expected, although not desirable.





Source: IMF

In the US, the IMF has forecast economic growth of 2.1% for 2024, a decrease of 0.4 percentage points compared to 2023.

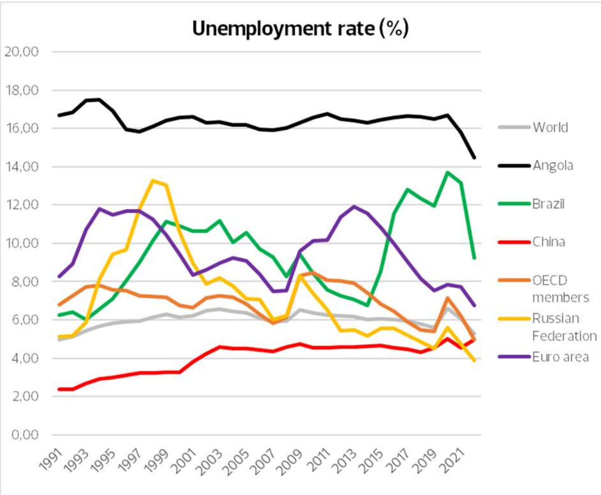
Despite this, the North American financial year exceeded expectations. Along with the rest of the world, the US was not exempt from high inflation rates, which according to the IMF have fallen, in this case, by 3.4 p.p. year-on-year, from 6.4 per cent to 3 per cent and it is expected that they will continue to fall in 2024. As a result, the FED raised interest rates, which apparently did not affect American consumers, who consistently spent throughout the year. This type of behaviour has allowed the country to show greater economic robustness, although the trend is for a slight decrease in these figures in 2024. This phenomenon can perhaps be explained by the end of the savings achieved during the COVID-19 period, as well as some stagnation in salary growth, and in general lower aggregate demand.

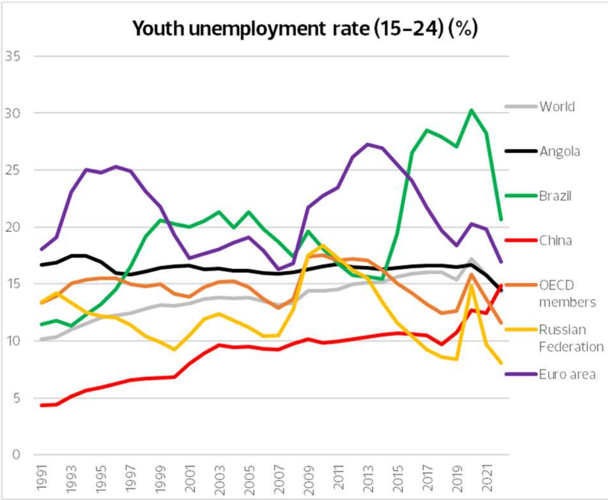
Finally, the persistence of the conflict in Europe between Russia and Ukraine, the growth of tension between China and Taiwan and, above all, the escalation of the war in the Middle East (between Palestine and Israel), in which the US has been siding with Israel, also marked the North American year, contributing to greater fragmentation and geo-economic tension.

The Euro Area, after overcoming the double crisis involving the pandemic (COVID-19) and energy (the latter caused by the Russian invasion of Ukraine), has continued to face the challenge of restoring price stability, which has proved difficult to deal with. Over the last two years, inflation has reached record levels in the Euro Area, and this has been reflected in interest rates, which changed from 0% in 2016 to 4.5% on 20 September 2023, the highest in decades.

This backdrop of rising interest rates resulted in the ECB having to take a number of additional measures, through establishing the need for national banks to implement tighter monetary policies in order to make it more difficult to finance the real economy, while at the same time trying to balance the increase in interest rates with sustainable and balanced growth, which has proven very difficult to achieve. Although Eurostat's first projections for economic growth in the Euro Area were not very ambitious, and showed a figure of 0.7%, this expectation fell short of the 0.4% which was achieved, according to the same source. It should be noted that certain European economies showed a decrease in Gross Domestic Product compared to 2022, including Ireland (-9.1%), Estonia (-2.5%) and Finland (-1.8%).

On the Asian continent, the Chinese economy has once again gained some momentum, stimulated by an increase in demand for services, as well as strong investment in manufacturing and public infrastructure. However, despite these efforts, the return to a fully-fledged economy has not been easy or consistent, and has proven to be somewhat volatile, which may be a symptom of the growing tension between China and Taiwan, which have historically been the closest Asian partners in the international market. Despite this, Asia has exceeded growth expectations, achieving 5% economic growth, according to the IMF. China presented an economic growth of 5.2%, showing a certain level of acceleration after the previous three years being marked by the COVID-19 pandemic, which showed some of the lowest figures in the last 40 years.





Source: World Bank

With regard to the unemployment rate, according to the World Bank, the US in 2023 had an average rate of 3.6%, the same as the previous year - figures that represent a positive scenario, with values below the historical average of this indicator for the US power. The youth unemployment rate fell slightly compared to the previous year, reaching 8%, one of the lowest levels in the last 25 years.

In the Euro Area, according to World Bank data, the unemployment rate fell by 0.2 percentage points in 2023, from 6.7% to 6.5%, when compared to the previous period The youth unemployment rate also fell by 0.9 percentage points compared to 2022 and reached 16.1%. The Euro Area, like the US, had the lowest youth unemployment figures in the last 20 years.

The Angolan Economy

Angola is a country where economic growth has been intimately linked to global demand for oil.

Despite the fundamental role that the oil sector plays in the Angolan economy, this type of dependence allows for and contributes to more volatile economic growth and raises a number of challenges, such as poverty and inequality, to which the country must provide strong and effective answers

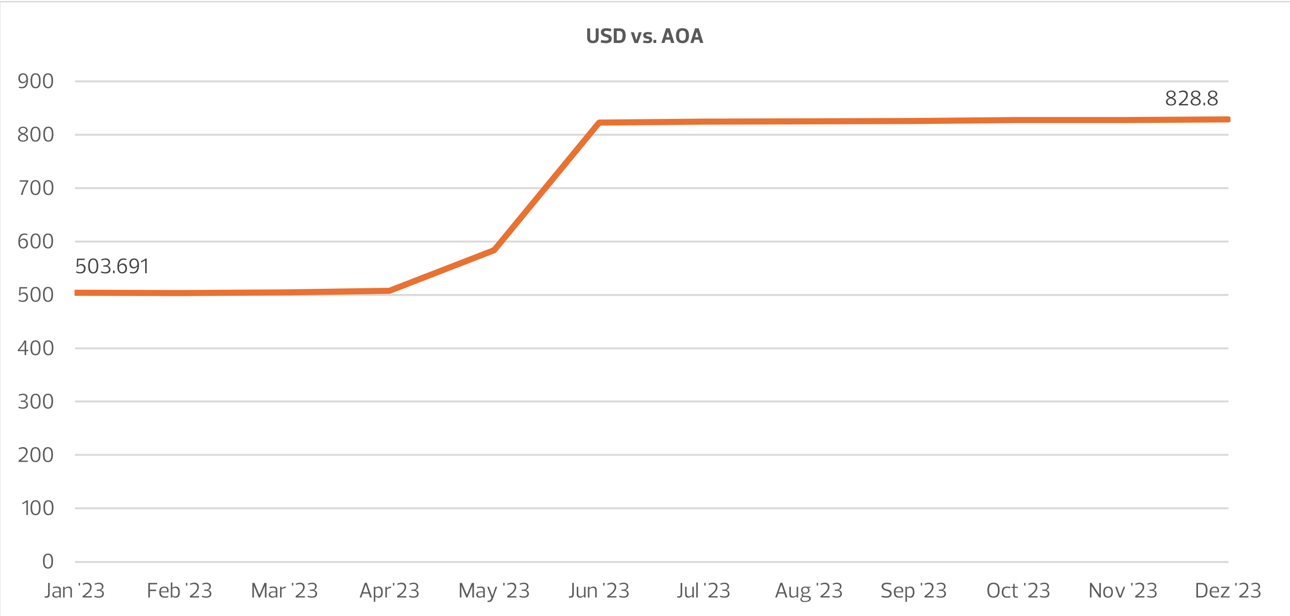
Despite these challenges, over the last five years the country has endeavoured to bring about a significant change in this model of economic growth in an economy that, as previously mentioned, has historically been and is still today strongly linked to the price of oil.

In this way, the state has sought to implement a series of reforms, of note being the following:

- the establishment of a more flexible exchange rate regime;
- greater autonomy for the Central Bank;
- sound monetary policy and budget consolidation;
- greater participation of the private sector in the economy.

This set of actions is intended to help improve macroeconomic management and public sector governance, and represents an important effort to diversify the Angolan economy and help to reduce its vulnerability to the shocks that come from oil resources.

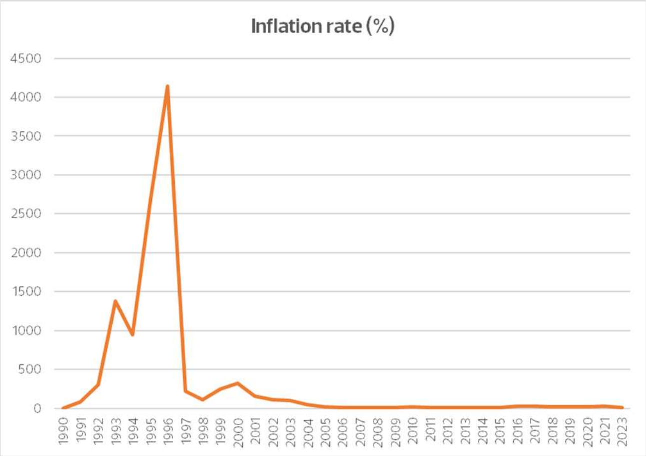
If all these measures work harmoniously, Angola may be able to move closer to more stable growth, by building a currency that is less susceptible to abrupt fluctuations and, consequently, to a more dynamic and robust economy.

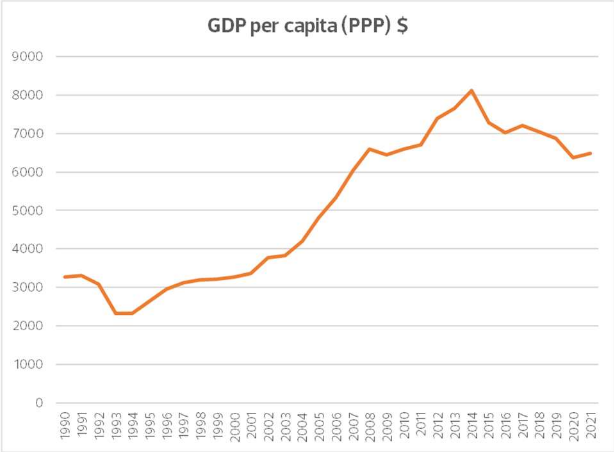


Source: BNA

At the beginning of 2023, it was expected that the Angolan economy would behave in a similar manner to the previous year, and even benefit from growth in the services sector and a slight decline in the oil sector.

According to the BNA, on the first day of 2023, 1 USD was equivalent to 503.691 kwanzas (AOA), and at the end of the year it was worth 828.800 AOA, with the national currency thus having devalued by approximately 40 per cent. However, since July 2023, the national currency has been stable against the US dollar.





Source: IMF and World Bank

The inflation rate in 2023 behaved positively compared to previous years, with a reduction of 8 percentage points to 13.1%, an apparently encouraging sign compared to recent years, which was, however, quickly contradicted by the IMF's forecast of an increase to 22.3% in 2024. Despite the high rates of inflation, the IMF expects Angola's actual GDP to grow by 3.3%, compared to around 1.3% in 2023.

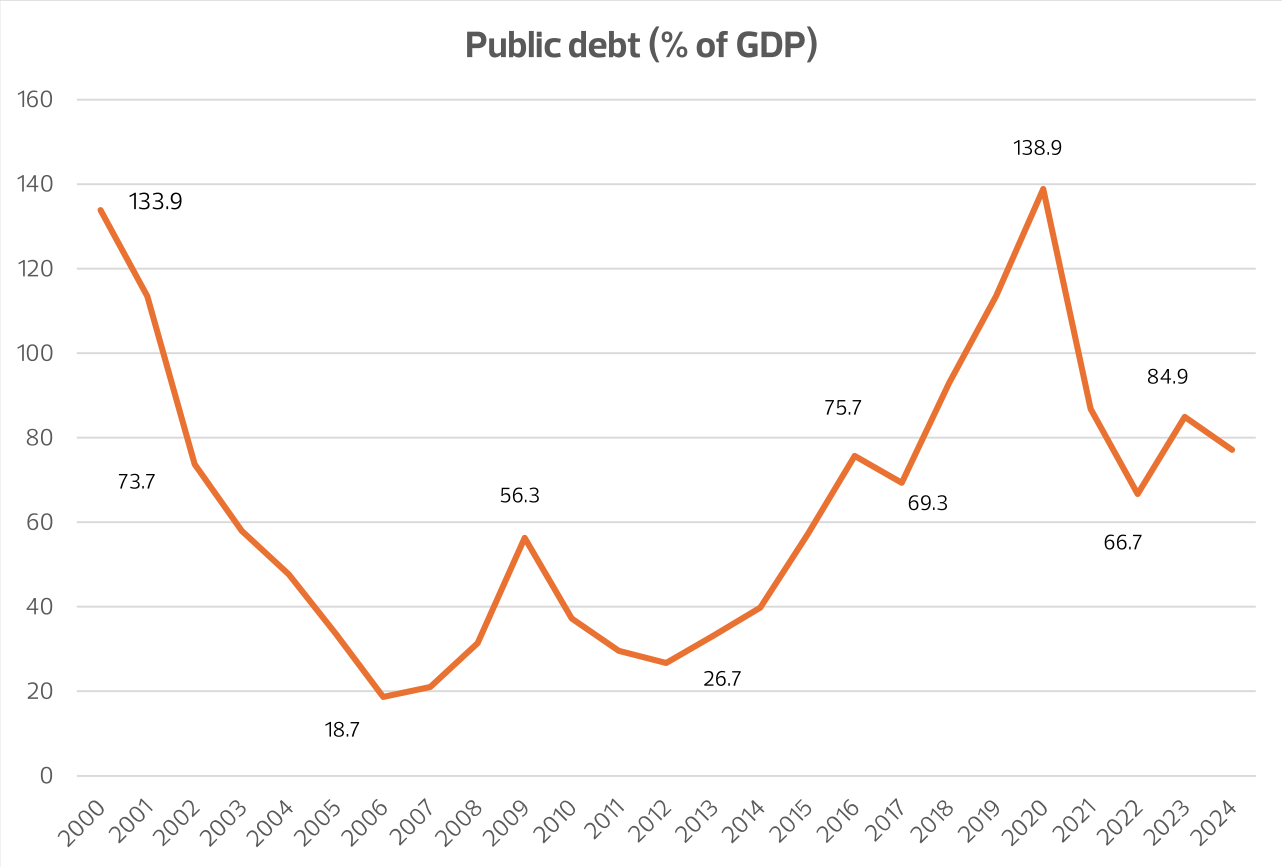
Based on IMF data for Angola, it can be seen that per capita income at current prices exceeded expectations in 2022, reaching 3 440 USD, 740 USD higher than the 2 700 USD originally projected for the period in question. In 2023, there was a clear decrease compared to 2022, with an observed per capita income of around 2 570 USD.

With regard to GDP per capita (PPP), according to IMF data, after reaching a peak in 2014 (8 123 USD), this indicator has shown a continuous decline until 2020. From then until today, the figures have been rising annually, from 6 348.55 USD in 2020 to 7 014.15 USD in 2023 and increasing to 2024, certainly with the aim of returning to the 2014 figures in the near future.

In 2023, based on the analysis carried out by the Angolan Ministry of Finance, the 2023 General State Budget shows a surplus of AOA 559.8 billion, which represents 0.9% of GDP.

For 2024, the draft State Budget shows a surplus of 0.02% of GDP. The 2023 Budget also referred to what are considered to be the state's "Three Priorities for 2023": (i) strengthening the incomes of families and workers; (ii) greater investment in the economy and companies and (iii) making the General State Budget more sustainable.

In 2023, the debt ratio grew again, reaching 84.9% (data: IMF), figures similar to those of 2021 (86.8%) and considerably higher than the previous year (66.7%). This performance is the result of exchange rate depreciation and the unfavourable differential between interest rate and GDP growth, but according to the Ministry of Finance this is not impracticable and "remains sustainable".



Source: IMF

The unemployment rate (data: World Bank in partnership with the International Labor Organization) is an indicator that has developed positively 3 years in a row, from 16.7% in 2020 to 14.48% in 2022, but which is higher than the average values presented by sub-Saharan African countries. The youth unemployment rate (15-24), which has fallen by more than 10 percentage points since 2011 (38.55%) to the most recent figures available for 2022 (28.01%), despite showing a positive trend, is still much higher than the average of 11% in sub-Saharan Africa.

In Angola, according to the most recent data provided by the World Bank, in the report Poverty & Equity Brief (April 2024), in 2018 approximately 16.5 million people lived on the international poverty line for lower-middle income countries (3.65 USD per day in 2017 PPP terms). Within this group, almost 10 million fall into the category of less than 2.15 USD a day, the international poverty line. The recent slowdown in growth, rising food prices and the pandemic, combined with exponential population growth and the decrease in better job offers, mean that poverty is expected to increase by 2.15 USD per day in 2024, leaving almost 13.5 million Angolans living in poverty.In 2024, the United Nations Development Programme (UNDP) published data related to 2022, ranking Angola at number 150 on the average Human Development Index (HDI), just a few tenths above what would be considered a Low HDI and 2 positions lower than the previous ranking, despite a slight increase in the index.

In 2024, the United Nations Development Programme (UNDP) published data related to 2022, ranking Angola at number 150 on the average Human Development Index (HDI), just a few tenths above what would be considered a Low HDI and 2 positions lower than the previous ranking, despite a slight increase in the index.

Regulatory Framework

Regulations approved by the BNA in 2023						
Mechanism	Number	Status	Publication	Subject	Entry Into Force	Intended recipients
Instructions	Instruction No 18 – 2023, of 19 December	In force	21/12/2023	Financial System – Methodological Procedures for the External Auditor	20/12/2023	Financial Institutions
Directives	Directive No 13 – 2023, of 8 December	In force	20/12/2023	Reporting Deadlines IFS Employees	08/12/2023	Financial Institutions
Notices	Notice No 13–2023, of 14 December – Foreign Exchange Policy – Forward Exchange Rate	In force	14/12/2023	Foreign Exchange Policy – Forward Exchange Rate	13/12/2023	Financial Institutions
Instructions	Instruction No 17 – 2023, of 06 December	In force	12/12/2023	Financial System – Reporting Information to the Commission Comparator	11/12/2023	Financial Institutions
Notices	Notice No 12–2023, of 04 December	In force	04/12/2023	Financial System – Requirements for the Provision of External Audit Services	03/12/2023	Financial Institutions
Instructions	Instruction No 16 – 2023, of 28 November	In force	28/11/2023	Financial System – Repeal of the Charge Rate	27/11/2023	Financial Institutions
Directives	Directive No 11–23, of 24 November	In force	27/11/2023	Financial System – Interest Rates	26/11/2023	Financial Institutions
Instructions	Instruction No 15 – 2023, of 21 November	In force	27/11/2023	Payment System – Instant Transfers – KWiK Payment Arrangement – Management, Membership and Participation	06/12/2023	Financial Institutions
Circular Letter	Circular Letter No 09–23, of 22 November	In force	22/11/2023	Foreign Exchange Market – Bloomberg FXGO Platform	21/11/2023	Financial Institutions
Circular Letter	Circular Letter No 08–23, of 6 November	In force	06/11/2023	Financial System: Training Programmes for Internal Control Functions	05/11/2023	Financial Institutions
Circular Letter	Circular Letter No 07–23, of 31 October	In force	31/10/2023	Financial System: Dissemination of Financial Action Task Force (GAFI) Measures	30/10/2023	Financial Institutions
Notices	Notice No 11–2023, of 27 March	In force	27/10/2023	Financial System: Amendment to the wording of Article 5(3) of Notice No 02/20 of 09 January	26/10/2023	Financial Institutions
Instructions	Instruction No 14 – 2023, of 23 November	In force	26/10/2023	Payment System – Minimum Information Requirements for Strong Authentication of Transactions	25/10/2023	Financial Institutions
Directives	Directive No 10–DOB–2023, of 23 October	In force	25/10/2023	Financial System: Report from the Book of Authorised Signatures of Banking Financial Institutions	24/10/2023	Financial Institutions
Notices	Notice No 10 – 2023, of 28 August	In force	28/08/2023	Financial System: Concession and Lending by the Banco Nacional de Angola to Banking Financial Institutions	28/08/2023	Financial Institutions
Instructions	Instruction No 11 – 2023, of 9 August	In force	10/08/2023	Financial System: Calculation and Requirement of Regulatory Own Funds	08/08/2023	Financial Institutions
Instructions	Instruction No 10 – 2023, of 9 August	In force	09/08/2023	FINANCIAL SYSTEM Prudential Limits for Major Risks; Holdings in Non-Financial Companies	08/08/2023	Financial Institutions
Notices	Notice No 09/2023, of 3 August	In force	03/08/2023	Financial System – Mortgage Loans	03/08/2023	Financial Institutions
Circular Letter	Circular Letter No 06–2023, of 2 August	In force	02/08/2023	Financial System – Production of Fertilisers and Soil Improvement Materials	03/08/2023	Financial Institutions
Instructions	Instruction No 09 – 23, of 25 July	In force	26/07/2023	Financial System – Operation of the Accounts Database	25/07/2023	Financial Institutions
Notices	Notice No 08/2023, of 17 July	In force	24/07/2023	Financial System – Operation of the Accounts Database	16/07/2023	Financial Institutions
Instructions	Instruction No 08 – 2023, of 19 July	In force	24/07/2023	Financial System – Charge Rate Applicable to Free Reserves Deposited at the Banco Nacional de Angola	23/07/2023	Financial Institutions
Directives	Directive No 08–2023, of 19 July	In force	21/07/2023	Financial System – Basic Interest Rate (BNA Rate) and Permanent Lending Facility (FCO) and Liquidity Absorption Facility Rates – Notice No 11/2012 and Notice No 12/2012, both of 02 April	20/07/2023	Financial Institutions
Circular Letter	Circular Letter No 5–2023, of 11 July	In force	11/07/2023	Financial System: Dissemination of Financial Action Task Force (GAFI) Measures	10/07/2023	Financial Institutions
Notices	Notice No 07/2023 of 6 July	In force	06/07/2023	The Banco Nacional Angola publishes Notice No 7/2023, of 6 July – which establishes the operational rules applicable to the activities permitted to credit cooperative societies.	05/07/2023	Financial Institutions
Notices	Notice No 05–2023, of 29 June	In force	03/07/2023	Financial System: Minimum Equity of Non-Banking Financial Institutions	28/06/2023	Financial Institutions
Notices	Notice No 06–2023, of 3 June	In force	28/06/2023	Financial System: Operating Rules for Microcredit Companies	27/06/2023	Financial Institutions
Notices	Notice No 04–2023, of 3 June	In force	28/06/2023	Financial System: Authorisation to Set Up Microcredit Companies and Credit Cooperatives	28/06/2023	Financial Institutions
Directives	Directive No 07–2023, of 26 June	In force	26/06/2023	Foreign Exchange Market – Procedures for the Sale of Foreign Currency by Oil and Diamond Companies	31/07/2023	Financial Institutions
Instructions	Instruction No 05–2023, of 29 May	In force	29/05/2023	Payment Systems – Electronic Currency Accounts	28/05/2023	Financial Institutions

Regulatory Framework

Regulations approved by the BNA in 2023						
Mechanism	Number	Status	Publication	Subject	Entry Into Force	Intended recipients
Circular Letter	Circular Letter - No 04-23	In force	06/04/2023	Handling Bank Accounts Held by Minors	05/04/2023	Financial Institutions
Directives	Directive No 06/2023, of 30 March	In force	31/03/2023	Financial System: Requirements for Calculating and Compliance with Compulsory Minimum Reserves	29/03/2023	Financial Institutions
Instructions	Instruction No 04-2023, of 30 March	In force	30/03/2023	Financial System - Compulsory Minimum Reserves	29/03/2023	Financial Institutions
Directives	Directive No 05-2023, of 29 March	In force	30/03/2023	Financial System - Basic Interest Rate (BNA Rate) and Permanent Lending Facility (FCO) and Liquidity Absorption Facility Rates - Notice No 11/2012 and Notice No 12/2012, both of 02 April	29/03/2023	Financial Institutions
Circular Letter	Circular Letter No 03-2023, of 17 March	In force	17/03/2023	Notice No 10/2022, of 06 April, on granting credit to the real sector of the economy - Textile Industry	16/03/2023	Financial Institutions
Notices	Notice No 03 - 2023, of 9 March	In force	09/03/2023	Foreign Exchange Policy: Rules for Foreign Exchange Transactions by Individuals	08/04/2023	Financial Institutions
Circular Letter	Circular Letter No 02/2023	In force	01/03/2023	Financial System - Dissemination of Financial Action Task Force Measures	28/02/2023	Financial Institutions
Instructions	Instruction No 03-2023	In force	27/02/2023	Financial System: Chart of Accounts for Financial Institutions - Auxiliary Tables	26/02/2023	Financial Institutions
Notices	Notice No 02 - 2023, of 9 February	In force	09/02/2023	Foreign Exchange Policy: Foreign Exchange Rate Regime Applicable to the Mining Sector	09/02/2023	Financial Institutions
Directives	Directive No 04-2023, of 02 February	In force	07/02/2023	Foreign Exchange Policy - Indicative Buy and Sell Exchange rates submitted by Banking Financial Institutions to the Bloomberg FXGO Platform	12/02/2023	Financial Institutions
Directives	Directive No 03-2023, of 02 February	In force	07/02/2023	Monetary Policy - Constitution of Compulsory Minimum Reserves in Foreign Currency (FC)	12/02/2023	Financial Institutions
Notices	Notice No 01 - 2023, of 30 January	In force	04/02/2023	Financial Systems - Opening, Handling and Closing Bank Accounts	27/04/2023	Financial Institutions
Instructions	Instruction No 02-2023 of 12 January	In force	17/01/2023	Exchange Rate Policy - Exchange Control	16/01/2023	Financial Institutions
Directives	Directive 01/GAC/2023	In force	13/01/2023	Financial System - Credit Information Report	12/01/2023	Financial Institutions
Instructions	Instruction No 01-2023 of 09 January	In force	10/01/2023	Financial System - Standardised Reporting of Foreign Transactions	09/01/2023	Financial Institutions

Source: BNA

Policies, Reforms and Future prospects

Angola is a country with projections showing progress and which has the aim of continuing to grow economically in a balanced and sustained manner.

In order to achieve this growth the Angolan government, along with a group of private initiatives, have jointly announced new economic and social stimulation and development programmes, as well as extending other programmes already in force.

The most important issue to address both in 2024, and in the medium term, is unemployment.

The Ministry of Finance has prepared and included in the National Development Plan (2023-2027) a programme dedicated to the country's employment challenges - the Employment, Entrepreneurship and Vocational Training Programme. This Plan/Programme has a clear commitment to strengthening employability in the country, encouraging entrepreneurship and creating self-employment, as well as consolidating the national qualifications system and promoting a series of structural reforms in the labour market. With funding of USD 300 million from the World Bank, the Angolan government has undertaken to foster the setting up of accelerator programmes for job creation and will, under the coordination of the Ministry of Economy and Planning, implement the "More Diversification Project" (*Projecto Diversifica Mais – D+*), which will contribute to the creation of 6,257 direct jobs and another 81,000 jobs indirectly.

PROPRIV is one of the main initiatives mentioned above, a Privatisation Programme aimed at reducing state intervention in the economy and strengthening the role of business. The implementation of this project is expected to reduce the weight of public debt in the economy and increase the financial resources of the public business sector, through the financial proceeds from the sale of assets for privatisation. PROPRIV also promotes competition, competitiveness and efficiency in the national economy, thereby contributing to the development of the capital market in Angola. In March 2023, the President of the Republic extended the PROPRIV project for the 2023 – 2026 period, and a total of 73 assets are expected to be privatised during this period.

Finally, after the impacts caused by the Russia-Ukraine conflict and the pandemic, Angola, like the rest of the world, has realised its vulnerability and, as a result, concern about food security has also become a key issue for the government. In order to address the challenges related to its production capacity, supply of goods and services, and reduced food self-sufficiency, the "Policy to Support Production, Diversify Exports and Substitute Imports" was enacted and is expected to be implemented in various economic sectors.

Although the outlook for growth is ambitious, the reforms of recent years, combined with the policies that have been issued, raise hopes of laying the foundations for better macroeconomic management and public sector governance. The transformation of an oil-financed economy into a more sustainable, more scrutinised and less dependent growth model will certainly face various obstacles and challenges, but with an active and dynamic private sector, political commitment, strong coordination and leadership, and robust institutions, it is possible to look to the future with hopes for improvements and economic growth, as well as in the other areas.

Banco Comercial do Huambo

Vision, Mission and Values

Vision

BCH's vision is to be a benchmark Bank for Customer service and prudent management of the Institution.

Mission

Our mission is to offer our Customers banking and financial products and services with superior quality, in order to create and distribute value for Customers, Employees, Partners and Shareholders.

Values

The six fundamental values that underpin BCH's culture are:

1. Integrity, acting with honesty, loyalty and seriousness;
2. Trust and transparency, acting with truth and clarity;
3. Teamwork – We believe that working together is the best way to achieve our goals;
4. Rigour, acting with professionalism, technical competence and diligence, so as to achieve greater levels of quality and efficiency;
5. Equality, acting with courtesy and complying with the principles of non-discrimination, tolerance and equal opportunities.
6. Solidity, acting with prudent risk management and Institutional stability and solidity.

Social Bodies and Shareholder Structure

Governing Bodies

The Board of Directors is made up of five Directors, three of whom are Executives and two of whom are Non-Executives. Of the latter, one is the Chairman of the Board of Directors – coincidentally the Bank's largest shareholder – and one is independent.

Board of the General Meeting	
Chairman of the General Meeting	Alexandra Teodora da Conceição Cruz Martins
Vice-Chairman	Maria Helena Miguel
Secretary	Regila Luísa Lagos Fernandes dos Santos Nulli

Board of Directors	
Chairman of the Board of Directors	Natalino Bastos Lavrador
Independent Member	Hélia Cristina dos Santos Brás Nunes
Executive Member and Chief Executive Officer	Cristiana de Azevedo Neto Lavrador
Executive Member	Salim Abdul Valimamade
Executive Member	Valdir Macedo Hamilton dos Santos

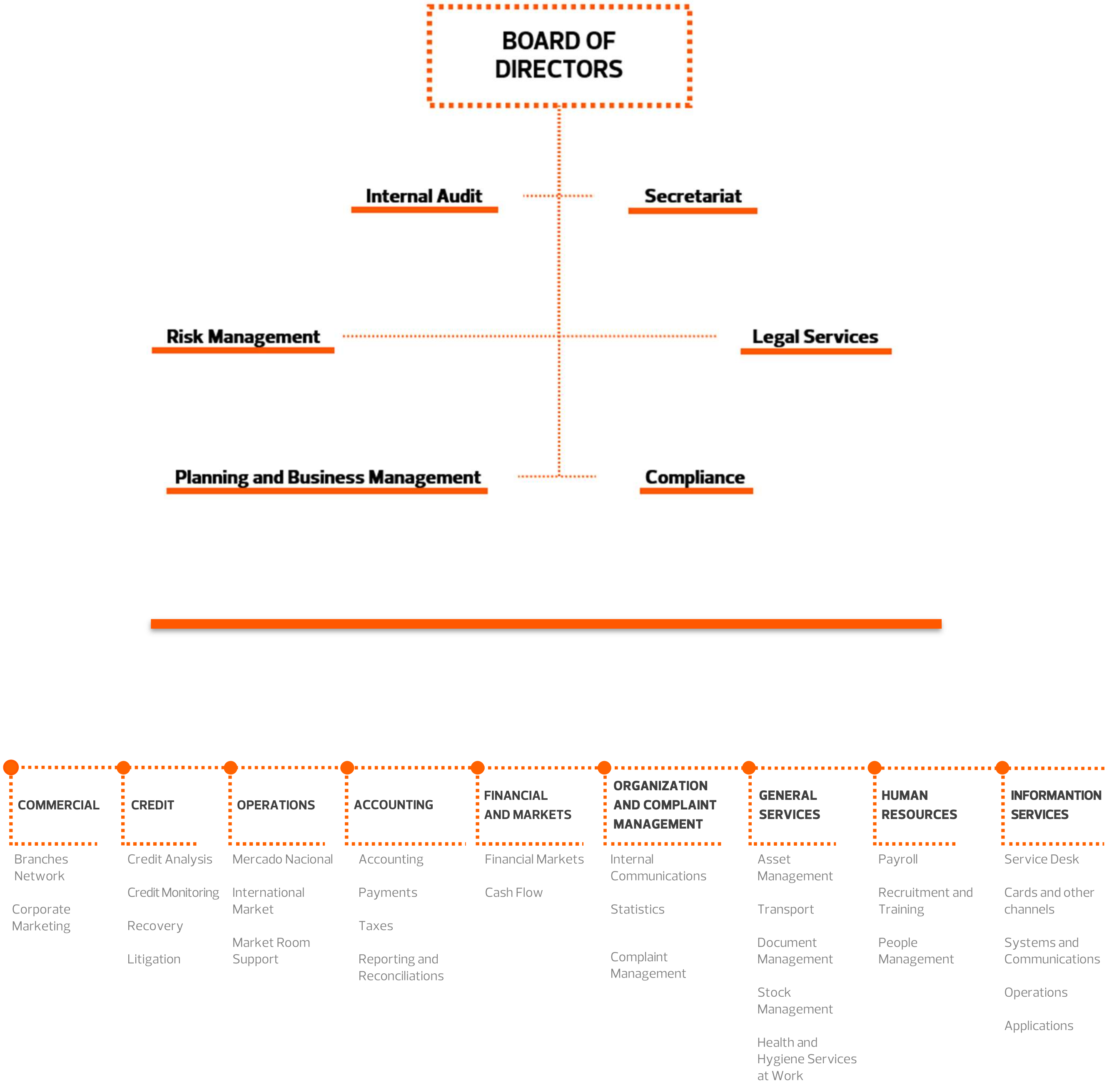
Supervisory Board	
Chairman	UHY – A. Paredes & Associados – Angola
Member	Mário Silva Castelo Branco
Member	Carlos Deosvaldo Fragoso Vaz

Shareholder Structure

On 31 December 2023, the equity of Banco Comercial do Huambo was held by 6 shareholders, including the Bank's own shares, divided as follows:

Shareholders	Holding
Natalino Bastos Lavrador	51,50%
António Mosquito	20,00%
Valdomiro Minoru Dondo	10,00%
Banco Comercial do Huambo	10,00%
Sebastião Bastos Lavrador	5,50%
Carlos Saturnino Guerra Sousa e Oliveira	3,00%

Organisational Structure



Activity Undertaken in 2023

Main Indicators

(amounts in thousands of kwanzas)

	2019	2020	2021	2022	2023	Var. 19 - 20	Var. 20-21	Var. 21 - 22	Var. 22 - 23
INDICATORS									
Total Assets	45 665 043	48 636 124	56 374 427	66 017 104	57 736 337	6.51%	15.91%	17.10%	-12.54%
Credit to the Economy	30 444 295	38 363 618	32 071 234	19 649 852	29 826 536	26.01%	-16.40%	-38.73%	51.79%
Credit to Customers	69 761	847 969	2 099 633	1 980 126	3 141 606	1115.53%	147.61%	-5.69%	58.66%
Credit to the State	30 374 534	37 515 649	29 971 601	17 669 726	26 684 930	23.51%	-20.11%	-41.05%	51.02%
Customer Deposits	18 267 547	15 782 351	17 175 586	23 943 113	12 172 437	-13.60%	8.83%	39.40%	-49.16%
Regulatory Own Funds	24 408 700	30 463 513	37 196 969	40 642 096	44 507 277	24.81%	22.10%	9.26%	9.51%
Banking Product	10 172 042	9 761 919	9 263 674	9 652 841	6 967 949	-4.03%	-5.10%	4.20%	-27.81%
Financial Margin	5 057 140	6 280 789	6 740 347	7 248 544	5 196 024	24.20%	7.32%	7.54%	-28.32%
Net Profit	7 163 989	6 208 266	6 355 589	6 365 776	3 486 586	-13.34%	2.37%	0.16%	-45.23%

	2019	2020	2021	2022	2023	Var. 19 - 20	Var. 20-21	Var. 21 - 22	Var. 22 - 23
FINANCIAL RATIOS									
Cost to Income Ratio	18,51%	16,19%	23,89%	23,34%	48,24%	-12.57%	47.59%	-0.55%	24.90%
Loans / Deposits ratio	0,38%	5,37%	12,22%	8,27%	25,81%	1306.94%	127.52%	-3.95%	17.54%
Solvency Ratio	189,20%	205,33%	205,22%	227,23%	230,82%	8.53%	-0.06%	22.01%	3.60%
Return on Total Assets (ROA)	15,69%	12,76%	11,27%	9,64%	6,04%	-18.63%	-11.68%	-1.63%	-3.60%
Return on Equity (ROE)	28,93%	20,05%	17,03%	15,64%	7,83%	-30.71%	-15.06%	-1.38%	-7.81%
Overdue Loans / Total Loans	0,00%	0,00%	0,02%	3,45%	0,59%	0.00%	0.02%	3.43%	-2.86%
Credit Provisions / Overdue Loans	0,00%	-25942,79%	-381,09%	-6,20%	-39,84%	-25942.79%	-98.53%	374.89%	-33.63%

	2019	2020	2021	2022	2023	Var. 19 - 20	Var. 20-21	Var. 21 - 22	Var. 22 - 23
BUSINESS EVOLUTION									
No of Branches	6	6	6	6	7	0.00%	0.00%	0.00%	16.67%
No of Employees	62	66	64	64	70	6.45%	-3.03%	0.00%	9.38%
Customers	17 586	18 658	19 486	20 584	22 117	6.10%	4.44%	5.63%	7.45%

In 2023, BCH strengthened its commitment to its physical presence in Luanda and now has 7 offices in Angola's largest and most influential city, following the opening of the new Sapú branch. The Bank is seeking to continue to expand, not only by increasing the number of branches but also by increasing the size of its team by almost 10 per cent.

+17%

Branches

In 2023, BCH increased the number of branches it has from 6 in 2022 to 7 in 2023. It now has 6 branches in Luanda, with the opening of the new Sapú branch, and also has 1 branch in the province of Huambo.

+9.4%

Human Resources

At the end of 2023, the personnel in the Bank totalled 70 employees, 6 more than in the previous year.

+7.45%

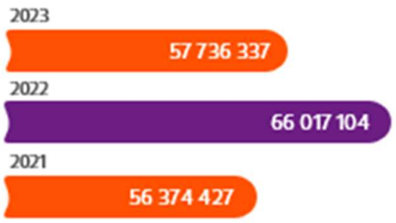
Change in Customers

The number of Customers increased by 1 533 in 2023 and reached a total of 22 117 on 31 December 2023.

Business Evolution

Total Assets

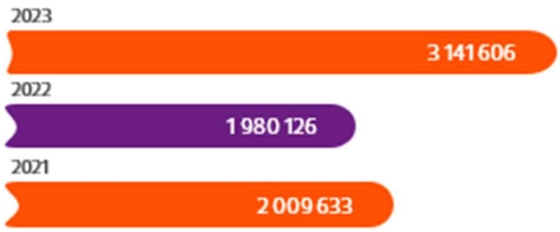
In 2023, BCH recorded a decline in Total Assets of around 12.54 per cent, caused by a drastic drop in Applications in central banks and other credit institutions.



Amounts in thousands AOA

Credit Granted to Customers

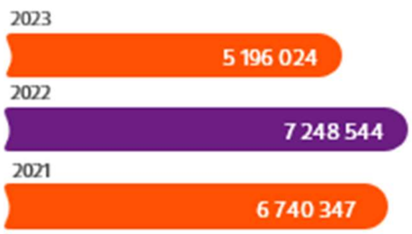
In contrast to 2022, credit granted to customers in 2023 grew, reaching the highest figure in the last 5 years.



Amounts in thousands AOA

Net Interest Income

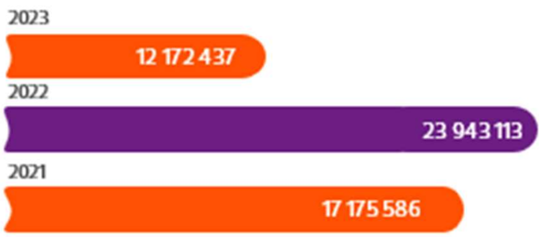
In 2022 the Bank increased its net interest income by around 8 per cent. In the year 2023, the direction of change was the opposite, with a decrease of around 28 per cent, representing almost AOA 2 billion, largely due to the decrease in total assets explained above.



Amounts in thousands AOA

Customer Deposits

In 2023, the amount of customer deposits fell considerably, by 49.16%. This figure represents a negative change of AOA 11 770 676 thousand and is due to customers with large deposits changing to other banks, due to BCH's difficulty in accessing foreign currency.



Amounts in thousands AOA

ROE and ROA

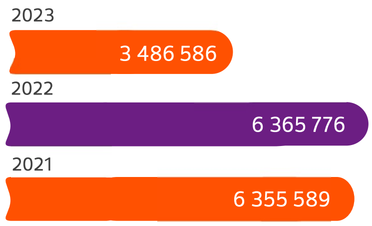
Return on Equity (ROE) fell by 7.81 p.p., from 15.64% in 2022 to 7.83% in 2023. Return on Assets (ROA) fell by 3.6 p.p., from 9.64% in 2022 to 6.04% in 2023. The decrease in both ratios was due to the fall in net income in 2023 and the reduction in assets. ROA had the particularity of having decreased as a result of the greater decrease in Net Profit in relation to the decrease in Assets.

Solvency Ratio

BCH maintains a high level of financial solidity, based on the calculation defined in Article 4 of Notice No 02/16 of 15 July. At the end of 2022 this ratio stood at 230.82% (205.22% in 2021), well above the minimum requirement of 10 per cent as stipulated by the Banco Nacional de Angola.

Net Income

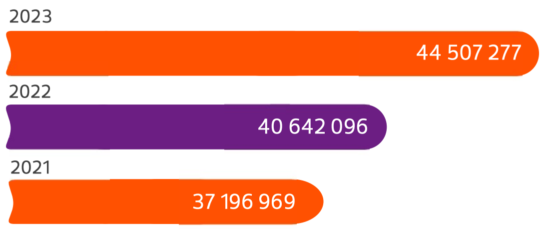
The Bank's Net Profit in 2023 totalled AOA 3 486 586 thousand, a negative variation on the previous year. The fall in net interest income and the drop in foreign exchange commissions contributed to this status.



Amounts in thousands AOA

Regulatory Own Capital

In 2023, Own Capital totalled AOA 44 507 277 thousand, an increase of AOA 3 865 182 thousand, a significant increase of 9.51% compared to 2022, largely due to the incorporation of reserves, something required by BNA.



Amounts in thousands AOA

Administrative Costs

In 2023, the Bank recorded a change of 30.20% in its cost structure, which is a considerable increase compared to 1.8% in 2022. The item that varied the most was Personnel Costs, which became the item with the greatest weight in the bank's administrative cost structure. This increase in costs can be explained by the creation of more jobs (6 more employees than in 2022, an increase of around 10 per cent), the opening of a new branch (Sapú).

(amounts in thousands of kwanzas)

	2019	2020	2021	2022	2023	Var. 19-20	Var. 20 – 21	Var. 21 – 22	Var. 22 – 23
Administrative costs	1 883 137	1 580 057	2 213 026	2 252 843	**3 361 072**	-16.09%	40.06%	1.80%	49.19%
Personnel costs	572 308	680 420	851 835	1 259 160	1 554 411	18.89%	25.19%	47.82%	23.45%
Third-party costs	1 081 147	1 205 073	1 727 611	1 348 786	1 470 473	11.46%	43.36%	-21.93%	9.02%
Amortization and depreciations	229 682	(305 436)	(366 420)	(355 103)	336 188	-232.98%	19.97%	-3.09%	-194.67%
Other	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%

852 POS

at 31 December 2023

POS +18.5%

At the end of 2022, BCH had a total of 719 active POS, ending 2023 with 133 more than the previous year.

13 ATMs in

Luanda and Huambo

ATMs

BCH has 13 ATMs available to the public, 10 positioned in various locations in Luanda and the remaining three in the province of Huambo.

CARD

4 981

Debit Cards +11%

In 2023, the number of cards continued to increase, almost reaching 5000 cards in the year.

Risk Management, Compliance and Internal Auditing

BCH, which already implemented its Risk Management System based on the 3 Lines of Defence Model, has, over the last few years, cemented the processes associated with its control functions – Risk, Compliance and Internal Audit – as well as the relationship and coordination between these areas, in order to ensure the suitability, strengthening and functioning of the Bank's Internal Control System, to mitigate risks according to the complexity of the business.

Also related to the aspects of Governance, Internal Control System and Risk Management, it is also important to note the changes made to BCH's governance model over the course of 2022, in response to the requirements set out in BNA Notice 1/2022, involving the creation of an Executive Committee reporting to the Board of Directors, the appointment of two new Directors, as well as the creation of a whistleblowing channel.

As such, the Risk Management Department is responsible for developing practices to enable the identification, quantification, control, monitoring and reporting of different types of relevant risk inherent to BCH's activity, namely operational risk, credit risk and financial risks, with the aim of protecting capital and maintaining the Bank's solvency. It is also responsible for designing, developing, monitoring and updating risk management models that make it possible to correctly identify, assess and control the risks associated with the Bank's activity, in order to ensure that they remain at levels consistent with the risk tolerance profile and degree (Risk Appetite) defined by the Board of Directors.

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

The years 2018, 2019, 2020 and 2021 were years involving the consolidation of the activities carried out by this Department, which was formally created in 2016. Currently, BCH's Risk Management function, in addition to the regulatory reporting required by the BNA, has been broadening its risk management vision, using not only the tools required by the BNA but also additional internal maps, which are important for the decision-making undertaken by the Board of Directors. This year, the Bank has also increased the regularity function of the Audit and Internal Control Committee.

Given this, 2023 was a year in which the Risk Management function, once the mechanisms, methodologies and tools at its disposal had been consolidated, operated normally - without introducing any significant changes, providing a suitable response to the present and future challenges it faced.

Despite the lack of any significant changes to the Bank's Risk Management function, it is important to emphasise the large investment that BCH made over the course of 2023 with regard to cybersecurity, specifically to strengthen its ability to respond to this type of emerging risk that is increasingly on the agenda of both credit institution managers and authorities (including Supervisory ones).

As for the Compliance function, which was also formally autonomised in 2016, it consolidated the efficiency and effectiveness of the activities associated with the responsibilities assigned to it until 2021. The activities carried out by the Compliance function include:

- Accompanying the commercial network when accepting clients, carrying out certain operations or the sale of services and products.
- Ensuring that the information produced and reported complies with applicable laws and legislation, particularly those of the BNA.

- Ensuring ethics/good conduct are implemented throughout the Bank as a whole.
- Evaluate the impact of regulations on the business, to better understand the risks involved versus the cost/benefit ratio of necessary changes to processes/systems/products.
- Act proactively and in a preventive manner when approving the risks of new products/processes and their respective changes.
- Define mechanisms for detecting signs of unauthorised or fraudulent financial intermediation.
- Establish measures to prevent and combat market abuse, money laundering and fraud.

In view of the importance of the issues related to the Prevention of Money Laundering (PML) and Combating the Financing of Terrorism (CFT), the following activities carried out by the Compliance function should also be highlighted:

- Monitoring customers using internal and external lists.
- Analysing Anti-Money Laundering (AML) forms.
- Analysing and approving the opening of accounts.
- Ensuring the adequacy of internal standards and procedures relating to the prevention of money laundering and combating the financing of terrorism (PML/CFT).
- Monitoring domestic and foreign operations.
- Accompanying the commercial network when accepting clients, carrying out certain operations or the sale of services and products.
- Acting as a liaison point between the Bank and the authorities responsible for PML/CFT, to resolve any internal or external issue related to PML/CFT.
- Contributing to the sharing of knowledge on PML/CFT matters.

Given this, 2023 was a year in which the Compliance function, once the mechanisms, methodologies and tools at its disposal had been consolidated, operated normally - without introducing any significant changes, providing a suitable response to the present and future challenges it faces.

Finally, the Internal Audit function, which has been fully operational at the Bank since 2014, continued to carry out its work in accordance with the Internal Audit Strategic Plan and in line with BCH's overall strategy.

The Internal Audit function carried out the planned Activity Plan, which was drawn up on the basis of risk assessment criteria. The activities undertaken included audits of the Commercial Network, business and support processes, as well as IT. In this Plan, there was a reinforcement regarding actions to Prevent and Combat Money Laundering.

In addition, the Internal Audit function also monitored the implementation of recommendations and other risk exposure situations identified in its reports. Without prejudice to other means of monitoring, an annual Activity Report is presented to the Board of Directors, as well as periodic follow up reports on the recommendations of audit actions that have been approved by the Board. During 2023, this function also carried out an audit of the information systems area.

Given this, 2023 was a year in which the Internal Audit function, once the mechanisms, methodologies and tools at its disposal had been consolidated, operated normally - without introducing any significant changes, providing a suitable response to the present and future challenges it faced.

Future Prospects

Notwithstanding the current global economic environment, including the Russia/Ukraine and Israel/Palestine conflicts, and the outlook for the African economy, particularly the Angolan economy, BCH's strategy continues to be to focus on sustained growth, ensuring a flexible structure which provides for a swift and efficient response to the demanding business and regulatory challenges facing the financial sector.

Given this, in 2024 BCH proposes to:

- Continue to offer a structure of different financial products are set apart from the rest and which can continue to meet our customers' needs;
- Maintain the Bank's commitment to sustained growth while retaining its profitability margin;
- Continue to focus on strengthening its Control functions (Risk Management, Compliance and Internal Audit) by continuing to implement best practices in this area and improving the efficiency and effectiveness of internal processes, in response to the regulatory requirements in force;
- Rigorously and effectively monitor and implement any changes to the regulatory framework applicable to the financial sector and BCH;
- In the regulatory area, undertake any necessary developments in terms of risk management to enable BCH to respond in an appropriate manner to the additional challenges and requirements that will result from the BNA's "supervisory equivalence" process (e.g. SREP, ICAAP, ILAAP);
- Maintain the focus on developing and implementing a plan which enables BCH to achieve an alignment and fulfilment of the principles and requirements applicable to credit institutions in ESG (Environmental, Social, and Governance) areas;
- Reinforce our commitment to defining and implementing training plans that strengthen the skills of our employees and maintain the high levels of motivation of our teams;
- Prepare an alternative strategic solution to compensate for the fall in the Bank's assets, caused by the difficulty the institution had in accessing foreign currency.

Proposal for the Allocation of Profits

The Net Profit for the Year obtained in 2023, totalling AOA 3 486 586 thousand, will be invested as follows:

- 10% to reinforce Legal Reserves;
- The remainder will be transferred to Results Carried Forward.

The Board of Directors

Financial Statements

Income Statement

(amounts in thousands of kwanzas)

	Notes	31.12.2023	31.12.2022
Interest and similar income	4	5 509 544	7 492 948
Interest and similar costs	4	(313 520)	(244 404)
Net interest income		**5 196 024**	**7 248 544**
Income from services and fees	5	1 121 001	941 794
Cost of services and fees	5	(205 749)	(203 235)
Foreign exchange gains	6	1 238 515	2 654 044
Results of disposal of other assets		425	-
Other operating results	7	(382 267)	(988 306)
Proceeds from banking activity		**6 967 949**	**9 652 841**
Staff costs	8	(1 554 411)	(1 259 160)
Third-party supplies and services	9	(1 470 473)	(1 348 786)
Depreciation and amortisation in the year	16 e 17	(336 188)	(355 103)
Provisions net of cancellations	21	21 917	-
Impairment on loans to customers net of reversals and recoveries	15	(10 880)	(10 501)
Impairment for other financial assets net of reversals and recoveries	10, 11, 12 e 14	165 497	54 406
Profit and loss before tax		**3 783 411**	**6 733 697**
Tax on profits current	18	(296 825)	(367 921)
Net profit for the year		**3 486 586**	**6 365 776**
Average number of ordinary shares in circulation		12 750 000	9 920 000
Basic earnings per share (in kwanzas)	23	273	642
Diluted earnings per share (in kwanzas)	23	273	642

The accompanying notes form an integral part of these financial statements

Balance Sheet

(amounts in thousands of kwanzas)

	Notes	31.12.2023	31.12.2022
Assets			
Cash and deposits at central banks	10	9 606 185	3 732 018
Cash from other credit institutions	11	1 536 284	741 092
Investments in central banks and other credit institutions	12	13 109 636	39 979 872
Financial assets at fair value through other comprehensive income	13	43 656	43 656
Financial assets at amortized cost	14	26 684 930	17 669 726
Credit to Customers	15	3 141 606	1 980 126
Other tangible assets	16	730 557	1 032 329
Intangible assets	17	1 295 689	600 392
Deferred tax assets	18	6 015	6 015
Other assets	19	1 581 779	231 878
Total Assets		**57 736 337**	**66 017 104**
Liabilities			
Customer funds and other loans	20	12 172 437	23 943 113
Provisions	21	–	21 917
Current tax liabilities	18	245 609	320 657
Other liabilities	22	1 141 089	1 041 645
Total Liabilities		**13 559 135**	**25 327 333**
Equity			
Share Capital	23	20 000 000	10 000 000
Own shares	23	(3 000 000)	(3 000 000)
Other reserves and gains brought forward	24	23 690 616	27 323 995
Net income		3 486 586	6 365 776
Total Equity		**44 177 202**	**40 689 771**
Total Liabilities and Equity		**57 736 337**	**66 017 104**

The accompanying notes form an integral part of these financial statements

Comprehensive Income Statement

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Other comprehensive income	3 486 586	6 365 776
Other comprehensive income	–	–
Individual comprehensive income for the year	**3 486 586**	**6 365 776**

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

(amounts in thousands of kwanzas)

	Notes	Share Capital	Own Shares	Other Reserves and Gains Brought Forward: Accounting Reserve	Other Reserves and Gains Brought Forward: Effect of changes in accounting policies	Other Reserves and Gains Brought Forward: Other reserves and Gains Brought Forward	Other Reserves and Gains Brought Forward: Total Other Reserves and Gains Brought Forward	Net Income	Total Equity
Balance as at 1 January 2022		**10 000 000**	**–**	**2 887 016**	**(8 289)**	**18 089 703**	**20 968 430**	**6 355 589**	**37 324 019**
Allocation of Profits	23 e 24	–	–	635 559	–	5 720 030	6 355 589	(6 355 589)	–
Acquisition of Own Shares	23 e 24	–	(3 000 000)	–	–	–	–	–	(3 000 000)
Net profit	23 e 24	–	–	–	–	–	–	6 365 776	6 365 776
Other movements	23 e 24	–	–	–	–	(24)	(24)	–	(24)
Balance as at 31 December 2022		**10 000 000**	**(3 000 000)**	**3 522 575**	**(8 289)**	**23 809 709**	**27 323 995**	**6 365 776**	**40 689 771**
Balance as at 1 January 2023		**10 000 000**	**(3 000 000)**	**3 522 575**	**(8 289)**	**23 809 709**	**27 323 995**	**6 365 776**	**40 689 771**
Allocation of Profits	23 e 24	–	–	636 578	–	5 729 198	6 365 776	(6 365 776)	–
Acquisition of Own Shares	23 e 24	10 000 000	–	–	–	(10 000 000)	(10 000 000)	–	–
Net profit	23 e 24	–	–	–	–	–	–	3 486 586	3 486 586
Other movements	23 e 24	–	–	–	–	–	845	–	845
Balance as at 31 December 2023		**20 000 000**	**(3 000 000)**	**4 159 153**	**(8 289)**	**19 538 907**	**23 690 616**	**3 486 586**	**44 177 202**

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

(amounts in thousands of kwanzas)

	Notes	31.12.2023	31.12.2022
Cash flows from operating activities			
Interest and other income		5 687 349	8 531 077
Interest and costs paid		(121 695)	(205 548)
Services and commissions received		1 120 523	938 817
Paid services and fees		(205 230)	(200 259)
Cash payments to employees and suppliers		(3 031 779)	(2 607 969)
		3 449 168	**6 456 118**
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		1 238 515	2 654 044
Investments in credit institutions		26 422 623	(22 426 666)
Credit institutions funds		(696 991)	301 792
Credit to Customers		(1 211 768)	160 343
Customer funds and other loans		(11 790 937)	6 782 146
Other operating assets and liabilities		(877 756)	(1 173 762)
Net cash flows from operating activities, before taxes on profits		**16 532 854**	**(7 245 985)**
Taxes on profits paid		(371 872)	(754 738)
Net cash flows from operating activities		**16 160 982**	**(8 000 723)**
Cash flows from investment activities			
Financial assets at amortized cost		(8 623 310)	11 069 931
Disposal of non-current assets held for sale		425	-
Purchase/disposal of fixed assets		(672 359)	(388 992)
Financial Leasing Operations		(196 379)	(237 052)
Net cash flows from investing activities		**(9 491 623)**	**10 443 887**
Cash-flow from financing activities			
Acquisition of own shares		-	(3 000 000)
Dividends paid on ordinary shares		-	-
Net cash flows from financing activities		-	**(3 000 000)**
Net change in cash and cash equivalents		**6 669 359**	**(556 836)**
Cash Variation and Equivalents at the Start of the Period		**4 473 110**	**5 029 946**
Net change in cash and cash equivalents		6 669 359	(556 836)
Cash Variation and Equivalents at the End of the Period		**11 142 469**	**4 473 110**
Cash and cash equivalents includes:			
Cash and deposits at central banks	10	9 606 185	3 732 018
Cash from other credit institutions	11	1 536 284	741 092
Total		**11 142 469**	**4 473 110**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

1 – Introductory Note

By public deed of 17th June 2009, the Banco Comercial do Huambo, hereinafter referred to as the "Bank" or "BCH", was incorporated. The Bank began its commercial activity on 16 July 2010.

Originally a regional bank with its head office in the city of Huambo, its banking activity centred on providing support for small and medium-sized enterprises and contributing to the socio-economic development of the region in which it is based, BCH has more recently and over the last few years diversified its activity in order to offer a wider range of products and services, with greater added value for more discerning customers, which is also better suited to the geographical location that the Bank also has in the city of Luanda, the country's capital.

As part of its services, the Bank also offers its customers technical assistance, from the setting up a company to drawing up an economic and financial feasibility study. This support is innovative within the Angolan financial system and is available at the BCH branches in Huambo and Luanda.

As far as the shareholder structure is concerned and as mentioned in Note 24, the Bank is owned by Angolan shareholders, and the details of the shareholder structure are presented in that note.

2 – Accounting Policies

2.1 Bases for the Presentation

Under the provisions of Notice No 6/2016 of 22 June, of the Banco Nacional de Angola (BNA), BCH's financial statements were prepared on a going concern basis from the Bank's records and in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). These financial statements refer to the Bank's individual activity as at 31 December 2023 and have been drawn up in order to comply with the requirements for presenting individual accounts as set out by the BNA.

IAS/IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and their predecessor bodies.

The financial statements presented here relate to the year ending 31 December 2023.

The accounting policies presented in this note have been applied consistently with those used in the financial statements as of 31 December 2023.

The financial statements are expressed in thousands of Kwanzas, rounded to the nearest thousand, and have been prepared in accordance with the historical cost principle, with the exception of assets recognised 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 judgements and estimates and to use assumptions that affect the application of accounting policies and the amounts of income, costs, assets and liabilities. Changes in these assumptions or differences between assumptions and reality could have impacts on current estimates and judgements. Areas that involve a greater degree of judgment or complexity, or where significant assumptions and estimates are used in preparing the financial statements are examined in Note 3.

The financial statements for the year ended 31 December 2023 were approved at a meeting of the Board of Directors on 24 April 2024.

2.2 Foreign Currency Transactions

Assets and liabilities denominated in foreign currency are recorded in accordance with the multi-currency system, i.e. in the respective currency denominations.

Transactions in foreign currency are converted into the functional currency (Kwanzas) at the exchange rate in force on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are converted into the functional currency (Kwanzas) at the average exchange rate in force on the balance sheet date. The exchange rate differences resulting from the conversion are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currency are converted into Kwanzas using the following methodology:

- Recorded at historical cost – at the average exchange rate in force on the date of the transaction.
- Recorded at fair value – at the average exchange rate in force on the date the fair value is determined and recognised against profit or loss, with the exception of those recognised in financial assets at fair value through other comprehensive income, the difference between which is recorded against equity.

The Bank's financial statements as at 31 December 2023 and 2022 are expressed in Angolan Kwanzas, with assets and liabilities denominated in other currencies having been converted into national currency on the basis of the indicative average exchange rate published by the Banco Nacional de Angola on those dates. On 31 December 2023 and 2022, the exchange rates of the Angolan Kwanza (AOA) against the United States Dollar (USD) and the Euro (EUR) were as follows:

	2023	2022
USD	828.800	503.691
EUR	915.990	537.438

2.3 Financial Instruments

Financial instruments are presented, classified and measured in accordance with the principles defined in IAS 32 – Financial instruments: presentation and IFRS 9 – Financial instruments.

The classification of financial assets is determined at initial recognition and it is extremely rare that reclassifications are made.

A financial asset may only be reclassified if there is a change in the business model for managing financial assets and, therefore, this reclassification requires approval and the updating of the accounting policy.

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

2.3.1 Investments in Equity Instruments

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

However, on initial recognition, there is an irrevocable option, on an instrument-by-instrument basis, to classify investments in equity instruments as FVOCI. This option applies only to instruments that are not held for trading and that are not recognised as contingent by a buyer in a business combination in which IFRS 3 – Business Combinations applies.

With the application of the irrevocable option to classify as FVOCI, fair value profits and losses on investments in equity instruments designated as FVOCI will be recognised in other comprehensive income and can never be reclassified from capital to profit and loss (even when the investments are derecognised). Dividends attributed are recognised as income in the statement of comprehensive income when the right to receive them has been established.

2.3.2 Debt Instruments

The classification of Debt instruments depends on the characteristics of the contractual cash flows and the business model associated with them.

2.3.2.1 Solely Payments of Principal and Interest on the principal amount outstanding (SPPI)

In the Hold-to-Collect (HTC) and HTC and Sell business models, the classification and measurement of debt instruments also depends on the characteristics of the contractual cash flows.

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

2.3.2.2 Business model

<u>Definition and documentation of the Business Model</u>

The business model represents the way in which the Bank manages its financial assets in order to generate cash flows, which, according to IFRS 9, can be through the collection of contractual cash flows (Hold-to-Collect – HTC), a mixed model of collecting contractual cash flows and making sales when market opportunities are identified (HTC and Sell) or other business models (e.g. trading).

The measurement categories are applied according to the business model assigned to the debt instruments – business model decision.

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

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

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

- Business model where the objectives are achieved by obtaining the contractual cash flows of the asset (Hold-to-Collect);
- Business model where the objectives are achieved both by obtaining the contractual cash flows of the asset and by selling it (Hold-to-Collect and Sell);
- Another business model.

Hold-to-Collect (HTC)

Financial assets accounted for using an HTC model are managed in such a way as to obtain cash flows by collecting capital and principal payments over the life of the instruments. In this business model, sales should be circumstantial and an additional element to the objective of the business model. It typically involves a lower level of sales compared to other business models, both in terms of frequency and volume.

Although the aim of the HTC business model is to hold the financial assets in order to collect the contractual cash flows, the entity does not need to hold all the assets until maturity. A business model can be HTC even when some sales of financial assets have taken place or are expected to take place, as long as these sales are not significant.

Accordingly, the Bank has set the following limits for the instruments recognised in this category:

Desta forma, o Banco definiu os seguintes limites pelos quais os instrumentos registados nesta categoria são mantidos:

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

Hold-to-Collect and Sell (HTC and Sell)

Both the collection of contractual cash flows and sales form an integral part of the objective of this business model. For the HTC and Sell category, the business model is often that of holding a portfolio of liquid assets in order to meet expected or unexpected commitments or to finance anticipated acquisitions. In this case, the classification of debt instruments focuses not on the business model itself, but on how these instruments are managed in order to fulfil the objectives of the business model.

A business model where the objective is achieved through both the collection of contractual cash flows and the sales of financial assets will typically have a higher frequency and value of sales compared to the HTC business model. This is due to the fact that sales of financial assets form an integral part of the objective of the business model and are not an ancillary part of it. However, there is no limit to the frequency or number of sales that can occur in this business model, as both forms are integral to achieving the objective of this business model.

Another business model

Any business model that does not fit into the two business models described above.

Financial assets and liabilities are recognised in the Bank's balance sheet on the date they are negotiated or contracted, unless it is expressly stipulated in the contract or in the applicable legal or regulatory regime that the rights and obligations inherent in the amounts transacted are transferred on a different date, in which case the latter will be the relevant date.

At the start, financial assets and liabilities are recognised at fair value plus transaction costs directly attributable to acquisition or issue, except for assets and liabilities at fair value through profit or loss where transaction costs are recognised immediately in profit or loss.

2.3.3 Credit to Customers

Credit to customers includes loans created by the Bank which are not intended to be sold in the short term and which are recognised on the date on which the amount of the loan is advanced to the customer.

Credit to customers is initially recorded at fair value and subsequently at amortised cost net of impairment. The associated transaction costs form part of the effective interest rate of these financial instruments. Interest recognized using the effective interest rate method is recognized in net interest income.

To calculate the effective interest rate, future cash flows are estimated, taking into account all the contractual terms of the financial instrument. The calculation includes a set of fees that form an integral part of the effective interest rate, such as opening fees, management fees and renewal fees, transaction costs and all the premiums and discounts directly related to the transaction.

Credits to customers are initially recognised at fair value, plus transaction costs, less fees receivable, and are subsequently valued at amortised cost, using the effective interest rate method, and are shown in the balance sheet net of impairment losses.

Credits to customers are derecognised from the balance sheet when (i) the Bank's contractual rights to the respective cash flows have expired, (ii) the Bank has transferred substantially all the risks and benefits associated with holding them, or (iii) although the Bank has retained part but not substantially all of the risks and benefits associated with holding them, control over the assets has been transferred.

Under IFRS 9, the classification and measurement of the Bank's financial assets results from the combination of the Business Model chosen for the management of these assets and the results of the tests carried out to assess compliance with the SPPI (Solely Payments of Principal and Interest) criterion.

Accordingly, the business model specified for BCH's credit portfolio is Hold-to-Collect (HTC) and, as a result of this decision, all loans to customers will be classified as HTC and measured at amortised cost, except in situations where there is non-compliance with the SPPI criterion. In cases where credit operations do not fulfil the SPPI criteria, they should be classified at fair value through profit or loss (FVTPL).

2.3.3.1 Modification of customer credit exposures

Credit restructuring is understood to mean any change to the conditions in force for credit operations with customers in financial difficulties, which results in modifying the rights or duties of the parties. Most loans that are restructured due to the customer's financial difficulties are subject to a minimum

12-month healing period. In the event of successive modifications, the healing period restarts on the date of the last restructuring.

If a new recognised financial asset results from a contractual modification of a financial asset previously marked as restructured, it will continue to have this marking, and the healing period is also restarted from the date of the last restructuring.

2.3.3.2 Credits written off from assets

The Bank recognises a loan written off from assets when there is no reasonable expectation of recovering the asset and, for collateralised loans, when the funds from realising the collateral have already been received. This is recorded as such after all the actions taken by the Bank have proved unsuccessful.

Loans are written off in the accounts using impairment losses when they correspond to 100 per cent of the value of the loans considered non-recoverable.

Credits written off from assets are subject to periodic reconciliation in order to control the amount included in off-balance sheet accounts, where, in accordance with legal requirements, they must remain recorded for a minimum of ten years and as long as all recovery procedures have not been exhausted.

2.3.4 Determining the Measurement Method for Financial Assets

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

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

2.3.4.1 Financial assets at amortised cost

In the portfolio of financial instruments at amortised cost, these are recorded as financial assets when the following two conditions are met:

- Business Model: There is a business model with the objective of holding the asset in order to obtain the contractual cash flows (HTC); and
- Compliance with SPPI criteria: The contractual conditions give rise to cash flows on specific dates, which are solely payments of principal and interest on the outstanding principal amount (SPPI).

<u>Initial recognition:</u>

- Financial assets measured at amortised cost are, on initial recognition, recorded at fair value plus any transaction costs directly attributable to their acquisition or issue.

The fair value at initial recognition is normally the transaction price, provided that the asset does not have a below-market interest rate (IFRS 13 - Fair value: measurement and disclosure).

<u>Subsequent measurement:</u>

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

- Interest is recorded in profit and loss, using the effective interest rate of the amortised cost of the asset. In the case of impaired financial assets (stage 3), the effective interest rate is applied to the amortised cost net of impairment;
- Changes in impairment losses are recognised as income or expense in the period to which they relate, under Impairment of Loans and Advances to Customers Net of Reversals and Recoveries;
- Debt instruments issued in local currency indexed to the exchange rate of the United States Dollar are subject to the updating of the nominal value of the security in accordance with the variation in the respective exchange rate. Given this, the result of this updating of the security is reflected in the income statement for the year in which this occurs in the item Exchange Rate Results. Likewise, the effects of the exchange rate update of debt instruments in foreign currency (United States dollar) are recognised in the income statement in the item Exchange Rate Results.

2.3.4.2 Financial assets at fair value through other comprehensive income

In the portfolio of financial debt instruments at fair value through other comprehensive income, financial assets that fulfil the following two conditions are recorded:

- Business Model: if the debt instrument is held in a business model where the objective is to hold the asset in order to obtain its contractual cash flows and eventually profit from its sale (HTC and Sell); and
- Compliance with SPPI criteria: The contractual conditions give rise to cash flows on specific dates, which are solely payments of principal and interest on the outstanding principal amount.

<u>Initial recognition:</u>

- FVOCI financial instruments are, at the time of initial recognition, recognised at fair value (in accordance with IFRS 13 – Fair Value: Measurement and Disclosure), plus transaction costs.

<u>Subsequent measurement:</u>

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

- Gains and losses on debt instruments classified as FVOCI resulting from changes in their fair value are recognised in other comprehensive income. At the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to Profit or Loss on Financial Assets at Fair Value Through Other Comprehensive Income.
- Interest is recognised in the income statement in the item Interest and Similar Income and is determined using the effective interest method.
- In the case of foreign currency assets, the effects of the corresponding exchange rate updates are recognised in the income statement in the item Exchange Rate Results.
- Impairment losses or gains resulting from reversals of impairment losses are recognised in the income statement in the item Impairment of Other Financial Assets.

On this basis, and at their initial recognition, investments in equity instruments not held for trading are also measured at fair value through other comprehensive income. These financial assets are initially and subsequently measured at fair value plus any transaction costs. Subsequent changes in fair value are recognised in other comprehensive income and cannot be reclassified to profit or loss. Any dividends obtained are recognised as income in the period in which they are attributed.

2.3.4.3 Financial assets at fair value through profit or loss

All financial assets that are not measured at amortised cost or fair value through other comprehensive income, in accordance with the criteria defined above, are measured at fair value through profit or loss. In particular, the following are measured on this basis: (i) all financial assets that do not pass the SPPI test and are not investments in equity instruments designated at fair value through other comprehensive income; (ii) financial assets that are not held within an HTC or HTC and Sell business model; and (iii) financial assets for which the fair value option is applied (to eliminate or significantly reduce a measurement inconsistency).

Initial recognition:

- FVOCI financial instruments are, at the time of initial recognition, recognised at fair value (in accordance with IFRS 13 – Fair Value: Measurement and Disclosure).

Subsequent measurement:

- These assets are subsequently measured at fair value and changes in fair value are recognised immediately in the income statement.
- On 31 December 2023 and 2022, the bank did not hold any financial assets at fair value through profit or loss.

2.3.5 Impairment of Financial Assets

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

- All financial assets measured at amortised cost (including lease contracts where the Bank acts as lessor – IFRS 16 – Leases);
- Debt instruments measured at fair value through other comprehensive income (FVOCI);
- Documentary credits and guarantees and sureties provided; and
- Assets from contracts with customers, as referred to in IFRS 15 – Revenue from Contracts with Customers.

The identified impairment losses are recorded in the income statement and are subsequently reversed through the income statement if there is a reduction in the estimated loss amount, in a later financial year.

The aforementioned financial assets are subject to impairment tests at each reporting date. The impairment model determined in accordance with IFRS 9 translates into an Expected Credit Losses (ECL) model, which considers the expected losses over the life of the financial assets. This means that when determining the ECL, macroeconomic factors are taken into account which have changes that can have an impact on the expected losses.

In the expected loss model, assets subject to impairment calculation must be categorised into one of the following stages, depending on the change in credit risk since the asset was initially recognised:

- Stage 1 – From the initial recognition of the asset and whenever there has been no significant increase in the credit risk since that date, the assets are classified in stage 1. For these assets, an impairment corresponding to the ECL should be recognised for default events that may occur within a time window of 12 months following the reporting reference date;
- Stage 2 – If there has been a significant increase in risk since initial recognition, the assets should be classified in stage 2. In this category, impairment will correspond to the ECL for default events that may occur during the remaining lifetime of that asset (ECL lifetime).
- Stage 3 – Defaulting assets should be classified in this category, with impairment corresponding to the lifetime ECL.

The Bank considers that there is a default when the asset is more than 90 days overdue. The following conditions are also indicators of default:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or delay;
- The borrower's lender(s), for economic or contractual reasons related to the borrower's financial difficulties, have granted the borrower facilities that they would not otherwise have granted;
- It is likely that the borrower will enter into bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset due to financial difficulties; or
- The acquisition or creation of a financial asset at a large discount that reflects the credit losses which have incurred.

The stage 2 classification is based on observing a significant increase in credit risk (SICR) since initial recognition. The SICR is identified through various quantitative and qualitative criteria, such as arrears of more than 30 days, loans restructured due to financial difficulties, and other criteria listed in Instruction No. 8/2019 of the Banco Nacional de Angola.

Expected losses are a probability-weighted estimate of the reductions in the value of the cash flows resulting from the default over the relevant time frame and correspond to the present value of the estimated difference between the contractual cash flows and the expected cash flows of the financial assets (cash shortfalls). This estimate corresponds to an expected determined value which is the unbiased weighted average (through the respective occurrence probabilities) of various possible outcomes. Expected losses are discounted to the reporting date using the effective interest rate.

The calculation of the expected loss is based on historical and current information, but must also incorporate future projection scenarios that are reliable, reasonable, bearable and available without excessive cost or effort.

The IFRS 9 impairment calculation is complex and requires management decisions, estimates and assumptions, particularly in assessing whether there has been a significant increase in risk since the initial recognition.

Instruments with Low Credit Risk

The credit risk of a financial instrument is low if the borrower has a low probability of defaulting, has a strong capacity to fulfil its contractual obligations in the short term and if adverse changes in economic and business conditions in the long term may reduce the customer's ability to fulfil its contractual cash flow obligations. Financial instruments are not considered low credit risk when they are considered to have a low level of loss given default (LGD) simply because of the value of the guarantee and if they would not be considered low risk if that guarantee did not exist.

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

POCI Assets (Purchased or Originated Credit Impaired)
POCI assets are assets which have defaulted at the time of initial recognition which can originate from one of the following criteria:

- New financial assets originated after modification of contractual conditions that result in derecognition of the original asset and recognition of a new asset; and
- New customer contracts in default. The calculation of ECL for assets classified as POCI is determined by the following principles.

These financial assets are initially recognised at fair value plus transaction costs, with the corresponding effective interest rate determined by reference to their expected future cash flows and not their contractual cash flows. This effective interest rate is therefore an effective interest rate adjusted to the credit risk of the assets.

All changes in the expected cash flows of these financial assets following their initial recognition are treated as changes in the assets' impairment losses.

In the 2023 and 2022 financial years, there were no assets classified as POCI.
The Bank calculates impairment losses by analysing loans individually or by collectively analysing homogeneous groups.

2.3.5.1 Individual analysis
The amount of impairment losses in individual terms is determined by analysing the total exposure of loans and advances to customers on a case-by-case basis.

This individual analysis is carried out for the credits considered individually significant.

The criteria specified by the Bank for identifying customers or economic groups that are individually significant and therefore subject to individual impairment analyses were as follows:

Segment	Criterion
Customers/economic groups for which there is objective evidence of impairment	0.1% of the amount of the institution's own funds
Customers/economic groups for which there is no objective evidence of impairment	0.5% of the amount of the institution's own funds

The global exposure amount for each customer/economic group does not take into account the consideration of conversion factors for off-balance sheet exposures (CCF).

Impairment losses are calculated by comparing the present value of the expected future cash flows discounted at the original effective interest rate of each contract and the book value of each loan, and the losses are recognised in the income statement. The book value of impaired loans is shown in the balance sheet net of impairment losses. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate applicable in the period in which the impairment was determined.

2.3.5.2 Collective analysis

Loans that are not considered individually significant, or those the individual analysis of which has resulted in zero impairment, are grouped based on similar risk characteristics with the aim of determining impairment losses in collective terms.

This analysis allows the Bank to recognize losses, the identification of which, in individual terms, will only occur in future periods. Impairment losses in collective terms are determined by considering the following aspects:

- Historical experience of losses in portfolios with similar risk;
- 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 methodology and assumptions used to estimate future cash flows are reviewed regularly by the Bank in order to monitor differences between estimated losses and actual losses.

Segmentation of the Credit Portfolio for Collective Analysis

In accordance with IFRS 9, non-significant customers are included in homogeneous segments with similar credit risk, considering the Bank's management model, and subject to collective impairment determination.

This is to ensure that they have similar risk characteristics when analysing these exposures and determining their risk parameters.

As regards the segmentation of exposures for the purposes of calculating risk parameters, the Bank decided to do this on the basis of two vectors, that is, segmentation based on the type of customer and product (homogeneous populations) and risk buckets.

Customers/operations are classified at each point in time on the basis of these two vectors, which form the basis for the subsequent estimation of risk parameters per segment.

Significant segmentation factors considered in defining homogeneous populations when estimating risk parameters were certain characteristics of credit operations, such as the type of customer and the type of product.

In order to ensure that the portfolio segmentation was consistent with regulatory requirements and had the statistical relevance needed to determine robust risk parameters, the following segmentation was specified:

Type of Customer	Segment
Individuals	Overdrafts - Individuals Consumer Credit Mortgage Loans Other Loans Employees
Companies	Current Accounts Overdrafts – Companies Other Loans Guarantees Provided and CDI

In the financial assets portfolio, impairments are determined by attributing:

- A probability of default (PD) derived from the debt rating of the issuer or counterparty, respectively; and
- A loss, given default (LGD), which results from market parameters.

2.3.5.3 Collateral assessment process

The assessment of guarantees is regularly ensured, so that the Bank has up-to-date information on the value of these instruments and, consequently, its ability to mitigate the risk of credit operations.

As part of the conditions for approving credit operations, whenever the need to obtain a guarantee from the customer is specified, if the type of guarantee or collateral identified implies a request for an assessment to define and validate its value, a request for an assessment of the guarantee should be made to the Credit Department, so that it can contact and trigger the process with the external assessment companies with which the Bank has an established agreement.

With regard to the process involving the periodic reassessment of collateral, based on the requirements of Notice No 10/2014, Instruction 8/2019 and Directive 13/2019, namely with regard to the criteria that have been defined for carrying out a new assessment of the mortgage collateral, it has been specified that the Credit Department will be responsible for identifying the guarantees that should be subject to reassessment and for triggering the respective process with external valuers.

As part of the impairment model, the Bank has laid down a set of guarantees that can support the credit operations contracted.

Whenever it is relevant as part of the credit recovery process and in order to determine the recoverable amount of the credit through the enforcement of existing guarantees or to support a credit restructuring operation, the Credit Division or the Legal Department may request a reassessment of the guarantees associated with the operations under their management.

2.4 Financial Liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation for a settlement to be made by delivering cash or another financial asset, regardless of its legal form.

Financial liabilities are subsequently measured at amortised cost, except when they are held for trading (this is always the case with derivatives), or when the fair value option is applied. In these cases, financial liabilities are subsequently measured at fair value through profit or loss. For financial liabilities at amortised cost, the corresponding interest is recognised using the effective interest rate method and is shown in net interest income.

Non-derivative financial liabilities essentially include deposits from credit institutions and customers, loans and liabilities represented by securities.

Financial liabilities are initially recognised at fair value. For initial recognition purposes, the fair value is deducted from any transaction costs when the corresponding subsequent measurement corresponds to the amortised cost.

Any gains or losses resulting from the settlement of financial liabilities are recognised in the income statement when they occur.

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

2.5 Other Tangible Assets

i. Recognition and measurement

Other tangible assets are recorded at acquisition cost less the respective accumulated amortisation and impairment losses. Cost includes expenses that are directly attributable to the acquisition of the goods.

ii. Subsequent costs

Subsequent costs are recognised as a separate asset only if it is probable that future economic benefits will accrue to the Bank. Maintenance and repair costs are recognised as an expense as they are incurred on an accruals basis, in the item General Administrative Expenses.

iii. Amortisations

Land is not amortised. Amortisations are calculated on a straight-line basis over the estimated useful life of the asset, which corresponds to the period in which the asset is expected to be available for use, according to the following expected useful life periods:

	Number of years
Own service properties	50
Works on leased buildings	10
Transport equipment	3
Furniture and equipment	10
Machines and tools	6 to 7
IT equipment	3
Interior fittings	10

Amortisations of the remaining assets are recorded in costs for the financial year.

IAS 36 – Impairment of assets annually requires that whenever there are indications that their recoverable amount be estimated, that an impairment loss should be recognised whenever the net value of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Recoverable value is defined as the higher between the asset's net sale value and its use value, the latter calculated on the basis of the current value of estimated future cash flows that are expected to be obtained from continued use of the asset and disposal of the asset at the end of its useful life.

2.6 Intangible Assets

Software

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

Costs directly related to the development of computer applications, which are expected to generate future economic benefits beyond one financial year, are recognised and recorded as intangible assets.

All other charges related to IT services are recognised as costs when they have incurred.

2.7 Leasing

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

- The contract involves the use of an identified asset – the asset may be specified explicitly or implicitly and must be physically distinct or represent substantially all the capacity of a physically non-distinct asset. Even if an asset is specified, the Bank does not have the right to use an identified asset if the supplier has the substantive right to replace that asset during the utilisation period;
- The Bank has the right to substantially obtain all the economic benefits from the use of the identified asset, during the entire period of utilisation; and
- The Bank has the right to manage the use of the identified asset. The Bank has this right when it has the most important decision-making rights to change the manner and purpose with which the asset is used throughout the period of utilisation. In cases where the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to manage the use of the asset if:
    - The Bank has the right to exploit the asset (or to have others exploit the asset in the manner it so determines) during the entire period of utilisation, without the supplier having the right to change these operational instructions; or
    - The Bank has designed the asset (or specific aspects of the asset) in such a way as to determine in advance the manner and purpose for which the asset will be used throughout the period of utilisation.

The Bank initially applied IFRS 16 on 1 January 2019 to lease contracts existing on that date or entered into afterwards.

At the start or the reassessment of a contract containing a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their individual prices. However, for leases of buildings, ATMs and equipment in which it is the lessee, the Bank has chosen not to separate the non-lease components and to account for the lease and non-lease components as a single component.

2.7.1 As a Lessee

The Bank recognises a right-of-use asset and a lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for all lease prepayments on or before the commencement date (less lease incentives received), plus any initial direct costs incurred and the estimated costs of dismantling and removing the underlying asset or restoring the underlying asset or the premises in which it is located.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the start date until the end of the service life of the right-of-use asset or the end of the lease term, whichever ends first. The estimated service life of right-of-use assets is determined according to the same principles as Tangible Assets. In addition, the right-of-use asset is periodically deducted from impairment losses, if any, and adjusted by certain remeasurements of the lease liability.

Lease liabilities are measured initially at the present value of the lease payments that have not been made at that date, discounted at the interest rate implicit in the lease, if that rate can be easily determined. If the rate cannot be easily determined, the Bank's incremental financing rate should be used. As a rule, the Bank uses its incremental financing rate as the discount rate.

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

- fixed payments (including fixed payments in substance), less lease incentives;
- variable payments that depend on an index or a rate, initially measured using the rate or index existing at the start date;
- amounts expected to be paid as residual value guarantees;
- the price involved in exercising a call option, if the Bank is reasonably certain to exercise that option; and
- payments of penalties for termination of the lease, if the lease term shows the exercise of an option to terminate the lease by the Bank.

Lease liabilities are measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments resulting from a change in an index or rate, when there is a change in the Bank's estimate of the amount expected to be paid under a residual value guarantee, or whenever the Bank changes its assessment of whether or not it expects to exercise a purchase, extension or cancellation option.

Whenever the lease liability is remeasured, the Bank recognises the amount of the remeasurement 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 a further reduction in the measurement of the lease liability, the Bank recognises this reduction in the income statement.

The Bank puts right-of-use assets that do not meet the definition of investment property under Other Tangible Assets and lease liabilities under Other Liabilities in the statement of its financial position.

Short-term leases and leases of low-value assets

The standard allows a lessee not to recognise right-of-use assets and short-term lease liabilities that have a lease term of 12 months or less and leases of low-value assets, and the payments associated with these leases are recognised as an expense using the straight-line method over the term of the contract.

The Bank opted to apply the exemption defined by IFRS 16 for recognising right-of-use assets and lease liabilities for short-term leases, where the lease term is 12 months or less, and leases of low-value assets. The Bank therefore recognises the expenses associated with these contracts directly under General Administrative Expenses in the income statement.

2.7.2 As a Lessor

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

To classify each lease, the Bank makes an overall assessment of whether the lease substantially transfers all the risks and benefits inherent in ownership of the underlying asset. If the lease substantially transfers all the risks and benefits inherent to the ownership of the underlying asset, it is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the majority of the asset's economic working life.

When the Bank is an intermediate lessor, it accounts for its interests in the main lease and the sublease separately. Subleases are classified by reference to the asset under the right of use arising from the original lease, and not by reference to the underlying asset. If the original lease is a short-term lease to which the Bank applies its exemption from recognition described above, the Bank classifies the sublease as an operating lease.

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

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of General Administrative Expenses.

2.8 Taxes on Profits

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

Corporation tax for the year is determined based on a rate of 30 per cent on the total value of pre-tax profits, adjusted according to the specific additions and deductions contained in the tax legislation in force. For tax purposes, the Bank is considered a Group A taxpayer.

With the publication of Law 19/14, which came into force on 1 January 2015, Industrial tax is subject to provisional settlement in a single instalment to be made in August, calculated by applying a 2% rate on the result of financial intermediation operations, determined in the first six months of the previous tax year, excluding income subject to capital investment tax, regardless of a basis for tax assessment in the year.

The 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 profit for the financial years 2014 to 2022.

The Bank is also subject to the payment of IPU, at the rate of 0.5% on the asset value of properties used for the normal operation of its business, as laid down in Law No 18/11 of 21 April.

The Bank is also subject to indirect taxes, namely, customs taxes, Stamp Duty, Consumption Tax, as well as other fees.

Capital Investment Tax (IAC)

Presidential Legislative Decree No 5/11, of 30 December, introduced several legislative amendments to the IAC Code, following the Tax Reform currently underway.

IAC is generally levied on income from the Bank's financial investments, namely income derived from investments, liquidity-providing operations and interest on Central Bank Securities.

The general rate is 10 per cent, but a reduced rate of 5 per cent (in the case of income from public debt securities with a maturity of three years or more) or a rate of 15 per cent may be applied. Under the terms of Article 47(1)(a), income subject to IAC will be deducted from Industrial Tax.

Without prejudice to the above, as far as income from public debt securities is concerned, according to the latest understanding of the Tax Authority addressed to ABANC (letter with reference 196/DGC/AGT/2016, dated 17 May 2016), only income from securities issued on or after 1 January 2012 is subject to this tax.

It should also be noted that according to the Tax Authority's position, the exchange rate revaluations of public debt securities issued in national currency but indexed to foreign currency, issued since 1 January 2012, should be subject to Industrial Tax until the Banco Nacional de Angola is in a position to make the appropriate deduction of tax at the source for the Capital Investment Tax (IAC).

Deferred taxes

Deferred taxes are calculated based on the temporary differences between the book values of assets and liabilities and their tax base, using the tax rates approved or substantially approved at the balance sheet date and which are expected to be applied when the temporary differences reverse.

Deferred tax liabilities are recognised for all temporary taxable differences with the exception of goodwill that is not deductible for fiscal purposes, the differences resulting from initial recognition of assets and liabilities which do not affect either the accounting profit or the fiscal profit, and differences relating to investments in subsidiaries insofar as they will probably not be reversed in the future.

Deferred tax assets are recognised when it is probable that future taxable profits will be available to absorb temporary differences deductible for tax purposes (including tax losses carried forward).

2.9 Provisions

Provisions are recognized when (i) the Bank has a present obligation (legal or arising from past practices or published policies that imply the recognition of certain liabilities); (ii) it is probable that its payment will be required and (iii) when a reliable estimate of the value of that obligation can be made.

The measurement of provisions takes into account the principles specified in IAS 37 with regard to the best estimate of the expected cost, the most likely result of the ongoing actions and considering the risks and uncertainties inherent in the process.

In cases where the discount effect is materially relevant, the provisions correspond to the present value of expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, being reversed through the income statement in the proportion of those payments that are not likely to take place.

Provisions are derecognised through their use for the liabilities for which they were initially set up or in cases where such liabilities have ceased to be observed.

2.10 Interest Recognition

Income and expenses from financial instruments measured at amortised cost (assets and liabilities) and measured at fair value through comprehensive income (assets) are recognised in the items interest and similar income or interest and similar charges (net interest income).

The effective interest rate is the rate that discounts estimated future payments or receipts over the expected lifetime of the financial instrument (or, where appropriate, over a shorter period) to the amount paid or received on acquisition or assumption of the financial asset or liability.

To determine the effective interest rate, the Bank estimates future cash flows considering all the contractual terms of the financial instrument (e.g. prepayment options), while not considering any impairment losses. The calculation includes commissions paid or received considered as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction.

2.11 Recognition of Income from Services and Fees

Income from services rendered and fees include commissions and fees not included in the effective interest rate of financial assets. This income includes, among other things, fees charged in connection with loan instalments, fees related to the non-use of credit lines and fees related to the provision of means of payment and cards.

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

When service income is an integral part of the effective interest rate of a financial instrument, the resulting income is recognised in net interest income.

2.12 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include amounts recognised in the balance sheet with a maturity of less than three months from the balance sheet date, including cash and deposits with other credit institutions.

Cash and cash equivalents exclude mandatory deposits made with Central Banks.

2.13 Financial Guarantees and Commitments

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

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below the market value are initially recognised at fair value, with the initial fair value being amortised over the useful life of the guarantee or commitment. Subsequently, the liability is recorded at the higher of the amortised value and the present value of any payment expected to be settled.

2.14 Earnings per Share

Basic earnings per share are calculated by dividing the result by the weighted average number of ordinary shares in circulation, excluding the average number of own shares held by the Bank.

For diluted earnings per share, earnings and the average number of ordinary shares in circulation are 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 reduces earnings per share.

3 – Main Estimates and Judgments Used in Drawing up the Financial Statements

The IAS/IFRS set out a series of accounting procedures and require the Board of Directors to apply judgements and make estimates in order to decide on which is the most appropriate accounting process. The main accounting estimates and judgements used in the application of accounting principles by the Bank are presented in this note, with the aim of improving the understanding of how their application affects the results reported by the Bank and their disclosure. An extended description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

Given that in many situations there are alternatives to the accounting procedure adopted by the Board of Directors, the results reported by the Bank could be different if an alternative procedure were chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements truly and appropriately show the financial position of the Bank and the results of its operations in all materially relevant aspects.

3.1 Impairment Losses on Loans and Advances to Customers

The Bank periodically reviews its loan portfolio in order to assess the existence of impairment losses, as stated in the accounting policy described in Note 2.

The process of assessing the loan portfolio in order to determine whether an impairment loss should be recognised is subject to various estimates and judgements. This process includes factors such as the probability of default, credit ratings, the value of the collateral associated with each operation, recovery rates and estimates of both future cash flows and when they will be received.

Alternative methodologies and the use of other assumptions and estimates could result in different levels of recognised impairment losses, with a consequent impact on the Bank's profit and loss.

The Bank considers that the impairment determined on the basis of the methodology described in Note 2 adequately reflects the risk associated with its customer loan portfolio, taking into account the rules defined by IFRS 9.

3.2 Tax On Profits

In order to determine the overall amount of taxes on profits, certain interpretations and estimates had to be made. There are various transactions and calculations for which determination of the tax payable is uncertain during the normal business cycle.

Other interpretations and estimates could result in a different level of tax on earnings, current and deferred, which are recognised in the period.

The Tax Authorities have the possibility of reviewing the Bank's calculation of the taxable amount for a period of ten years. Therefore, it is possible that there may be corrections to the taxable amount, resulting mainly from differences in the interpretation of tax legislation, which the Board of Directors considers unlikely to have a material effect on the financial statements.

3.3 Leasing

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

4 – Net Interest Income

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023			31.12.2022	
	Assets/ liabilities at amortized cost	From assets/ liabilities at fair value through profit or loss	Total	Assets/ liabilities at amortized cost	Total
Interest and similar income					
Interest on loans to customers	474 361	–	474 361	331 860	331 860
Interest on balances and investments at credit institutions	2 134 483	–	2 134 483	3 197 227	3 197 227
Interest on financial assets at amortised cost	2 900 700	–	2 900 700	3 963 861	3 963 861
	5 509 544	**–**	**5 509 544**	**7 492 948**	**7 492 948**
Interest and similar costs					
Interest on central bank and customer funds	224 590	–	224 590	152 810	152 810
Lease Interest	88 930	–	88 930	91 594	91 594
	313 520	**–**	**313 520**	**244 404**	**244 404**
Net Interest Income	**5 196 024**	**–**	**5 196 024**	**7 248 544**	**7 248 544**

The item Interest on Loans to Customers records the interest on credit agreements granted to customers.

The item Interest on Financial Assets at Amortised Cost refers to interest on public debt securities, namely bonds and treasury bills. The income from public debt securities, obtained from treasury bonds and treasury bills issued by the Angolan State is subject to Capital Investment Tax (IAC) and is deducted from the taxable amount for industrial tax purposes.

The item Interest on Central Bank and Customer Funds essentially refers to interest paid to customers on funds capitalised at the Bank. This item has a cost of AOA 224 590 thousand in the 2023 financial year (31 December 2022: AOA 152 810 thousand), higher than the previous year, due to the increase in the number of customer deposits.

5 – Results of Services and Commissions

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Income from Services and Fees		
For banking services rendered	1 121 001	941 794
Other	–	–
	1 121 001	941 794
Cost of Services and Fees		
For banking services rendered	205 749	203 235
	915 252	**738 559**

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Income from Services and Fees		
Commissions on sales notes	44	22
Transfer commissions	356 971	454 027
Commissions on dossiers	282	604
Commissions for remittance services	25 669	21 812
Commissions for guarantees and sureties provided	18 478	4 473
Credit opening commissions	72 025	479
Commissions for banking services (cards, Clearing)	32 876	23 282
Other commissions	614 657	437 094
	1 121 001	**941 794**
Cost of Services and Fees		
Commissions for electronic clearing	80 803	70 335
Commissions for securities management	6 873	9 216
Commissions for payment systems	126	28
Commission for provision of funds	111 981	118 705
Commissions for other services provided by third parties	5 967	4 950
	205 749	**203 235**
	915 252	**738 559**

The increase in the balance of this item is mainly the result of the increase in income from services and fees charged, particularly the item Other Fees which includes balances relating to fees for electronic clearing in the amount of AOA 565 867 thousand (31 December 2022: AOA 395 690 thousand).

6 – Foreign Exchange Results

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Foreign Exchange Results		
Foreign Exchange Transactions	1 159 517	2 651 853
Foreign Exchange Revaluation	78 998	2 191
	1 238 515	**2 654 044**

The Foreign Exchange Transactions item reflects the results of buying and selling foreign currency, in accordance with the accounting policy described in Note 2.2.

The Foreign Exchange Revaluation item includes the results of the foreign exchange revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 2.2.

7 – Other Operating Profits

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Penalties applied by regulatory bodies	(162 766)	(110 179)
Direct and Indirect Taxes	(211 108)	(881 921)
Other operating costs	(34 974)	(17 427)
Other operating income	26 581	21 220
	(382 267)	**(988 306)**

The item Direct and Indirect Taxes includes the amount of AOA 183 116 thousand (31 December 2022: AOA 598 735 thousand) relating to the Capital Investment Tax (IAC).

8 – Staff Costs

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Members of the management and supervisory bodies		
Remunerations	582 590	461 101
Holiday and Christmas Bonuses	193 592	73 948
Other Subsidies	12	4 522
Other remuneration and charges	63 556	62 533
	839 750	602 104
Employees		
Remunerations	469 703	415 618
Holiday and Christmas Bonuses	39 916	45 860
Other Subsidies	97 200	99 967
	606 819	561 445
Other staff costs		
Salary expenses	103 681	90 312
Workplace accident insurance	4 161	5 299
	107 842	95 611
	1 554 411	**1 259 160**

On 31 December 2023 and 2022, the Other Allowances heading includes various allowances granted to employees, namely family allowances, allowances for representation expenses, housing rent allowances, absence allowances and food allowances.

The costs of remuneration and other benefits attributed to members of the management and supervisory bodies for the 2023 and 2022 financial years refer entirely to remuneration and other short-term benefits.

The remuneration of the members of the management and supervisory bodies comprised the following amounts:

(amounts in thousands of kwanzas)

	31.12.2023			31.12.2022		
	Board of Administration	**Supervisory Board**	**Total**	**Board of Administration**	**Supervisory Board**	**Total**
Remuneration and other short-term benefits	49 566	1749	51 315	43 344	1392	44 736
Total	**49 566**	**1749**	**51 315**	**43 344**	**1392**	**44 736**

The number of Bank employees, taking into account permanent and fixed-term contracts, is broken down by professional category as follows:

	31.12.2023		31.12.2022	
	Average for the Period	End of the Financial Year	Average for the Period	Year End
Administration	5	5	3	5
Department	3	3	2	2
Head of Department	1	1	-	-
Administrative Area	32	30	35	33
Commercial Area	28	31	24	24
	67	70	64	64

9 – Third-Party Supplies and Services

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Consultancy and auditing	868 561	768 945
Rents and leases charges	10 110	57 249
Security, maintenance and repair	239 190	187 775
Communication	76 702	85 495
Various materials	29 107	12 990
Transport, travel and accommodation	23 857	2 053
Water, energy and fuels	6 006	3 504
Insurance	39 489	55 024
Publications, publicity and advertising	7 991	29 506
Cheque and card production services	158 756	133 656
Other third-party supplies	10 704	12 590
	1 470 473	**1 348 786**

The item Consultancy and Auditing includes the provision of auditing services, tax consultancy and IT services.

On 31 December 2023, the Rents and Leases item corresponds to short-term leases not included in the measurement of lease liabilities, as described in accounting policy 2.7.1.

10 – Cash and Deposits at Central Banks

The value of this item is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Cash		
Banknotes at branch counters	1 205 572	462 937
ATM banknotes	158 652	149 065
	1 364 224	612 002
Deposits with Central Banks		
Banco Nacional de Angola	8 241 961	2 923 137
	8 241 961	2 923 137
Collected cheques		
Collected cheques	–	198 000
	–	198 000
Impairment losses		
Collected cheques	–	(1 121)
	–	(1 121)
	9 606 185	**3 732 018**

The item Deposits at Central Banks includes compulsory deposits with the Banco Nacional de Angola, the purpose of which is to fulfil the legal requirements regarding the constitution of minimum cash holdings. It should be noted that there is no remuneration associated with these deposits.

As at 31 December 2023 and 2022, the minimum reserve requirements on demand deposits at the Banco Nacional de Angola are summarised in the following table:

(amounts in thousands of kwanzas)

	31.12.2023			31.12.2022		
	USD	EUR	AOA	USD	EUR	AOA
Compulsory reserves						
Kwanzas	–	–	1 069 485	–	–	1 645 664
US Dollars	535	–	443 572	816 698	–	413 755
Euros	–	75	69 091	–	75 000	40 559
	535	75	1 582 147	816 698	75 000	2 099 978
Free reserves	–	–	6 659 813	–	–	823 160
			8 241 961			2 923 137

The balance of Deposits at Central Banks is made up of demand deposits in local and foreign currency, which are non-interest-bearing, in order to meet the BNA's minimum reserve requirements and other effective liabilities.

The movements in the impairment losses recognised under assets were as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening Balance	(1 121)	–
Appropriations Net of Reversals	1 121	(1 121)
Uses and other handling	–	–
Final Balance	**–**	**(1 121)**

All the exposures relating to deposits at central banks are at stage 1.

On 4 June 2010, BNA Instruction No 3/2010 came into force, establishing that compulsory reserves will now be made up in two currencies – AOA for accounts in AOA that form the reserve base and USD for accounts in foreign currency that form the reserve base.

In 2016, the BNA issued Instruction No 2/2016, which specifies that the reserves to be set aside in national currency are 30 per cent, with the exception of deposits from Local Government and Municipal Administrations, which are subject to a 50 per cent rate, and Central Government, which is subject to a 75 per cent rate. The coefficient for mandatory reserves in foreign currency is 15 per cent for customer deposit balances and 100 per cent for Local and Central Government deposit balances, as well as for Municipal Administrations.

In addition, Instruction No 04/2016 of 13 May specifies that the reserve base, with the exception of Central Government, Local Government and Municipal Government accounts, is 30%, with banks being able to comply with up to 20% with Treasury Bonds belonging to the banks' own portfolio, provided they were issued from January 2015 onwards and with the amount of the financing contracts made with the Ministry of Finance, complying with the weightings defined in the aforementioned Instruction.

11 – Cash from Other Credit Institutions

The balance of the item Deposits with Other Credit Institutions is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Deposits in financial institutions abroad	1 565 653	686 711
Pending transactions and settlement	(29 174)	54 403
	1 536 479	741 114
Impairment losses		
Deposits in financial institutions abroad	(195)	(22)
	1 536 284	**741 092**

As at 31 December 2023 and 2022, the item Deposits with Financial Institutions Abroad includes the balances of accounts with the corresponding bank, and these amounts are part of the Bank's day-to-day business management without any associated remuneration.

The movements in the impairment losses recognised under assets were as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening balance	(22)	(298)
Appropriations Net of Reversals	(173)	273
Appropriations Net of Reversals	-	3
Final balance	**(195)**	**(22)**

All the exposures relating to deposits with other credit institutions are at stage 1.

12 – Investments in Central Banks and Other Credit Institutions

The breakdown of this item on 31 December 2023 and 2022 is as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Central Bank Investments in the country		
Deposits at the Banco Nacional de Angola	11 107 143	28 847 478
	11 107 143	**28 847 478**
Investments at credit institutions abroad		
Short-term applications	-	152 431
Resale agreement transactions	2 004 736	11 027 223
Interest receivable	114	955
	2 004 850	**11 180 609**
Impairment losses	(2 357)	(48 216)
	13 109 636	**39 979 872**

The investments were set up as collateral for the issue of documentary credits alongside the corresponding items.

The reverse repurchase agreements relate to repos on Angolan public debt securities, denominated in Angolan currency, with a maturity of up to 3 months.

The analysis of resources from other credit institutions, by maturity, on 31 June 2023 and 2022 December 2013, is as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Up to 3 months	13 109 636	39 979 872
From 3 months to one year	-	-
	13 109 636	**39 979 872**

The movements in the impairment losses recognised under assets were as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening balance	(48 216)	(22 188)
Appropriations Net of Reversals	128 677	(26 028)
Uses and other handling	(82 818)	-
Final balance	**(2 357)**	**(48 216)**

All the exposures relating to investments in other credit institutions are at stage 1.

13 – Financial Assets at Fair Value Through Other Comprehensive Income

The breakdown of this item as at 31 December 2023 and 2022 was as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening balance	43 656	43 656
Appropriations Net of Reversals	-	-
Uses and other handling	-	-
Final balance	**43 656**	**43 656**

On 31 December 2023 and 2022, this item only included the Bank's stake in EMIS - Empresa Interbancária de Serviços, S.A.R.L. (EMIS), with head office in Luanda, in which the Bank holds less than 10 per cent of the capital.

EMIS was set up in Angola to manage electronic means of payment and complementary services.

The analysis of financial assets at fair value through other comprehensive income, by valuation levels, with reference to 31 December 2023 and 2022, is as follows:

(amounts in thousands of kwanzas)

	Level 1	Level 2	Level 3	Total
Shares		-	43 656	43 656
Balance at 31 December 2023		**-**	**43 656**	**43 656**
Shares		-	43 656	43 656
Balance at 31 December 2022		**-**	**43 656**	**43 656**

In accordance with the IFRS, the fair value of these financial assets was determined in accordance with level 3 of the IFRS 13 fair value hierarchy (Note 27).

14 – Financial Assets at Amortised Cost

The breakdown of this item as at 31 December 2023 and 2022 was as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Bonds and other fixed-yield securities		
From public issuers		
Treasury Bills	8 626 733	5 773 440
National Currency Treasury Bonds	18 191 752	12 065 713
	26 818 485	**17 839 153**
Impairment		
Treasury Bills	(12 884)	(92 456)
National Currency Treasury Bonds	(120 671)	(76 971)
	(133 555)	**(169 427)**
	26 684 930	**17 669 726**

The fair value of the portfolio of financial assets at amortised cost is presented in Note 27, within the scope of the disclosure requirements specified in IFRS 7 and 13.

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

(amounts in thousands of kwanzas)

	Less than 3 months	Between 3 months and 1 year	From 1 to 5 years	More than 5 years	Indeterm. durantion	Total
From public issuers						
Treasury Bills	–	8 626 733	–	–	–	8 626 733
National Currency Treasury Bonds	–	–	18 191 752	–	–	18 191 752
Balance at 31 December 2023	**–**	**8 626 733**	**18 191 752**	**–**	**–**	**26 818 485**
From public issuers						
Treasury Bills	–	–	5 773 440	–	–	5 773 440
National Currency Treasury Bonds	–	–	11 896 286	–	–	11 896 286
Balance at 31 December 2022	**–**	**–**	**17 669 726**	**–**	**–**	**17 669 726**

The movements in impairment losses recognised in assets as a correction to investment values were as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening balance	(169 427)	(250 710)
Appropriations Net of Reversals	35 872	81 283
Final balance	**(133 555)**	**(169 427)**

All exposures relating to financial assets at amortised cost are at stage 1.

15 – Credit to Customers

The breakdown of this item as at 31 December 2023 and 2022 was as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Internal credit		
Companies		
Loans	1 434 663	1 703 008
Current account credit	1 509 614	9 207
	2 944 277	**1 712 215**
To Individuals		
Loans	185 665	203 837
Overdrafts	518	–
	186 183	**203 837**
	3 130 460	**1 916 052**
Credit and interest overdue		
Up to 3 months	599	6 383
From 3 months to 1 year	17 928	61 929
	18 526	**68 312**
	3 148 986	**1 984 364**
Accumulated impairment losses	(7 380)	(4 238)
	3 141 606	**1 980 126**

As at 31 December 2023, there were no credit agreements with customers being restructured due to financial difficulties.

As at 31 December 2023 and 2022, the composition of the loan portfolio by residual maturity is as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Up to 3 months	86 759	99 588
From 3 months to one year	30 487	370
From one to five years	1 745 320	1 721 754
More than five years	1 267 894	94 340
Indeterminate duration	18 526	68 312
	3 148 986	**1 984 364**

The Bank classifies instalments of principal or interest due on the day they fall due as overdue loans.

The movements in impairment losses recognised on the asset side as a correction to loan values were as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening balance	4 238	1 955
Appropriations Net of Reversals	10 880	10 501
Uses and other handling	(7 738)	(8 218)
Final balance	**7 380**	**4 238**

Credit exposures to customers broken down by stage of impairment are shown below:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	Exhibition on 31-12-2023				Impairment on 31-12-2023			
Segment	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Companies	**2 939 461**	**–**	**–**	**2 922 214**	**4 539**	**–**	**–**	**4 539**
Loans	1 434 423	–	–	1 434 423	4 464	–	–	4464
Current Accounts	1 505 038	–	–	1 505 038	75	–	–	75
Overdrafts	–	–	–	–	–	–	–	–
Individuals	**198 199**	**6 371**	**4 954**	**213 076**	**2 390**	**204**	**248**	**2 842**
Overdrafts	7	620	4 954	5 581	0	31	248	279
Loans	133 449	5 751	–	139 201	341	173	–	514
Employee	64 743	–	–	64 743	2 049	–	–	2 049
Others				–				–
Total	**3 137 661**	**6 371**	**4 954**	**3 148 986**	**6 929**	**204**	**248**	**7 380**

– As at 31 December 2022:

(amounts in thousands of kwanzas)

Segment	Exhibition on 31-12-2022				Impairment on 31-12-2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Companies	**1 696 385**	**25**	**56 211**	**1 752 621**	**125**	**1**	**571**	**697**
Loans	1 696 385	–	–	1 696 385	125	–	–	125
Current Accounts	–	–	56 200	56 200	–	–	570	570
Overdrafts	0	25	11	36	–	1	1	2
Individuals	**222 845**	**3 180**	**5 718**	**231 742**	**3 096**	**159**	**286**	**3 541**
Overdrafts	3 098	3 180	5 718	11 996	155	159	286	600
Loans	135 769	–	–	135 769	331	–	–	331
Employees	83 978	–	–	83 978	2 610	–	–	2 610
Total	**1 919 230**	**3 205**	**61 929**	**1 984 364**	**3 221**	**160**	**857**	**4 238**

The breakdown of loans and advances to customers falling due by type of rate is as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Fixed rate	1 921 189	1 720 241
Variable rate	1 227 797	264 123
	3 148 986	**1 984 364**

As at 31 December 2023 and 2022, the breakdown of loans and impairment by segment and by situation is as follows:

– As at 31 December 2023:

(amounts in thousands of kwanzas)

Segment	Exhibition Year 2023					Impairment Year 2023		
	Credit in compliance	Credit in non-compliance	Guarantees provided	Exposure total	Relative weight	Credit in compliance	Credit in non-compliance	Impairment total
Public Sector								
Companies	**2 944 277**	**–**	**195 824**	**3 140 101**	**94%**	**4 539**	**–**	**4 539**
Loans	1 434 663	–	–	1 434 663	43%	4 464	–	4 464
Current Accounts	1 509 614	–	–	1 509 614	45%	75	–	75
Overdrafts	–	–	–	–	0%	–	–	–
Guarantees Provided and CDI	–	–	195 824	195 824	6%	–	–	–
Individuals	**186 183**	**18 527**	**–**	**204 710**	**6%**	**2 588**	**253**	**2 842**
Overdrafts	518	18 527	–	19 045	1%	26	253	279
Loans	120 922	–	–	120 922	4%	514	–	514
Employee	64 743	–	–	64 743	2%	2 049	–	2 049
Total	**3 130 460**	**18 527**	**195 824**	**3 344 811**	**100%**	**7 127**	**253**	**7 380**

– As at 31 December 2022:

(amounts in thousands of kwanzas)

Segment	Exhibition Year 2023					Impairment Year 2023		
	Credit in compliance	Credit in non-compliance	Guarantees provided	Exposure total	Relative weight	Credit in compliance	Credit in non-compliance	Impairment total
Public Sector								
Companies	**1 712 215**	**56 236**	**–**	**1 768 452**	**89%**	**89**	**571**	**660**
Loans	1 703 008	–	–	1 703 008	86%	89	–	89
Current Accounts	9 207	56 200	–	65 407	3%	–	570	570
Overdrafts	0	36	–	36	0%	0	2	2
Guarantees Provided and CDI	–	–	–	–	0%	–	–	–
Individuals	**203 837**	**12 075**	**–**	**215 912**	**11%**	**3 133**	**445**	**3 578**
Overdrafts	0	11 995	–	11 996	1%	190	445	635
Loans	119 859	80	–	119 939	6%	332	–	332
Employee	83 978	–	–	83 978	4%	2 610	–	2 610
Total	**1 916 052**	**68 312**	**–**	**1 984 364**	**100%**	**3 221**	**1 016**	**4 238**

As at 31 December 2023, the breakdown of loans and impairment by year of concession for individuals and companies is as follows:

(amounts in thousands of kwanzas)

Segment	2020			2021			2022			2023			Total		
	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted
Companies															
Loans	72	666 419	–	3	1703 008	169	–	1434 423	125	16	1434 423	4 464	92	5 262 896	797
Current Accounts	1	518	–	3	9 207	13	–	1505 038	570	2	1505 038	75	9	4 288 205	583
Overdrafts	–	–	–	38	13 709	1	3	–	2	–	–	–	75	13 929	3
Individuals															
Loans	2 939	781	–	2 552	477	15	15	5 581	600	15	5 581	279	8 143	10 399	615
Current Accounts	13	41 083	1 372	11	31 259	1 372	9	64 743	2 610	16	64 743	514	54	180 565	6 697
Overdrafts	15	140 984	444	13	135 678	385	2	139 201	331	11	139 201	2 049	53	465 759	2 871
Total	**3 040**	**849 785**	**1 816**	**2 620**	**1 893 338**	**1 955**	**29**	**3 148 986**	**4 238**	**60**	**3 148 986**	**7 380**	**8 426**	**10 221 754**	**11 566**

As at 31 December 2022, the breakdown of loans and impairment by year of concession for individuals and companies is as follows:

(amounts in thousands of kwanzas)

Segment	2019 and earlier			2020			2021			2022			Total		
	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted	Number of operations	Amount	Impairment constituted
Companies															
Loans	1	24 622	503	72	666 419	–	3	1858 560	169	–	1696 385	125	76	4 245 986	797
Current Accounts	3	1268 404	–	1	518	–	3	61 905	13	–	56 200	570	7	1387 027	583
Overdrafts	34	220	–	–	–	–	38	13 709	1	3	36	2	75	13 965	3
Individuals															
Loans	2 637	3 560	–	2 939	781	–	2 552	477	15	15	11 996	600	8 143	16 814	615
Current Accounts	21	43 480	1 343	13	41 083	1 372	11	31 259	1 372	9	83 978	2 610	54	199 800	6 697
Overdrafts	23	49 897	1 711	15	140 984	444	13	135 678	385	2	135 769	331	53	462 328	2 871
Total	**2 719**	**1 390 183**	**3 557**	**3 040**	**849 785**	**1 816**	**2 620**	**2 101 588**	**1 955**	**29**	**1 984 364**	**4 238**	**8 408**	**6 325 920**	**11 566**

As at 31 December 2023, the detail of exposures and impairment by segment is as follows:

(amounts in thousands of kwanzas)

Segment	Exhibition Year 2022						Impairment Year 2023			
	Total exposure	Stage 1 Credit	Stage 2 Credit	Of which being cured	Stage 3 Credit	Of which acquired or originated in credit impairment	Total impairment	Stage 1 Credit	Stage 2 Credit	Stage 3 Credit
Income Credit	1 638 367	1 632 615	5 751	–	–	–	7 026	6 854	173	–
Escrow Account	1 505 038	1 505 038	–	–	–	–	75	75	–	–
Overdrafts	5 581	7	620	–	4 954	–	279		31	248
Total	**3 148 986**	**3 137 661**	**6 371**	**–**	**4 954**	**–**	**7 380**	**6 929**	**204**	**248**

As at 31 December 2022, the detail of exposures and impairment by segment is as follows:

(amounts in thousands of kwanzas)

Segment	Exhibition Year 2022						Impairment Year 2022			
	Total exposure	Stage 1 Credit	Stage 2 Credit	Of which being cured	Stage 3 Credit	Of which acquired or originated in credit impairment	Total impairment	Stage 1 Credit	Stage 2 Credit	Stage 3 Credit
Income Credit	1 916 132	1 916 132	–	–	–	–	3 066	3 066	–	–
Escrow Account	56 200	–	–	–	56 200	–	570	–	–	570
Overdrafts	12 032	3 098	3 205	–	5 729	–	602	155	160	287
Total	**1 984 364**	**1 919 230**	**3 205**	**–**	**61 929**	**–**	**4 238**	**3 221**	**160**	**857**

As at 31 December 2023, the detail of exposures and impairment constituted by interval of days in arrears is as follows:

(amounts in thousands of kwanzas)

Segment	Exhibition Year 2023									Impairment Year 2023								
	Exposures with no significant increase in credit risk since initial recognition (Stage 1)			**Exposures with a significant increase in credit risk since initial recognition that are not credit impaired (Stage 2)**			**Impaired credit exposures (Stage 3)**			**Exposures with no significant increase in credit risk since initial recognition (Stage 1)**			**Exposures with a significant increase in credit risk since initial recognition that are not credit impaired (Stage 2)**			**Impaired credit exposures (Stage 3)**		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Income Credit	1 632 614	–	–	–	–	5 751	–	–	–	6 854	–	–	–	–	173	–	–	–
Escrow Account	1 505 039	–	–	–	–	–	–	–	–	75	–	–	–	–	–	–	–	–
Overdrafts	7	–	–	–	620	–	–	–	4 954		–	–	–	31	–	–	–	248
Total	**3 137 660**	**–**	**–**	**–**	**620**	**5 751**	**–**	**–**	**4 954**	**6 929**	**–**	**–**	**–**	**31**	**173**	**–**	**–**	**248**

As at 31 December 2022, the detail of exposures and impairment constituted by interval of days in arrears is as follows:

(amounts in thousands of kwanzas)

Segmento	Exhibition Year 2022									Impairment Year 2022								
	Exposures with no significant increase in credit risk since initial recognition (Stage 1)			**Exposures with a significant increase in credit risk since initial recognition that are not credit impaired (Stage 2)**			**Impaired credit exposures (Stage 3)**			**Exposures with no significant increase in credit risk since initial recognition (Stage 1)**			**Exposures with a significant increase in credit risk since initial recognition that are not credit impaired (Stage 2)**			**Impaired credit exposures (Stage 3)**		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Income Credit	1 916 132	–	–	–	–	–	–	–	–	3 031	–	–	–	–	–	–	–	–
Escrow Account	–	–	–	–	–	–	–	–	56 200	–	–	–	–	–	–	–	–	570
Overdrafts	3 098	–	–	25	3 180	–	–	–	5 729	190	–	–	1	159	–	–	–	286
Total	**1 919 230**	**–**	**–**	**25**	**3 180**	**–**	**–**	**–**	**61 929**	**3 221**	**–**	**–**	**1**	**159**	**–**	**–**	**–**	**856**

As at 31 December 2023, the detail of the fair value of the guarantees underlying the loan portfolio of the Companies, Construction and Property Development and Housing segments is as follows:

(amounts in thousands of kwanzas)

Fair value	Year 2023							
	Companies				Housing			
	Property		Other real estate guarantees		Property		Other real estate guarantees	
	Number of Properties	Amount	Number	Amount	Number of Properties	Amount	Number	Amount
< 50 AOA thousand	–	–	–	–	1	49 567	–	–
>= 50 AOA thousand e < 100 AOA thousand	–	–	–	–	–	–	–	–
>= 100 AOA thousand e < 500 AOA thousand	–	–	–	–	2	73 587	–	–
>= 500 AOA thousand e < 1.000 AOA thousand	2	548 748	–	–	–	–	–	–
>= 1.000 AOA thousand e < 2.000 AOA thousand	1	660 751	–	–	–	–	–	–
>= 2.000 AOA thousand e < 5.000 AOA thousand	–	–	–	–	–	–	–	–
>= 5.000 AOA thousand	1	1 487 791	–	–	–	–	–	–
Total	**4**	**2 697 289 771**	**–**	**–**	**3**	**123 153 665**	**–**	**–**

As at 31 December 2023, the detail of the financing-guarantee ratio for the Corporate, Construction and Property Development and Housing segments is as follows:

(amounts in thousands of kwanzas)

Segment	Year 2023					
	Number of Properties	Number of other real collateral securities	Stage 1 Credit	Stage 2 Credit	Stage 3 Credit	Impairment
Companies						
No associated guarantee	n.a	n.a	242 171	–	–	4 393
>= 100%	4	–	2 697 290	–	–	146
Housing						
No associated guarantee	n.a	n.a	75 046	6 371	4 954	2 809
>= 75% and < 100%	2	–	119 016	–	–	32
>= 100%	1	–	4 138	–	–	0
Other Credits						
No associated guarantee	n.a	n.a	–	–	–	–
>= 100%	–	–	–	–	–	0
Total	**7**	**0**	**3 137 660**	**6 371**	**4 954**	**7 380**

16 – Other Tangible Assets

As at 31 December 2023 and 2022, this item is presented as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Property		
For own service	206 819	206 819
Building Works	376	2 658
	207 195	**209 477**
Equipment		
Administrative	196 412	156 099
Banking	127 272	116 423
Security	17 585	14 263
Transport	52 550	52 550
Equipment	15 763	13 455
IT	64 016	62 237
Other	486 372	488 392
	959 970	**903 419**
Fixed assets under construction		
Other	608 066	216 026
	608 066	**216 026**
Assets under right of use	689 393	645 193
	689 393	**645 193**
Gross Tangible Assets	**2 464 624**	**1 974 115**
Accumulated depreciation	**1 126 001**	**941 786**
Impairment	**-**	**-**
	1 338 623	**1 032 329**

The movement in Other Tangible Assets for the periods ending 31 December 2023 and 2022 is as follows:

– As at 31 December 2023:

(amounts in thousands of kwanzas)

	Balance at 01.01.2023	Purchases/ Allocations	Disposals/ Write-offs	Transfers and other adjustments	Balance at 31.12.2023
Property					
For own service	206 819	–	–	–	206 819
Building Works	417 314	–	(2 522)		414 792
	624 133	**–**	**(2 522)**	**–**	**621 611**
Equipment					
Administrative	156 099	57 428	(17 116)		196 411
Banking	116 423	15 931	(5 082)		127 272
Security	14 263	3 322	–		17 585
Transport	52 549	–	–		52 549
Equipment	13 455	2 308	–		15 763
IT	62 235	1 777	–		64 012
Other	73 739	389	(2 166)		71 962
	488 763	**81 155**	**(24 364)**	**–**	**545 554**
	1 112 896				1 167 165
Assets under Right of Use	**645 193**	**44 200**	**–**	**–**	**689 393**
Fixed assets under construction					
Other	216 026	392 040	–	–	608 066
	216 026	**392 040**	**–**	**–**	**608 066**
	1 974 115	**517 395**	**(26 886)**	**–**	**2 464 624**
Accumulated amortisations					
Property					
For own service	(46 220)	(4 136)	–	–	(50 356)
Building Works	(312 260)	(51 326)	2 522	–	(361 064)
	(358 480)	**(55 462)**	**2 522**	**–**	**(411 420)**
Equipment					
Administrative	(99 781)	(18 131)	17 116		(100 796)
Banking	(71 962)	(17 696)	5 082		(84 576)
Security	(9 653)	(1 411)	–		(11 064)
Transport	(72 152)	(14 214)	–		(86 366)
Equipment	(1 277)	(1 866)	–		(3 143)
Other	(51 177)	(1 657)	2 166		(50 668)
	(306 002)	**(54 975)**	**24 364**	**–**	**(336 613)**
Assets under Right of Use	**(277 305)**	**(100 664)**	**–**	**–**	**(377 969)**
	(941 786)	**(211 101)**	**26 886**	**–**	**(1 126 001)**
	1 032 329	**306 294**	**–**	**–**	**1 338 623**

– As at 31 December 2022:

(amounts in thousands of kwanzas)

	Balance at 01.01.2022	Purchases/ Allocations	Disposals/ Write-offs	Transfers and other adjustments	Balance at 31.12.2022
Property					
For own service	206 819	–	–	–	206 819
Building Works	417 314	–	–	–	417 314
	624 133	**–**	**–**	**–**	**624 133**
Equipment					
Administrative	148 554	7 545	–	–	156 099
Banking	98 261	18 114	–	48	116 423
Security	14 263	–	–	–	14 263
Transport	38 806	13 517	–	226	52 549
Equipment	13 455	–	–	–	13 455
IT	62 235	–	–	–	62 235
Other	73 739	–	–	–	73 739
	449 313	**39 176**	**–**	**274**	**488 763**
Assets under Right of Use	**531 851**	**82 489**	**–**	**30 853**	**645 193**
Fixed assets under construction					
Other	–	216 300	–	(274)	216 026
	–	216 300	–	(274)	216 026
	1 605 297	**337 965**	**–**	**30 853**	**1 974 115**
Accumulated amortisations					
Property					
For own service	(42 084)	(4 136)	–	–	(46 220)
Building Works	(260 934)	(51 326)	–	–	(312 260)
	(303 018)	**(55 462)**	**–**	**–**	**(358 480)**
Equipment					
Administrative	(82 924)	(16 857)	–	–	(99 781)
Banking	(56 164)	(15 798)	–	–	(71 962)
Security	(8 272)	(1 381)	–	–	(9 653)
Transport	(41 360)	(30 792)	–	–	(72 152)
Equipment	(714)	(563)	–	–	(1 277)
IT	–	–			–
Other	(42 978)	(8 199)	–	–	(51 177)
	(232 412)	**(73 590)**	**–**	**–**	**(306 002)**
Assets under Right of Use	**(321 667)**	**(89 675)**	**–**	**134 037**	**(277 305)**
	(857 096)	**(218 727)**	**–**	**134 037**	**(941 786)**
	748 201	**119 238**	**–**	**164 890**	**1 032 329**

17 – Intangible Assets

As at 31 December 2023 and 2022, this item is presented as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Software	113 331	153 270
Studies, projects and consultancy	89 383	139 955
Other	847 815	718 208
	1 050 529	**1 011 433**
Fixed assets in progress		
Other – in progress	**308 652**	**234 857**
Accumulated amortisations	**(671 558)**	**(645 898)**
	687 623	**600 392**

The change in the Other item essentially relates to the transfer of fixed assets from in progress to firm.

The movement in the item Intangible Assets for the periods ending 31 December 2023 and 2022 is as follows:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	Balance at 01.01.2023	Purchases/ Allocations	Disposals/ Write-offs	Transfers and other adjustments	Balance at 31.12.2022
Intangible Assets	**1 246 290**	**212 318**	**(99 427)**	**–**	**1 359 181**
Software	153 270		(39 939)	–	113 331
Studies, projects and consultancy	139 955	–	(50 572)	–	89 383
Other	718 210	6 460	(8 916)	132 061	847 815
	1 011 435	6 460	(99 427)	132 061	1 050 529
Fixed assets in progress	234 855	205 858	–	(132 061)	308 652
Accumulated amortisation	**(645 898)**	**(125 087)**	**99 427**	**–**	**(671 558)**
Software	(145 750)		39 939	–	(105 811)
Studies, projects and consultancy	(139 944)	(11)	50 572	–	(89 383)
Other	(360 205)	(125 076)	8 916	–	(476 365)
			–	–	
Net balance	**600 392**	**87 231**	**–**	**–**	**687 623**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

	Balance at 01.01.2022	Purchases/ Allocations	Disposals/ Write-offs	Transfers and other adjustments	Balance at 31.12.2022
Intangible Assets	**1 112 775**	**133 515**	**-**	**-**	**1 246 290**
Software	153 270	-	-	-	153 270
Studies, projects and consultancy	139 955	-	-	-	139 955
Other	602 845	24 000	-	91 365	718 210
	896 070	24 000	-	91 365	1 011 435
Fixed assets in progress	216 705	109 515	-	(91 365)	234 855
Accumulated amortisation	**(509 522)**	**(136 376)**	**-**	**-**	**(645 898)**
Software	(144 911)	(838)	-	-	(145 750)
Studies, projects and consultancy	(139 744)	(200)	-	-	(139 944)
Other	(224 867)	(135 338)	-	-	(360 205)
Saldo líquido	**603 253**	**(2 861)**		**-**	**600 392**

18 – Taxes

Income taxes (current or deferred) are reflected in the profit and loss for the year, except in cases where the transactions giving rise to them have been reflected in other equity items. In these situations, the corresponding tax is also reflected against equity, without affecting the income for the year.

The calculation of the current tax estimate for the year was calculated in accordance with article 64(1) and (2) of Law No 19/14 of 22 October, amended by Law No 26/20 of 20 July, which amends the Industrial Tax Code. Accordingly, the calculation of the current tax estimate for the year ending 31 December 2022 was based on a rate of 35%.

Tax returns are subject to review and correction by the tax authorities for a period of ten years and, due to different interpretations of tax legislation, may result in possible corrections to taxable profit for the financial years 2013 to 2022.

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

Tax losses calculated in a given year, in accordance with Article 48(1) of the Industrial Tax Code and Law 26/20 of 20 July, can be deducted from taxable profits in the following five years.

The item Current Taxes include taxes payable and recoverable through tax credits paid in recent years. On 31 December 2023, provisional tax assessments totalled AOA 50 467 thousand (2022: AOA 47 264 thousand), so current tax liabilities decrease to AOA 245 609 thousand (2022: AOA 320 657 thousand).

Deferred taxes are calculated based on the tax rates expected to be in force on the date of the reversal of temporary differences, which correspond to the rates approved or substantially approved on the balance sheet date.

The deferred tax assets recognised in the balance sheet on 31 December 2022 and 2023 can be analysed as follows:

(amounts in thousands of kwanzas)

	Assets		Liabilities		Net	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Impairment for loans to customers	–	–	–	–	–	–
Effective rate of credit commissions	76	76	–	–	76	76
Effective bond rate	–	–	–	–	–	–
Other tangible assets	1 177	1 177	–	–	1 177	1 177
Other	4 762	4 762	–	–	4 762	4 762
Deferred tax asset/(liability)	**6 015**	**6 015**	**–**	**–**	**6 015**	**6 015**

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

The movements in deferred tax items in the balance sheet had the following counterparts:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Opening balance	6 015	6 015
Recognised in profit or loss	–	–
Balance at the end (Assets/(Liabilities))	**6 015**	**6 015**

The reconciliation of the tax rate, in relation to the amount recognised in profit or loss, can be analysed as follows:

(amounts in thousands of kwanzas)

	31.12.2023		31.12.2022	
	%	Valor	%	Valor
Profit and loss before tax		3 783 411		6 733 697
Tax rate		35%		35%
Tax calculated based on income tax rate		(1 324 194)		(2 356 794)
Tax benefits on income from public debt securities - Art. 47	45.21%	1 710 383	22.57%	1 519 691
Capital investment tax	-5.58%	(211 017)	-13.08%	(880 865)
(Excess)/ Insufficient provision for tax payable	0.00%		0.00%	
Provisions not allowed for tax purposes	0.00%		0.00%	
Excessive amortizations	0.00%		0.00%	
Other	-12.48%	(471 997)	14.25%	959 483
Industrial tax		(296 825)		(367 921)
Capital investment tax				
Tax in the year	**-7.85%**	**(296 825)**	**-5.46%**	**(367 921)**

Without prejudice to the above, as far as income from public debt securities is concerned, according to the latest understanding of the Tax Authority addressed to ABANC (letter with reference 196/DGC/AGT/2016, dated 17 May 2016), only income from securities issued on or after 1 January 2012 is subject to this tax.

It should also be noted that according to the Tax Authority's position, the exchange rate revaluations of public debt securities issued in national currency but indexed to foreign currency, issued since 1 January 2012, should be subject to Industrial Tax until the Banco Nacional de Angola is in a position to make the appropriate deduction of tax at source for the Capital Investment Task (IAC).

In addition, Presidential Legislative Decree No 5/11 of 30 December (revised and republished by Presidential Legislative Decree No 2/14 of 20 October) introduced a rule subjecting income from public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan state to IAC.

However, in accordance with the provisions of article 47 of the Industrial Tax Code (Law No 19/14 of 22 October), in force since 1 January 2015, income subject to IAC will be deducted from taxable income up to the level of net profit.

In determining taxable profit for the years ending 31 December 2023 and 2022, this income was deducted from taxable profit.

In the same way, the cost of assessing settlement of IAC is not accepted for tax purposes when calculating the taxable amount, in accordance with Article 18(1)(a) of the Industrial Tax Code.

Without prejudice to the above, as far as income from public debt securities is concerned, according to the latest understanding of the Tax Authority addressed to ABANC (letter with reference 196/DGC/AGT/2016, dated 17 May 2016), only income from securities issued on or after 1 January 2012 is subject to this tax.

19 – Other Assets

The breakdown of the item Other Assets as at 31 December 2023 and 2022 was as follows::

(amounts in thousands of kwanzas)

		31.12.2023	31.12.2022
Other Assets			
	Salary advances and prepayments	5 652	3 471
	Prepaid expenses	122 584	49 776
	Sundry debtors	1 093 971	(7 188)
	Office supplies	86 012	21 156
	Deposit Guarantee Fund	93 457	78 456
	Other advances	180 103	86 208
	Impairment losses	-	-
		1 581 779	**231 878**

As at 31 December 2023, the amount of AOA 93 457 thousand relates to the Bank's annual contribution to the Deposit Guarantee Fund, which was launched by the BNA during 2019 and is intended to cover the reimbursement of depositors.

The item "Sundry debtors" includes the amount of AOA 407 309 thousand (2022: AOA 282 660 thousand) of amounts to be settled with suppliers, AOA 198 978 thousand (2022: AOA 0 thousand) of balances relating to leasing transactions with customers and AOA 193 918 thousand (2022: AOA 122 691 thousand) of deferred licence costs.

20 – Customer Funds and Other Loans

The balance of Customer Funds and Other Loans and their nature is made up as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Demand accounts		
In Local Currency	8 228 263	17 933 323
In Foreign Currency	990 988	1 088 044
	9 219 251	19 021 367
Term Deposits		
In Local Currency	2 906 421	4 895 241
In Foreign Currency	46 765	26 505
	2 953 186	4 921 746
	12 172 437	**23 943 113**

The breakdown of customer funds and other loans by maturity as at 31 December 2023 and 2022 is as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Payable at sight	**9 219 251**	**19 021 367**
Payable on maturity date		
Up to 3 months	881 091	3 048 987
From 3 months to one year	2 072 095	1 872 759
	2 953 186	**4 921 746**
	12 172 437	**23 943 113**

On 31 December 2023 and 2022, term deposits in local and foreign currency bore interest at average annual rates of 6.97% and 2.23% (2022: 8.29% and 2.15%), respectively.

21 – Provisions

The main provisions recognised are for tax liabilities

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Provisions		
Tax liabilities	–	21 917
	–	**21 917**

In 2016, the Bank recognised a provision for probable liabilities to cover tax contingencies. The case in question did not develop until the approval of the accounts for 31 December 2023, and exceeded the expiry date for this type of contingency.

As such, the Bank analysed the reasonableness of the actual disbursement of the provisioned amount and concluded that it should be cancelled.

22 – Other Liabilities

This item is analysed as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Tax charges payable – own	7 183	3 684
Suppliers	176 941	204 639
Staff costs	114 410	26 307
Other administrative and commercialisation costs payable	7 055	6 538
Tax charges payable – withheld from third parties	220 856	165 273
Social Security Contribution	11 040	9 494
Lease Liability	471 885	521 979
Other creditors	131 719	103 731
Total	**1 141 089**	**1 041 645**

The Other Creditors account relates to the following balances:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Credit Cards	1	1
Commissions on letters of credit	(1 000)	(809)
Other	132 718	104 540
Total	**131 719**	**103 731**

The balance Letters of Credit refers to deposits that are delivered as collateral on 31 December 2023 and 2022, although not settled on those dates.

On 31 December 2023, lease liabilities relate to leasing contracts for branch space, ATMs and equipment, recognised under IFRS 16.

The non-discounted future lease payments relating to the contract under IFRS 16, by maturity, are as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Less than 1 year	-	-
1 to 5 years	363 242	249 501
More than 5 years	19 713	180 884
Total undiscounted lease liabilities	**382 955**	**430 385**
Interest accrued on net interest income	88 930	91 594
Lease liabilities 31.12.2023	**471 885**	**521 979**

23 – Capital

Banco Comercial do Huambo was set up in 2009 with share capital of AOA 300 000 thousand. In 2011, the Bank increased its share capital to AOA 1 000 000 thousand and in 2012 an increase in the share capital increase to AOA 1 500 000 thousand was subscribed to and approved, divided and represented by 1 500 000 shares, issued at par, with a nominal value of AOA 1 000 each. In 2014, the Bank increased its share capital to AOA 2 265 249 thousand, fully subscribed and paid up.

Despite the capital increase, on 31 December 2014 the Bank still did not meet the minimum share capital and regulatory own funds requirement of AOA 2 500 000 thousand required by the BNA through Notice No 14/2013 of 15 November.

On 31 March 2016, the Bank asked the BNA for authorisation to carry out a capital increase by incorporation of reserves during the 2016 financial year, which was accepted by the BNA and which specified September 2016 as the deadline for its implementation. In July 2016 BCH recorded a capital increase of AOA 734 751 thousand in its financial statements.

In August 2023, in order to comply with the minimum share capital requirement imposed by the BNA, BCH increased its capital by incorporating free reserves in the amount of AOA 10 000 000 thousand.

As at 31 December 2023 and 2022, the distribution of shares among the Bank's shareholders is broken down as follows:

	31.12.2023				31.12.2022			
	Nominal value	No of shares	Total	% Equity	Nominal value	No of shares	Total	% Equity
Natalino Lavrador	1 000	10 300	10 300 000	51,50%	1 000	5 150	5 150 000	51,50%
António Mosquito	1 000	4 000	4 000 000	20,00%	1 000	2 000	2 000 000	20,00%
Minoru Dondo	1 000	2 000	2 000 000	10,00%	1 000	1 000	1 000 000	10,00%
Banco Comercial do Huambo	1 000	2 000	2 000 000	10,00%	1 000	1 000	1 000 000	10,00%
Sebastião Lavrador	1 000	1 100	1 100 000	5,50%	1 000	550	550 000	5,50%
Carlos Oliveira	1 000	600	600 000	3,00%	1 000	300	300 000	3,00%
		20 000	**20 000 000**	**100,00%**		**10 000**	**10 000 000**	**100,00%**

On 31 December 2023 BCH holds 1 000 own shares registered at the amount of AOA 3 000 000 thousand (31 December 2022: AOA 3 000 000 thousand).

Earning Per Share

In the financial years 2023 and 2022, the earnings per share and the dividend attributed in each financial year, relating to the previous year's profit, were as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Net profit for the year	**3 486 586**	**6 365 776**
Weighted average number of ordinary shares issued (thousands)	20 000 000	10 000 000
Weighted average number of own shares in the portfolio (thousands)	(2 000 000)	(1 000 000)
Average number of ordinary shares in circulation (thousands)	**12 750 000**	**9 920 000**
Basic earnings per share (in kwanzas)	**273**	**642**

In 2022 and 2023 no potentially dilutive instruments were issued.

24 – Other Reserves and Results Carried Forward

The movements in the item equity during the periods ended 31 December 2023 and 2022 were as follows:

(amounts in thousands of kwanzas)

		Other Reserves and Gains Brought Forward				
	Share Capital	Accounting Reserve	Effect of changes in accounting policies	Other reserves and Gains Brought Forward	Total Other Reserves and Gains Brought Forward	Net Income
Balance as at 1 January 2022	**10 000 000**	**2 887 016**	**(8 289)**	**18 089 703**	**20 968 430**	**6 355 589**
Constitution of legal reserve	–	635 559	–	–	635 559	(635 559)
Allocation of Profits	–	–	–	5 720 030	5 720 030	(5 720 030)
Own shares	(3 000 000)	–	–	–	–	–
Net profit	–	–	–	–	–	6 365 776
Other movements	–	–	–	(24)	(24)	
Balance as of 31 December 2022	**7 000 000**	**3 522 575**	**(8 289)**	**23 809 709**	**27 323 995**	**6 365 776**
Balance as at 1 January 2023	**7 000 000**	**3 522 575**	**(8 289)**	**23 809 709**	**27 323 995**	**6 365 776**
Constitution of legal reserve	–	636 578	–	–	636 578	(636 578)
Allocation of Profits	–	–	–	5 729 198	5 729 198	(5 729 198)
Own shares	–	–	–	–	–	–
Capital Increase	10 000 000	–	–	(10 000 000)	(10 000 000)	–
Net profit	–	–	–	–	–	3 486 586
Other movements	–	–	–	845	845	–
Balance as of 31 December 2023	**17 000 000**	**4 159 152**	**(8 289)**	**19 539 753**	**23 690 616**	**3 486 586**

The applicable Angolan legislation requires that the legal reserve be annually credited with at least 10 per cent of the annual net profit, up to the amount of the share capital.

In August 2023, BCH increased its share capital to comply with the BNA's minimum Share Capital requirement. The capital increase involved the issue of 10 000 new shares for a nominal amount of AOA 1 000 thousand, which amounted to a share capital increase of AOA 10 000 000 thousand realised through the incorporation of free reserves.

The net profit for 2023 was used to reinforce legal reserves, in accordance with commercial law, and the remainder was transferred to retained earnings.

25 – Off-Balance Sheet Accounts

Liabilities for off-balance sheet items are detailed as follows:

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Documentary credits	195 824	-
Guarantees and sureties received	21 972 759	12 642 018
Revocable credit lines available	4 812 793	2 933 566
Custody of customer securities	125 003	71 901

Documentary credits are irrevocable commitments by the Bank, on behalf of its customers, to pay/mandate payment of a specified amount to the supplier of a given good or service, within a stipulated period, against presentation of documents relating to the dispatch of the good or provision of the service. The condition of being irrevocable consists in the fact that its cancellation or amendment is not enforceable without the express agreement of all parties involved. Documentary credits at 31 December 2023 and 2022 are guaranteed by term deposits.

The revocable and irrevocable commitments represent contractual agreements for the granting of credit to the Bank's customers (e.g. unused credit lines) which, in general, are contracted for fixed periods or with other expiration requirements and, normally, require the payment of a commission. Substantially all current credit granting commitments require customers to maintain certain requirements which are verified when entering into these.

Despite the particularities of these commitments, consideration of these operations follows the same basic principles as any other commercial operation, namely that of the solvency of both the customer and the business underlying them, and the Bank requires that these operations be properly collateralised as appropriate. Since most of these are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, particularly with regard to assessing the adequacy of the provisions set up. The maximum credit exposure is represented by the nominal value that could be lost in relation to contingent liabilities and other commitments assumed by the Bank in the event of default by the respective counterparties, without taking into account potential credit recoveries or collateral.

The Bank provides custody, asset management, investment management and advisory services involving decisions to buy and sell various types of financial instruments. For certain services provided, objectives and profitability levels are established for the assets under management.

Documentary credits are recorded as stage 1 and have no associated impairment since they have financial collateral that covers all the exposures.

26 – Transactions with Related Parties

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

- Holders of qualified shareholdings – Shareholders, presuming that the shareholding is no less than 10%;
- Entities that are directly or indirectly in a control or group relationship – Subsidiaries, associated and jointly controlled companies;
- Members of the Bank's management and supervisory bodies and their spouses, descendants or ascendants up to the second degree of the direct line, considered to be the ultimate beneficiaries of the transactions or assets.

BCH balances with related entities were as follows:

- In 2023:

(amounts in thousands of kwanzas)

Related Entity	Demand Accounts	Time Deposits	Interest and similar costs	Credits	Interest and similar income
Shareholders	791 856	35 000	143	–	–
Members of the Board of Directors	198 479	–	–	36 153	1 699
Close relatives of shareholders and/or Board Members	346 196	–	–	–	–
Companies where shareholders and close relatives have significant influence	324 967	658 251	9 064	–	–
	1 661 498	**693 251**	**9 207**	**36 153**	**1 699**

- In 2022:

(amounts in thousands of kwanzas)

Related Entity	Demand Accounts	Time Deposits	Interest and similar costs	Credits	Interest and similar income
Shareholders	401 864	3 020 000	15 955	–	–
Members of the Board of Directors	55 125	–	–	30 336	3 693
Close relatives of shareholders and/or Board Members	450 686	–	–	–	–
Companies where shareholders and close relatives have significant influence	74 466	250 000	10 709	–	–
Companies where the members of the BoD have significant influence	–	–	–	–	–
	982 141	**3 270 000**	**26 663**	**30 336**	**3 693**

Below is a list of entities related to the Bank:

Shareholders, Members of the Board of Directors and Close Relatives
Natalino Lavrador
Valdomiro Minoru Dondo
António Mosquito
Sebastião Lavrador
Carlos Saturnino
Cristiana Lavrador
Salim Valimamade
Valdir Macedo Hamilton dos Santos
Hélia Cristina Nunes
UHY – A. Paredes & Associados – Angola
Mário Silva Castelo Branco
Carlos Deosvaldo Fragoso Vaz
Agla Mara Tinoco Dondo
Eduarda Nassandjuka Mbakassy
Djavana Saturnino Oliveira
Fauzia Valimamade
Ana Maria de Azevedo Neto Lavrador
Maria José Lavrador
Sheila Eugénia Macedo Hamilton dos Santos
Yola Cristina da Silva Veiga dos Santos
Edwaldo de Macedo Hamilton Santos

Companies where the related parties have significant control
Auto Zuid
Exata Engenharia Lda
Macon Transportes Lda
Consórcio Mayaca e Sol Maior
Amosmid Lda
Sol Maior Emp. e Participações Lda
Bobs Comércio Geral Lda
Taiping Comércio Geral Lda
Parige Comércio Geral Hotelaria Lda
Esplanada Grill Lda
Bacatral Sociedade de Transportes Lda
Mbakassy & Filhos Lda
Kulanda Belas Malls Gestão e Participações Lda
Unitransfer Casa de Câmbios SA
Nocebo SA
Pérola de Gingko Lda
DGM Sistemas Lda
Envirobac Comércio Geral Lda
Kinaxixi Empreendimentos Imobiliários SA

27 – Fair Value of Financial Assets and Liabilities

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

The fair value of the financial assets and liabilities held by the Bank as at 31 December 2023 and 2022 is presented as follows:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	31.12.2023						
	Amortized cost	Impairment	Valued at Fair Value			Balance Sheet Value	Fair Value
			Level 1	Level 2	Level 3		
Assets							
Cash and deposits at central banks	9 606 185	–	–	–	–	9 606 185	9 606 185
Cash from other credit institutions	1 536 284	–	–	–	–	1 536 284	1 536 284
Investments in central banks and other credit institutions	13 109 636	–	–	–	–	13 109 636	13 109 636
Financial assets at fair value through other comprehensive income	–	–	–	–	43 656	43 656	43 656
Financial assets at amortized cost	26 818 485	(133 555)	–	–	–	26 684 930	26 469 720
Credit to Customers	3 148 986	(7 380)	–	–	–	3 141 606	2 926 130
Total Assets	**54 219 576**	**(140 935)**	**–**	**–**	**43 656**	**54 122 297**	**53 691 611**
Liabilities							
Funds from central banks and other credit institutions						–	
Liabilities represented by securities						–	
Financial liabilities at fair value through profit or loss						–	
Customer funds and other loans	12 172 437	–	–	–	–	12 172 437	12 172 437
Total Liabilities	**12 172 437**	**–**	**–**	**–**	**–**	**12 172 437**	**12 172 437**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

31.12.2022	Amortized cost	Impairment	Valued at Fair Value Level 1	Valued at Fair Value Level 2	Valued at Fair Value Level 3	Balance Sheet Value	Fair Value
Assets							
Cash and deposits at central banks	3 732 018	-	-	-	-	3 732 018	3 732 018
Cash from other credit institutions	741 092	-	-	-	-	741 092	741 092
Investments in central banks and other credit institutions	39 979 872	-	-	-	-	39 979 872	39 979 872
Financial assets at fair value through other comprehensive income	-	-	-	-	43 656	43 656	43 656
Financial assets at amortized cost	17 839 153	(169 427)	-	-	-	17 669 726	17 290 075
Credit to Customers	1 984 364	(4 238)	-	-	-	1 980 126	1 733 858
Total Assets	**64 276 499**	**(173 665)**	**-**	**-**	**43 656**	**64 146 490**	**63 520 571**
Passivo							
Customer funds and other loans	23 943 113	-	-	-	-	23 943 113	23 943 113
Total Liabilities	**23 943 113**	**-**	**-**	**-**	**-**	**23 943 113**	**23 943 113**

The Bank uses the following three-level fair value hierarchy when valuing financial instruments (assets or liabilities), which reflects the level of judgement, the observability of the data used and the importance of the parameters applied in determining the assessment of the instrument's fair value, in accordance with IFRS 13:

- Level 1: Fair value is determined on the basis of unadjusted quoted prices captured in transactions on active markets involving financial instruments identical to the instruments being valued. If there is more than one active market for the same financial instrument, the relevant price is that which prevails on the instrument's main market or the most advantageous market for which access exists;
- Level 2: Fair value is calculated using valuation techniques based on observable data in active markets, whether direct (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use to estimate the fair value of the same financial instrument. It also includes instruments where their valuation is obtained through quotations published by independent entities but where those markets have less liquidity; and
- Level 3: Fair value is determined on the basis of data that is not observable in active markets, using techniques and assumptions that market participants would use to value the same instruments, including assumptions about the inherent risks, the valuation technique used and the inputs used and processes for reviewing the accuracy of the values thus obtained.

The Bank considers an active market for a given financial instrument on the measurement date, depending on the volume of business and liquidity of the transactions carried out, the relative volatility of the quoted prices and the readiness and availability of information, and for this purpose this must fulfil the following minimum conditions:

- Frequent daily trading quoted prices over the last year;
- The quoted prices mentioned above change regularly;
- There are executable quoted prices from more than one entity.

A parameter used in a valuation technique is considered observable data on the market 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 the conditions of an active market are met, with the exception of the condition of trading volumes; and
- The value of the parameter can be obtained by inverse calculation of the prices of financial instruments and/or derivatives where the other parameters required for the initial valuation are observable on a liquid market or an OTC market that comply with the previous paragraphs.

The main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balance sheet at amortised cost are analysed as follows:

Cash and deposits at central banks, deposits at other credit institutions and investments in central banks and other credit institutions
These assets are very short-term, such that the balance sheet value is a reasonable estimate of the respective fair value.

Investments at amortized cost
The fair value of these financial instruments is based on market prices, when available. If they do not exist, the fair value is estimated based on the updating of the expected future cash flows of equity and interest for these instruments.

For the purposes of this disclosure, it has been assumed that Treasury Bills have short-term residual maturities.

Credit to customers
The fair value of credit to customers is estimated based on the updating of expected cash flows from equity and interest, considering that the instalments are paid on the contractually specified dates.

The difference between the amortised cost of loans and advances to customers and their estimated fair value includes an amount of AOA 215 476 thousand corresponding to credit operations with a regulated rate (fixed rate of 7.5%) granted to the Bank under BNA Notice No 10/2020 of 3 April.

Funds from central banks and other credit institutions
These liabilities are very short-term, such that the balance sheet value is a reasonable estimate of the respective fair value.

Customer funds and other loans
The fair value of these financial instruments is estimated based on the updating of expected cash flows from equity and interest. The discount rate used is that which reflects the rates applied for deposits with similar characteristics on the balance sheet date. Considering that, in the vast majority

of the Bank's portfolio of customer funds and other loans, the applicable interest rates are renewed for periods of less than one year, there are no material differences in their fair value.

28 – Activity Risk Management

The Bank is subject to a variety of risks in the course of its business. Risk management is carried out in a central manner in relation to the specific risks of each business.

The risk management policy aims to define the profile for each risk identified as material to the Bank, with a view to protecting the Bank's solidity, as well as the guidelines for implementing a risk management system that enables the identification, assessment, monitoring, control and reporting of all material risks inherent in the Bank's activity.

As such, it is particularly important to monitor and control the main financial risks – credit, market and liquidity – and non-financial risks – operational – to which the Bank's business is subject:

Main Risk Categories

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

Market – The concept of market risk reflects the probability of negative impacts on profits or capital due to adverse movements in interest and exchange rates and/or the prices of the different financial instruments involved, considering both the correlations between them and their respective volatilities. Market Risk includes interest rate risk, exchange rate risk and other price risks.

Liquidity – This risk reflects the likelihood of negative impacts on profit and loss or capital arising from the institution's inability to have liquid funds 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 analysing, processing or settling transactions, internal and external fraud, the use of subcontracted resources, inefficient internal decision-making processes, insufficient or inadequate human resources or infrastructures not being operational.

Risk Assessment

Credit Risk

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

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

For the purposes of the above, a monthly monitoring and control map is drawn up in accordance with Notice No. 03/2016.

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

The following provides information on the Bank's exposure to credit risk:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	31.12.2023		
	Gross book value	Impairment	Net book value
Cash and deposits at central banks	9 606 185		9 606 185
Cash from other credit institutions	1 536 479	(195)	1 536 284
Financial assets at amortized cost	26 818 485	(133 555)	26 684 930
Credit to Customers	3 148 986	(7 380)	3 141 606
Other assets	1 581 779	-	1 581 779
	42 691 914	(141 130)	42 550 784
Off balance sheet			
Documentary credits	195 824	-	195 824
Commitments to third parties	4 812 793	-	4 812 793
	5 008 617	-	5 008 617
	47 700 531	**(141 130)**	**47 559 401**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

	31.12.2022		
	Gross book value	Impairment	Net book value
Caixa e disponibilidades em bancos centrais	3 732 018		3 732 018
Disponibilidades em outras instituições de crédito	741 114	(22)	741 092
Activos financeiros ao custo amortizado	17 839 153	(169 427)	17 669 726
Crédito a clientes	1 984 364	(4 238)	1 980 126
Outros activos	231 878	-	231 878
	24 528 527	(173 687)	24 354 841
Extrapatrimoniais			
Documentary credits	-	-	-
Commitments to third parties	2 933 566	-	2 933 566
	2 933 566	-	2 933 566
	27 462 093	**(173 687)**	**27 288 407**

Details of exposures by sectoral concentration of loans and advances to customers are presented below:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	2023							
	Gross Exposure				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit to Customers								
Low risk level	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Level A	–	–	–	–	–	–	–	–
Level B	–	–	–	–	–	–	–	–
Medium risk level	**3 137 661**	**6 371**	**733**	**3 144 765**	**6 929**	**204**	**37**	**7 169**
Level C	3 136 590	6 371	733	3 143 695	6 897	204	37	7 137
Level D	1 071	–	–	1 071	32	–	–	32
High degree of risk	–	–	4 221	4 221	–	–	211	211
Level E	–	–	275	275	–	–	14	14
Level F	–	–	3 402	3 402	–	–	170	170
Level G	–	–	544	544	–	–	27	27
Investments at Amortised Cost	**26 818 485**	**–**	**–**	**26 818 485**	**(133 555)**	**–**	**–**	**(133 555)**
Angolan State	26 818 485			26 818 485	(133 555)			(133 555)
	29 956 146	**6 371**	**733**	**29 963 250**	**(126 626)**	**204**	**37**	**(126 386)**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

	2022							
	Gross Exposure				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit to Customers								
Low risk level	**5 531**	**–**	**–**	**5 531**	**(34)**	**–**	**–**	**(34)**
Level A	–	–	–	–	–	–	–	–
Level B	5 531	–	–	5 531	(34)	–	–	(34)
Medium risk level	**1 913 699**	**3 180**	**5 720**	**1 922 599**	**(3 152)**	**(159)**	**(286)**	**(3 597)**
Level C	1 912 145	3 180	–	1 915 325	(3 105)	(159)	–	(3 264)
Level D	1 554	–	5 720	7 274	(47)	–	(286)	(333)
High degree of risk	**–**	**25**	**56 208**	**56 234**	**(35)**	**(1)**	**(570)**	**(607)**
Level E	–	–	8	8	–	–	()	()
Level F	–	–	–	–	–	–	–	–
Level G	–	25	56 200	56 226	(35)	(1)	(570)	(607)
Investments at Amortised Cost			**–**	**17 839 153**	**(169 427)**	**–**	**–**	**(169 427)**
Angolan State	17 839 153			17 839 153	(169 427)			(169 427)
	19 758 383	**3 180**	**5 720**	**19 767 283**	**(172 613)**	**(159)**	**(286)**	**(173 058)**

Details of exposures by sectoral concentration of loans and advances to customers are presented below:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	2023					
	Credit to Customers		Total Exposure	Relative Weight	Impairment	
	Due	Overdue			Value	Impairment / Total Exposure
Companies	**2 922 658**	**14 110**	**2 936 768**	**0%**	**4 539**	**0%**
Wholesale and Retail Trade	1 434 976	14 110	1 449 086	0%	3 210	0%
Accommodation and catering (restaurants and similar)	1 472 064	0	1 472 064	0%	858	0%
Transport, storage and communications	15 618		15 618	0%	471	3%
Individuals	**207 802**	**4 416**	**212 250**	**0%**	**2 842**	**3%**
Housing	118 937	0	118 969	0%	32	0%
Other purposes	88 865	4 416	93 281	0%	2 810	3%
	3 130 459	**18 526**	**3 149 018**	**0%**	**7 380**	**0%**

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	2022					
	Credit to Customers		Total Exposure	Relative Weight	Impairment	
	Due	Overdue			Value	Impairment / Total Exposure
Companies	**1 696 385**	**56 236**	**1 752 621**	**0%**	**660**	**0%**
Wholesale and Retail Trade	1 696 385	11	1 696 396	0%	89	0%
Accommodation and catering (restaurants and similar)	0	0	0	0%	0	0%
Transport, storage and communications	0	56 225	56 225	0%	571	1%
Individuals	**219 667**	**12 075**	**231 742**	**0%**	**3 577**	**3%**
Housing	118 372	0	118 372	0%	33	0%
Other purposes	101 296	12 075	113 371	0%	3 544	3%
	1 916 052	**68 312**	**1 984 364**	**0%**	**4 238**	**0%**

Market Risk

The Risk Management Office is responsible for controlling the market risks to which the Bank is exposed, and is responsible for identifying, quantifying, monitoring, evaluating, controlling, reporting and mitigating these risks.

Foreign exchange risk management is based on identifying the impact that variations in exchange rates relevant to the Bank may have on the value of exposures and respective cash flow regarding assets and liabilities.

In order to identify the impact that movements in exchange rates may have on these cash flows and thus estimate the possibility of financial losses, the Bank periodically analyses possible scenarios and simulations of movements in exchange rates, based on internal analysis and the Bank's expectations of their evolution.

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

Interest rate risk control is guaranteed by the Risk Management Office. This type of risk occurs in the Bank's activity whenever it contracts operations with financial cash flows that are sensitive to interest rate variations. There is therefore interest rate risk, derived from variations in market reference interest rates, associated with mismatching in interest rate review periods between assets and liabilities held, reducing their expected profitability (net interest income) or increasing their financial cost.

The Bank's exposure to interest rate risk is monitored by analysing the level of compliance with the limits and maximum tolerable limits specified for exposure to this risk. This aspect of risk assesses the impact of shocks to interest rates on total exposure.

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

The sensitivity analysis to exchange rate risk is presented below, which calculates the impact on the profit or loss of the Bank for a positive and negative variation of 5%, 10% and 20% in the exchange rate:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

Description	CHF	EUR	GBP	JPY	NAD	USD	ZAR	Impact on FP
Total currency at 31-12-2023	345	1 267 479	3 135	9 456 271	80	(756 905)	800 120	
Exchange rate at 31-12-2023	990,32	921,21	1 057,41	5,88	44,73	828,80	44,71	
Positive variation of 5%	17	58 381	166	2 782	0	(31 366)	1 789	0.000%
Positive variation of 10%	34	116 761	331	5 563	0	(62 732)	3 577	0.000%
Positive variation of 20%	68	233 523	663	11 126	1	(125 464)	7 154	0.000%
Negative variation of 5%	(17)	(58 381)	(166)	(2 782)	(0)	31 366	(1 789)	0.000%
Negative variation of 10%	(34)	(116 761)	(331)	(5 563)	(0)	62 732	(3 577)	0.000%
Negative variation of 20%	(68)	(233 523)	(663)	(11 126)	(1)	125 464	(7 154)	0.000%

- As at 31 December 2022:

(amounts in thousands of kwanzas)

Description	CHF	EUR	GBP	JPY	NAD	USD	ZAR	Impact on FP
Total currency at 31-12-2022	148 345	103 171	10	10 526 738	80	(275 119)	(299 749)	
Exchange rate at 31-12-2022	548,59	539,56	609,96	3,80	29,75	506,59	29,74	
Positive variation of 5%	4 069	2 783	0	1 998	0	(6 969)	(446)	0.004%
Positive variation of 10%	8 138	5 567	1	3 995	0	(13 937)	(892)	0.007%
Positive variation of 20%	16 276	11 133	1	7 990	0	(27 874)	(1 783)	0.014%
Negative variation of 5%	(4 069)	(2 783)	(0)	(1 998)	(0)	6 969	446	-0.004%
Negative variation of 10%	(8 138)	(5 567)	(1)	(3 995)	(0)	13 937	892	-0.007%
Negative variation of 20%	(16 276)	(11 133)	(1)	(7 990)	(0)	27 874	1 783	-0.014%

Thus, any losses, in the worst-case scenario (a 20% change in the exchange rate), would only represent a residual impact on own funds of less than 0.01%.

With regard to interest rate risk, the sensitivity analysis of the Bank's exposure to interest rates is shown below, with reference to 31 December 2023:

(amounts in thousands of kwanzas)

	Rate			
	LUIBOR at 12 months	LUIBOR at 6 months	LUIBOR at 1 month	Total
Balance 31-12-2022				
Credit falling due	4 138	-	1 902 784	1 906 922
Overdue credit	-	-	-	-
	4 138	**-**	**1 902 784**	**1 906 922**
Positive variation of 1%	53	-	3 215	3 268
Positive variation of 2%	106	-	475	581
Positive variation of 5%	265	-	(7 746)	(7 481)
Negative variation of 1%	(53)	-	(3 215)	(3 268)
Negative variation of 2%	(106)	-	(475)	(581)
Negative variation of 5%	(265)	-	7 746	7 481

The Bank's assets and liabilities are broken down by type of rate as at 31 December 2023 and 2022 as follows:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	31.12.2023			
	Exposure to		Not subject to risk of interest rate	Total
	Fixed rate	Variable rate		
Assets				
Cash and deposits at central banks	-	-	3 732 018	3 732 018
Cash from other credit institutions	-	-	741 092	741 092
Investments in central banks and other credit institutions	-	39 979 872	-	39 979 872
Financial assets at fair value through other comprehensive income	-	-	43 656	43 656
Financial assets at amortized cost	17 669 726	-	-	17 669 726
Credit to Customers	1 921 189	1 220 417	-	3 141 606
	19 590 915	**41 200 289**	**4 516 766**	**65 307 970**
Liabilities				
Funds from central banks and other credit institutions	-	-	-	-
Customer funds and other loans		-	23 943 113	23 943 113
	-	-	23 943 113	23 943 113
Total	**19 590 915**	**41 200 289**	**(19 426 347)**	**41 364 857**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

	31.12.2022			
	Exposure to		Not subject to risk of interest rate	Total
	Fixed rate	Variable rate		
Assets				
Cash and deposits at central banks	-	-	3 732 018	3 732 018
Cash from other credit institutions	-	-	741 092	741 092
Investments in central banks and other credit institutions	-	39 979 872	-	39 979 872
Financial assets at fair value through other comprehensive income	-	-	43 656	43 656
Financial assets at amortized cost	17 669 726	-	-	17 669 726
Credit to Customers	1 720 241	259 886	-	1 980 127
	19 389 967	**40 239 758**	**4 516 766**	**64 146 491**
Liabilities				
Funds from central banks and other credit institutions	-	-	-	-
Customer funds and other loans	-	-	23 943 113	23 943 113
	-	-	23 943 113	23 943 113
Total	**19 389 967**	**40 239 758**	**(19 426 347)**	**40 203 378**

The following table shows the average interest rates for the Bank's main categories of financial assets and liabilities for the years ending 31 December 2023 and 2022, as well as the respective average balances and income and costs for the year:

(amounts in thousands of kwanzas)

	31.12.2023			31.12.2022		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
Applications						
Credit to Customers	6 669 102	474 361	7,1%	4 052 414	331 860	8,2%
Cash and applications	14 362 608	2 134 483	14,9%	24 741 464	3 197 227	12,9%
Securities	22 220 984	2 900 700	13,1%	23 864 320	3 963 861	16,6%
Total Investments	**43 252 693**	**5 509 544**	**12,7%**	**52 658 197**	**7 492 948**	14,2%
Resources						
Customer and CB deposits	36 115 550	224 590	0,6%	41 118 699	152 810	0,4%
Lease Liability	471 885	88 930	18,8%	521 979	91 594	17,5%
Financial liabilities	**36 587 435**	**313 520**	0,9%	**41 640 678**	**244 404**	0,6%
Net Interest Income	**6 665 258**	**5 196 024**		**11 017 519**	**7 248 544**	

Under the terms of Article 6 of Notice No 08/2016 of 22 June, the Bank must inform the BNA whenever there is a potential reduction in the economic value of its banking book equal to or greater than 20% of regulatory own funds or net interest income as a result of a change in the interest rate of 2%. During the financial years 2023 and 2022, the Bank complied with this requirement.

The breakdown of assets and liabilities by currency as at 31 December 2023 and 2022 is as follows:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	31.12.2023				
	Kwanzas	USD	Euros	Other	Total
Assets					
Cash and deposits at central banks	9 076 185	451 000	79 000	–	9 606 185
Cash from other credit institutions	–	426 254	996 030	114 000	1 536 284
Investments in central banks and other credit institutions	13 109 636	–	–	–	13 109 636
Financial assets at fair value through other comprehensive income	43 656	–	–	–	43 656
Financial assets at amortized cost	26 684 930	–	–	–	26 684 930
Credit to Customers	3 141 606	–	–	–	3 141 606
Non-current assets held for sale	–	–	–	–	–
Other tangible assets	730 557	–	–	–	730 557
Intangible assets	1 295 689	–	–	–	1 295 689
Current tax assets	–	–	–	–	–
Deferred tax assets	–	–	–	–	–
Other assets	818 123	23 206	712 045	–	1 553 375
	54 900 382	**900 460**	**1 787 075**	**114 000**	**57 701 918**
Liabilities					
Funds from central banks and other credit institutions	–	–	–	–	–
Customer funds and other loans	9 912 925	1 397 729	861 783	–	12 172 437
Provisions	–	–	–	–	–
Current tax liabilities	46 516	–	–	–	46 516
Deferred tax liabilities	–	–	–	–	–
Other liabilities	1 059 819	31 088	50 181	–	1 141 088
	11 019 260	**1 428 817**	**911 965**	**–**	**13 360 041**
	43 881 122	**(528 356)**	**875 110**	**114 000**	**44 341 876**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

	31.12.2022				
	Kwanzas	USD	Euros	Other	Total
Assets					
Cash and deposits at central banks	3 257 722	427 640	46 529	128	3 732 018
Cash from other credit institutions	163 771	244 784	230 689	101 849	741 092
Investments in central banks and other credit institutions	39 826 485	153 386	-	-	39 979 872
Financial assets at fair value through other comprehensive income	43 656	-	-	-	43 656
Financial assets at amortized cost	17 669 726	-	-	-	17 669 726
Credit to Customers	1 979 225	901	0	-	1 980 126
Non-current assets held for sale	-	-	-	-	-
Other tangible assets	1 032 329	-	-	-	1 032 329
Intangible assets	600 392	-	-	-	600 392
Current tax assets	-	-	-	-	-
Deferred tax assets	6 015	-	-	-	6 015
Other assets	111 720	634	119 524	-	231 878
	64 691 040	**827 345**	**396 741**	**101 976**	**66 017 103**
Liabilities					
Funds from central banks and other credit institutions	-	-	-	-	-
Customer funds and other loans	21 827 990	1 372 792	729 158	13 174	23 943 113
Provisions	21 917	-	-	-	21 917
Current tax liabilities	46 516	-	-	-	46 516
Deferred tax liabilities	-	-	-	-	-
Other liabilities	1 048 387	31 088	50 181	-	1 129 656
	22 944 810	**1 403 880**	**779 339**	**13 174**	**25 141 202**
	41 746 231	**(576 535)**	**(382 599)**	**88 803**	**40 875 900**

Details of financial instruments with exposure to interest rate risk according to maturity or resetting date are given below:

(amounts in thousands of kwanzas)

	31.12.2023								
	Setting dates / Maturity dates								
	On demand	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Undetermined	Total
Assets									
Investments in central banks and other credit institutions	11 107 143	2 002 493	–	–	–	–	–	–	13 109 636
Securities	–	–	2 889 190	5 276 731	18 518 965		–	44	26 684 930
Credits	5 581	–	812	1 494 532	601 775	895 084	136 441	7 380	3 141 606
	11 112 725	**2 002 493**	**2 890 002**	**6 771 263**	**19 120 740**	**895 084**	**136 441**	**7 424**	**42 936 171**
Liabilities									
Deposits	9 219 251	881 091	1 108 483	963 612	–	–	–	–	12 172 437
	9 219 251	**881 091**	**1 108 483**	**963 612**	**–**	**–**	**–**	**–**	**12 172 437**
Net Exposure	**1 893 474**	**1 121 402**	**1 781 519**	**5 807 651**	**19 120 740**	**895 084**	**136 441**	**7 424**	**30 763 734**

Liquidity Risk

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

As part of the liquidity risk quantification and assessment process, BCH periodically assesses resources in local currency (LC) and foreign currency (FC), with the aim of maintaining a satisfactory level of cash and cash equivalents to meet short-, medium- and long-term financial needs, both in normal and crisis scenarios.

Bearing in mind Instruction 19/2016, the bank draws up fortnightly and monthly charts to monitor possible outflows and inflows of liquidity in various time buckets and currencies in order to guard against future disruptions to better deal with managing capital.

On 31 December 2023 and 2022, the liquidity gap in the Bank's balance sheet was as follows:

- As at 31 December 2023:

(amounts in thousands of kwanzas)

	31.12.2023						
	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 Year and 5 Years	More than 5 Years	Undetermined	Total
Assets							
Cash and deposits at central banks	1 364 220	–	–	–	–	8 241 965	9 606 185
Cash from other credit institutions	1 536 284	–	–	–	–	–	1 536 284
Investments in central banks and other credit institutions	–	13 109 636	–	–	–	–	13 109 636
Financial assets at fair value through other comprehensive income	-	–	–	–	–	43 656	43 656
Financial assets at amortized cost		–	8 165 965	18 518 965	–	–	26 684 930
Credit to Customers	–	86 759	30 487	1 745 320	1 260 514	18 526	3 141 606
	2 900 504	**13 196 395**	**8 196 452**	**20 264 285**	**1 260 514**	**8 304 147**	**54 122 297**
Liabilities							
Customer funds and other loans	9 219 251	881 061	2 072 125	–	–	–	12 172 437
	9 219 251	**881 061**	**2 072 125**	**–**	**–**	**–**	**12 172 437**
	(6 318 747)	**12 315 334**	**6 124 327**	**20 264 285**	**1 260 514**	**8 304 147**	**41 949 860**

- As at 31 December 2022:

(amounts in thousands of kwanzas)

	31.12.2022						
	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 Year and 5 Years	More than 5 Years	Undetermined	Total
Assets							
Cash and deposits at central banks	612 000	–	–	–	–	3 120 018	3 732 018
Cash from other credit institutions	743 024	–	–	–	–	–	743 024
Investments in central banks and other credit institutions	–	39 979 872	–	–	–	–	39 979 872
Financial assets at fair value through other comprehensive income	–	–	–	–	–	43 656	43 656
Financial assets at amortized cost	–	–	–	17 669 726	–	–	17 669 726
Credit to Customers		98 975	321	1 719 828	93 861	67 141	1 980 126
	1 355 024	**40 078 846**	**321**	**19 389 554**	**93 861**	**3 230 815**	**64 148 421**
Liabilities							
Funds from central banks and other credit institutions	–	–	–	–	–	–	–
Customer funds and other loans	19 021 367	–	4 921 746	–	–	–	23 943 113
	19 021 367	**–**	**4 921 746**	**–**	**–**	**–**	**23 943 113**
	(17 666 343)	**40 078 846**	**(4 921 425)**	**19 389 554**	**93 861**	**3 230 815**	**40 205 308**

The breakdown of contractual cash flows relating to capital is as follows:

(amounts in thousands of kwanzas)

	31.12.2023									
	Contractual residual periods									
	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Undetermined	Total
Assets										
Cash and deposits at central banks	9 606 185	–	–	–	–	–	–	–	–	9 606 185
Cash in other financial institutions	1 536 284	–	–	–	–	–	–	–	–	1 536 284
Investments in central banks and other credit institutions	–	11 104 900	2 004 736	–	–	–	–	–	–	13 109 636
Securities	–	–		2 889	5 410	18 341	–	–	44	26 684
Credits in the payment system	–	–	–	–	–	–	–	–	482	482
Credits	5 581	–	–	812	1 494 532	601 775	895 084	136 441	7 380	3 141 606
Other values	–	–	–	–	–	–	–	–	2 877 468	2 877 468
	11 148 050	**11 104 900**	**2 004 736**	**3 701**	**1 499 943**	**620 116**	**895 084**	**136 441**	**2 885 374**	**30 298 345**
Liabilities										
Deposits	9 219 251	10 892	870 199	–	2 072 095	–	–	–	–	12 172 437,36
Payment system obligations	–	–	–	–	–	–	–	–	–	–
Other obligations	–	–	–	–	–	–	–	–	1 386 698	1 386 698
	9 219 251	**10 892**	**870 199**	**–**	**2 072 095**	**–**	**–**	**–**	**1 386 698**	**13 559 135**
Liquidity Gap	**1 928 799**	**11 094 008**	**1 134 537**	**3 701**	**(572 153)**	**620 116**	**895 084**	**136 441**	**1 498 676**	**16 739 210**
Accumulated liquidity gap	**1 928 799**	**13 022 808**	**14 157 345**	**14 161 046**	**13 588 893**	**14 209 009**	**15 104 093**	**15 240 534**	**16 739 210**	

Operational Risk

Operational risk management covers all 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 assesses the specific periods of the main risks that could jeopardise achieving the bank's objectives, as well as carrying out continuous monitoring and developing measures to correct the risks identified.

The quantification of operational risk is calculated under the terms of Instructions No 16/2016 and No 17/2016, corresponding to 15 per cent of the average of the last three years of the annual exposure indicator, if positive, and calculated using the basic indicator method, which takes into account the sum of various items in the income statement, such as net interest income, net income from liquidity investments, net income from trading securities, net income from foreign exchange transactions and net income from financial services, which in turn is constant until the end of the period, changing only in December. The amounts in these accounts have to do with the proper functioning and commitment of all areas of the institution and these are monitored on a regular basis and reported monthly to the regulatory body.

Capital Management and Solvency Ratio

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

Financial institutions must maintain a level of own funds compatible with the nature and scale of their operations, duly weighted by the risks inherent to the operations, with a minimum Regulatory Solvency Ratio of 10 per cent. Regulatory Own Funds consist of the following:

- Basic Own Funds – involving:
  - Paid-up Share Capital;
  - A reserve to record the value of the monetary update of paid-up share capital;
  - Retained earnings from previous years;
  - Legal and statutory reserves and other reserves arising from undistributed earnings, or reserves set up for capital increases, and
  - Net profit for the year.
- Complementary Own Funds – involving:
  - Redeemable preference shares;
  - General funds and provisions;
  - Reserves from the realisation of own-use properties;
  - Subordinated debts and hybrid capital and debt instruments; and
  - Other amounts authorised by the BNA.
- Deductions – involving:
  - Shares in the institution itself which are being repurchased;
  - Redeemable preference shares with fixed and cumulative dividends;
  - Loans granted as capital;
  - Loans granted as capital; value of shareholdings;
  - Tax credits arising from tax losses;
  - Goodwill;
  - Other intangible assets net of amortisation;
  - Other amounts, as determined by the BNA.

BNA Notice No 09/2016 establishes that for the purposes of calculating the Regulatory Solvency Ratio, the excess verified in the risk exposure limit per customer must be deducted from Regulatory Own Funds (FPR).

(amounts in thousands of kwanzas)

	31.12.2023	31.12.2022
Regulatory Own Funds	44 169 698	40 642 096
Risk Weighted Assets	24 102 292	22 357 654
Regulatory Capital Requirements	1 928 183	1 788 612
Capital requirements for credit risk	354 748	225 775
Capital requirements for market risk	-	-
Capital requirements for operational risk	1 573 436	1 562 837
Regulatory Solvency Ratio – Base	183,26%	181,78%
Regulatory Solvency Ratio – Adjusted	183,26%	181,78%

29 – Recently Issued Accounting Standards and Pronouncements

Recently issued accounting standards and pronouncements: There were no voluntary changes in accounting policies during the year ended 31 December 2023.

The following standards, interpretations, amendments and revisions become mandatory in their application for the first time in the financial year beginning on 1 January 2023:

Amendments to IAS 1 – Presentation of financial statements and IFRS Practice Statement 2: Disclosures of accounting policies

Following feedback on the need for more guidance to help companies decide what information to disclose regarding accounting policies, on 12 February 2021 the IASB issued amendments to IAS 1 – Presentation of financial statements and IFRS Practice Statement 2 – Making Materiality Judgements.

The main changes to IAS 1 include: i) requiring entities to disclose information relating to material accounting policies rather than significant accounting policies, ii) clarifying that accounting policies relating to immaterial transactions are also immaterial and as such do not need to be disclosed and iii) clarifying that not all accounting policies relating to material transactions are themselves material to an entity's financial statements.

The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on applying materiality to accounting policy disclosures. These changes are consistent with the revised definition of material:

"Information about accounting policies is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements."

The changes came into force on 1 January 2023, but early application is permitted.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The IASB issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, with the main focus on defining and clarifying accounting estimates.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary values in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates, specifying that an entity develops an accounting estimate to achieve the objective established by an accounting policy. The effects of changes in such data or measurement techniques are changes in accounting estimates.

The amendments are effective for periods beginning on or after 1 January 2023, with early application permitted, and will be applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period to which the entity applies the amendments.

Amendments to IAS 12: deferred tax related to assets and liabilities arising from a single transaction

The IASB issued amendments to IAS 12 – 'Income Taxes', on 7 May 2021. The changes require companies to recognise deferred taxes on transactions which, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

In certain circumstances, companies are exempt from recognising deferred taxes when they recognise assets or liabilities for the first time. Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and dismantling provisions, i.e. transactions in which companies recognise an asset and a liability. The amendments clarify that the exemption does not apply to this type of transaction and that companies are obliged to recognise deferred taxes. The aim of the changes is to reduce diversity in the disclosure of deferred taxes on leases and provisions for dismantling.

The changes took effect for annual periods starting on or after 1 January 2023. Early application was permitted.

IFRS 17 — Insurance Contracts

On 18 May 2017, the IASB issued a standard that replaced IFRS 4 and completely reformed the handling of insurance contracts. The standard introduces significant changes to the way in which the performance of insurance contracts is measured and presented, with various impacts on the financial position as well. The changes are applied to financial years beginning on or after 1 January 2023.

Amendments to IFRS 17 — Insurance contracts: initial application of IFRS 17 and IFRS 9 — Comparative Information

The IASB has issued an amendment to the scope of the transition requirements for IFRS 17 – Insurance Contracts, providing insurers with an option aimed at improving the usefulness of information for investors in the initial application of the new Standard.

The change does not affect any other requirements of IFRS 17.

IFRS 17 and IFRS 9 — Financial Instruments have different transition requirements. For some insurers, these differences may cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in the financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment helps insurers avoid these temporary accounting mismatches and will therefore increase the usefulness of comparative information for investors.

IFRS 17, including this amendment, is effective for annual reporting periods beginning on or after 1 January 2023.

The adoption of these standards, interpretations, amendments and revisions had no material impact on the Bank's financial statements for the financial year ending on 31 December 2023.

The following changes to the published standards are only mandatory for annual periods beginning after 1 January 2023:

Clarification of the requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements)
On 23 January 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement that an entity has the right to defer settlement of the liability for at least 12 months after the reporting period.

The changes are aimed at:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period and must be substantive;
- Clarifying that the ratios that the company must fulfil after the balance sheet date (i.e. future ratios) do not affect the classification of a liability on the balance sheet date. However, when non-current liabilities are subject to future ratios, companies must disclose information that allows users to understand the risk of these liabilities possibly being repaid within 12 months of the balance sheet date; and
- Clarifying the requirements for classifying liabilities that an entity will settle, or may settle, by issuing its own equity instruments (e.g. convertible debt).

This amendment is effective for periods after 1 January 2024.

Lease liabilities in a sale and leaseback transaction (amendments to IFRS 16 – Leases)
In September 2022, the IASB issued amendments to IFRS 16 – Leases which introduce a new accounting model for variable payments in a sale and leaseback transaction.

The changes confirm that:

- On initial recognition, the seller - lessee includes variable lease payments when measuring a lease liability arising from a sale and leaseback transaction.
- After initial recognition, the seller - lessee applies the general requirements for subsequent accounting of the lease liability, so that it does not recognise any gain or loss related to the right of use it retains.
- A seller - lessee can adopt different approaches that satisfy the new subsequent measurement requirements.

The changes are effective for annual periods beginning on or after 1 January 2024, with early application permitted.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, a seller – lessee will have to apply the changes retrospectively to sale and leaseback transactions entered into on or after the date of the initial application of IFRS 16. This means that it will have to identify and re-analyse the sale and leaseback transactions entered into since the implementation of IFRS 16 in 2019 and potentially restate those that included variable lease payments.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

On 25 May 2023, the International Accounting Standards Board (IASB) published Supplier Finance Arrangements with amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures.

The changes concern disclosure requirements relating to supplier finance arrangements – also known as supply chain financing, accounts payable financing or recourse factoring arrangements.

The new requirements complement those already included in the IFRS standards and include disclosures on:

- Terms and conditions of supplier finance agreements;
- The amounts of the liabilities that are the subject of such arrangements, the extent to which suppliers have already received payments from the financers and the item under which these liabilities are presented in the balance sheet;
- Due date intervals; and
- Information on liquidity risk.

The changes are effective for financial years beginning on or after 1 January 2024.

Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

On 23 May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 to clarify the application of IAS 12 – Income Taxes to income taxes arising from tax legislation enacted or substantially enacted to implement the OECD Pillar Two model rules.

The changes introduce:

- A mandatory temporary exception to accounting for deferred taxes arising from the judicial implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of financial statements understand an entity's exposure to Pillar Two income tax arising from that legislation, especially before the date it becomes effective.
- The mandatory temporary exception – the use of which must be publicised – applies immediately. The other disclosure requirements apply to annual reporting periods beginning on or after 1 January 2023, but not for interim periods ending on or before 31 December 2023.

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

External Auditor's Report

C&S – Assurance and Advisory
Auditors and Consultants
Registered with the Order of Accountants and Accounting Experts of Angola as No E20180018
Registered with the Capital Markets Commission as No. 001/AE/CMC/02-19
Corresponding Member of RSM International

Logo

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

1. We have audited the attached financial statements of **Banco Comercial do Huambo, S.A.**("the Bank"), which comprise the Balance Sheet as at 31 December 2023, showing total assets of 57,736,337 thousand Kwanzas and total equity of 44,177,202 thousand Kwanzas, including a net profit of 3,486,586 thousand Kwanzas, the Statements of Results, the statements of profit and loss and other comprehensive income, the changes in equity and the cash flow statement for the financial year then ended and the corresponding Notes to the accounts.

2. In our opinion the financial statements referred to in paragraph 1 above present fairly, in all material respects, the financial position of **Banco Comercial do Huambo, S.A.** on 31 December 2023, the statements of profit and loss and other comprehensive income from its operations, the changes in its equity and its cash flows for the year then ended in accordance with the International Financial Reporting Standards issued by the IASB – International Accounting Standards Board (Note 2).

Basis for the opinion

3. Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and the technical and ethical guidelines of the Order of Accountants and Accounting Experts of Angola. Our responsibilities under these standards are described in the section "Auditor's responsibilities for the audit of financial statements" below. We are independent of the Entity according to the law and we comply with the other ethical requirements under the code of ethics of the Order of Accountants and Accounting Experts of Angola.

4. We are convinced that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our auditing opinion.

Responsibilities of the Management Body and the Supervisory Body for the Financial Statements

5. The Board of Directors is responsible for:

   - preparation of financial statements that appropriately present the financial position, financial performance and cash flows of the Bank in accordance with the International Financial Reporting Standards issued by IASB – the International Accounting Standards Board;
   - preparation of the management report in the applicable legal and regulatory terms;
   - creation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;
   - adoption of accounting policies and criteria appropriate to the circumstances; and
   - assessing the Bank's ability to remain a going concern, disclosing, when applicable, matters that may raise significant doubts about the going concern of the business.

C&S – Assurance and Advisory
Auditors and Consultants
Registered with the Order of Accountants and Accounting Experts of Angola as No E20180018
Registered with the Capital Markets Commission as No 001/AE/CMC/02-19
Corresponding Member of RSM International

Logo

6. The Supervisory Board is responsible for overseeing the preparation and disclosure of the Bank's financial information.

Responsibilities of the Auditor for the audit of the Financial Statements

7. Our responsibility is to obtain reasonable assurance in issuing an independent opinion on whether the Financial Statements are free from material misstatement based on our audit, which was conducted in accordance with the Technical Standards of the Order of Accountants and Accounting Experts of Angola. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit performed under ISA will always detect any material misstatement when this exists. Distortions may arise from fraud or be in error and are considered material if, alone or together, they can reasonably be expected to influence economic decisions of users taken on the basis of those financial statements.

8. As part of an audit undertaken in accordance with ISA, we make professional judgments and maintain professional scepticism during the audit and additionally:

- We identify and assess the risks of material misstatement of the financial statements, due to fraud or error, we design and perform audit procedures that respond to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, counterfeiting, intentional omissions, false statements or overlapping of internal control;

- We obtain an understanding of the internal control that is relevant to the audit for the purpose of designing audit procedures that are appropriate to the circumstances but not to express an opinion on the effectiveness of the Bank's internal control;

- We assess the suitability of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by the Board of Directors;

- We reach a conclusion on the suitability of the use by the management body of the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could give rise to significant doubts about the Bank's capacity to continue its business activities. If we conclude that there is material uncertainty, we should draw attention in our report to the related disclosures included in the financial statements or, if these disclosures are not appropriate, modify our opinion. Our findings are based on audit evidence obtained as of the date of our report. However, future events or conditions may cause the Bank to discontinue its activities;

- We assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that ensures an appropriate presentation; and

- We report to the Directors and the Supervisory Board, inter alia, the scope and planned timetable of the audit as well as significant audit conclusions including any significant deficiencies in internal control identified during the audit.

9. Our responsibility also includes verifying the consistency of the information contained in the management report with the financial statements.

C&S – Assurance and Advisory

Auditors and Consultants

Registered with the Order of Accountants and Accounting Experts of Angola as No E20180018
Registered with the Capital Markets Commission as No 001/AE/CMC/02-19
Corresponding Member of RSM International

Logo

Other matters

6. The amounts for the year ended 31st of December 2022, which are presented in the attached financial statements for comparative purposes, were examined by another Independent Auditor, the unmodified audit report of which was dated 21st of April 2023.

Report on Other Legal and Regulatory Requirements for the Management Report

7. In compliance with the applicable legal requirements, we are of the opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is in accordance with the audited financial statements and, taking into account the knowledge of and appraisal of the Bank, we have not found any material misstatements.

Luanda, 25th April 2024

C&S – Assurance and Advisory, S.A.

Registered with the Order of Accountants and Accounting Experts of Angola as No E20180018 and with the Capital Markets Commission as No 001/AE/CMC/02-19

Represented by:

[Signature]

Henrique Manuel Camões Serra
(Accountant Expert no. 20130167)

Report and Opinion of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholders,

In compliance with the legal and statutory provisions, we hereby submit for your consideration the Report and Opinion of the Supervisory Board on the Annual Report and Accounts for the year 2023, ending 31 December 2023, of BANCO COMERCIAL DO HUAMBO, SA – (hereinafter referred to as the BANK), as well as on the proposal for the allocation of profits, which are the responsibility of the Board of Directors. The Balance Sheet shows total Assets of 57,736,337 thousand Kwanzas and Equity of 44,177,202 thousand Kwanzas, which includes a Net Profit of 3,486,586 thousand kwanzas.

1. In undertaking our duties and to the depth and extent possible, we carried out the appropriate analyses for these circumstances. The BANK's Board of Directors provided us with the Balance Sheet, Income Statement and respective Notes. These documents that were prepared in accordance with the International Accounting Standards (IASB) and the International Financial Reporting Standards (IFRS), in compliance with the provisions of Notice No 6/2016 of 16 May of the Banco Nacional de Angola (BNA), supported by document No 9/16 of 6 June, of the CMC Regulations. Furthermore, we obtained all the information and clarifications we requested from the Board of Directors and the Bank's various departments, which were necessary for us to issue our opinion.
2. We also analysed the Management Report, which explains the Bank's activity during the 2023 Financial Year with sufficient clarity and expertise;
3. We analysed the Opinion on the Financial Statements issued by the Independent Auditor (the company C&S Assurance and Advisory, SA), issued without any Reservations and/or Emphases, which we agree with.
4. As such, and considering the External Auditor's Report, we conclude the following:
    a. That the Management Report of the Board of Directors and the financial statements are in accordance with the accounting records and fulfil legal and statutory provisions;
    b. That 2023 was a financially positive year, with a net profit of 3,486,586 thousand kwanzas;
    c. That the valuation criteria used and the accounting policies adopted are consistent with those applied in previous financial years.

5. We also believe that the documents referred to above, taken as a whole, make it possible to understand the Bank's financial situation and economic results. As a result of the work carried out, we hereby propose:
    a) The approval of the Management Report of the Board of Directors and the Accounts for the financial year ending 31 December 2023;
    b) Approval of the proposal for the allocation of the Net Profit for the financial year of 2023, contained in the Management Report of the Board of Directors.
    c) The approval of a vote of praise, reinforcing confidence in the Board of Directors for their dedication, sound performance and the results achieved in the 2023 financial year, which reflect the Bank's solidity and sustained growth.
6. You Finally, we would like to express our thanks to the Board of Directors and all the Bank's employees, with whom we worked, for their valuable co-operation.

Luanda, 25 April 2023

The Supervisory Board

Chairman

[SIGNATURE]

UHY A. Paredes e Associados – Auditores e Consultores, SA
Representada por Dr. Mário Silva

Member

[SIGNATURE]

Dr. Mário Castelo Branco

Member

[SIGNATURE]

Dr. Carlos Deosvaldo Fragoso Vaz