ANNUAL REPORT AND ACCOUNTS 2011

BCH Banco Comercial do Huambo

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BCH

Annual Report and Accounts

2011

31 DECEMBER 2011

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Corporate Bodies and Shareholder Structure

CORPORATE BODIES

Board of Directors

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

General Meeting

President	Ms. Alexandra Teodora da Conceição Cruz Martins
Vice-President	Ms. Maria Helena Miguel
General Secretary	Ms. Regina Luísa Lagos Fernandes dos Santos Nulli

Audit Committee

Chairman	Mr. Paul Sousa
Deputy-chairman	Mr Mário Silva Castelo Branco
Deputy-chairman	Mr. Miguel Francisco Luís Manuel

SHAREHOLDER STRUCTURE

	Shareholding
Natalino Lavrador	51,5%
Minoru Dondo	20%
António Mosquito	20%
Sebastião Lavrador	5,5%
Carlos Saturnino	3%
Total	100%

02
Directors' Report

02

DIRECTORS' REPORT

DIRECTORS' REPORT:

MACROECONOMIC BACKGROUND

World Economy

In 2011 the world economy could not keep the recovery pace it set the previous year, having reached a growth rate of about 3,8%, compared to 5,2% in 2010. This was mainly due to developments in the more developed economies which witnessed a significant downturn in their economic growth.

These developments had to do with several factors, such as the shift in private consumption in the USA and debt crisis in the Euro zone. Both factors contributed significantly to lowering the consumption and investment expectations throughout the world.
In 2011, the Euro zone grew by about 1.6%, but with major differences in the growth rates of each country. Germany registered a growth of 3%, while the Southern European economies grew below 1%, and in some cases, had a negative growth rate. Besides the effects on the budgets of each one of the most affected countries, such as Greece, Ireland and Portugal, this crisis had huge negative impact on the banking activity, having given rise to significant restrictions in loan lending and consequently to restricted financing of the real economy.

In comparison, the emerging economies presented a better economic performance, with a GDP growth rate of 6,2% , especially the Asian countries which reached a 7,9% growth, with China reaching 9%.

In general, the fear that the sovereign debt crisis could spread to the other countries in the Euro zone and the impact this might have on the USA, let to a greater aversion to risk taking, which in turn influenced the investment decisions made by the majority of economic agents in the more economically developed countries.

Economy of Sub-Saharan Africa

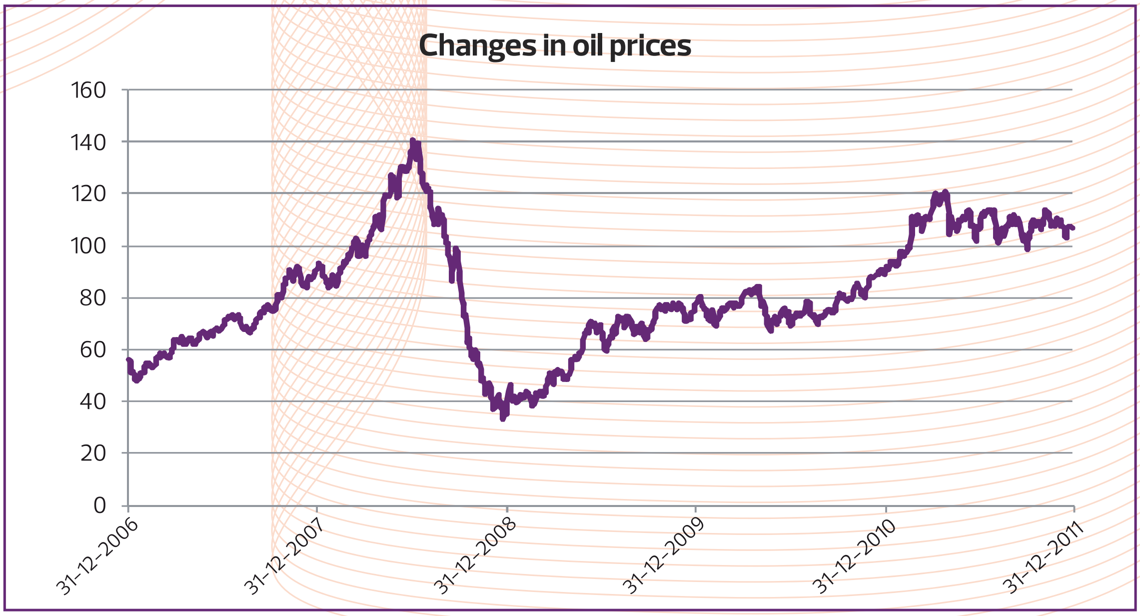
Besides the volatile economic environment in 2011, the economic growth in Sub-Saharan Africa remained considerably solid, reaching 4,8% in 2010 and 4,9% in 2011. Except for South Africa, which accounts for more than one third of the region´s gross domestic product, the growth remained at 5,9% throughout 2011, thus making it one of regions in the World with most significant growth. According to the World Bank, about one third of the countries in the region grew at least by 6%.

The main reason for growth, as in recent years, proved to be the domestic demand (growing consumption, private and public investment in productive activities), also the external demand, supported by raw-material prices, gave a strong boost to the economy. The growth in trade has been sustained by the growing diversification of trade partners, mainly with China. Aware of the weight the raw-materials have in the exports, the majority of the countries in the region, namely, the oil exporting ones, benefited from the increase in prices in the first half of 2011.
The direct investment in the region grew about 25% in 2011, for which the oil extracting and tourism sectors contributed most.

It is expected that the factors which contributed for the region´s economic growth remain valid in the following years: growing investments, increase in consumption, more exports of new minerals. Those factors are crucial for economy growth, which according to the World Bank´s estimates, shall be approximately 5,3% in 2012 and 5,6% in 2013.

Angolan Economy

Concerning the Angolan economy, the year 2011 was characterised by below expected growth, given the existing restrictions for oil production during the first half of the year, which significantly affected the GDP.



source: Organization of the Petroleum Exporting Coutries

The oil prices suffered a significant correction in the beginning of August, reflecting the growing concerns with the early signs of crisis in the leading economies. In the last months of the year, the crisis began slowing down, thus entering into a period of greater stability. Although the average oil price remained above US$ 100/barrel, the GDP was impacted by the fall in production resulting from the necessity of maintenance works. According to the International Energy Agency, the world demand is expected to remain steady, mainly in the non-OECD countries and particularly in Latin America, Asia and Middle East.

The other sectors proved to grow significantly in a sustained way, driven by public infra-structure projects in the water, electricity and transport segments. The Energy, Industry and Construction sectors were those which achieved better performance.

The efforts to diversify the economy must also be referred, especially the start of the liquefied natural gas project which is expected to yield returns from 2012 onwards. Angola has significant volume of natural gas reserves which are not totally quantifiable, as there are areas where prospections have not been carried out yet.

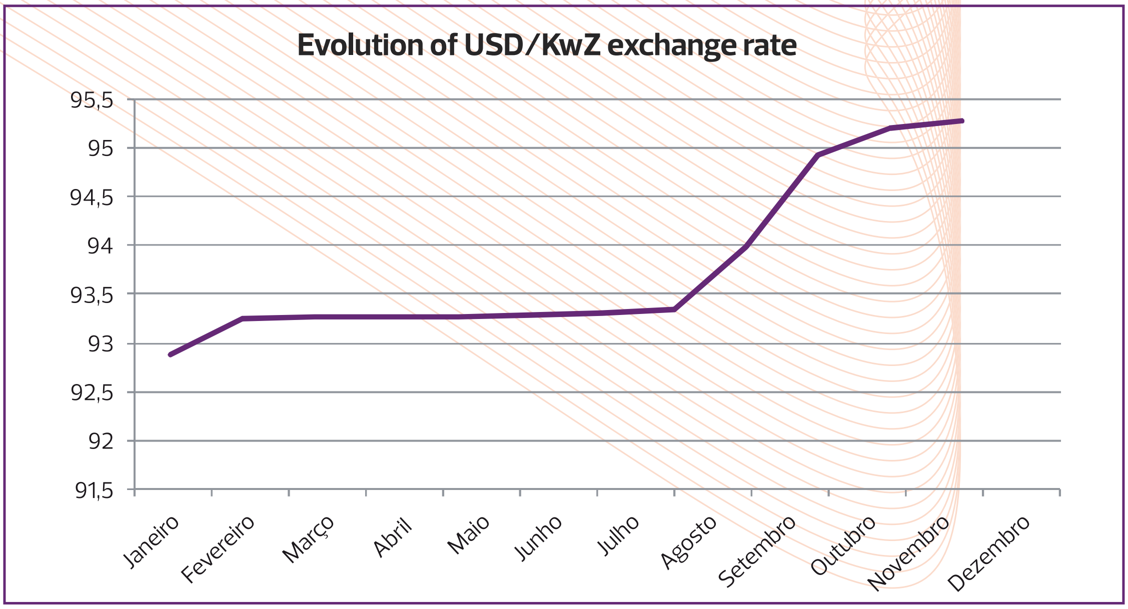
For 2012, the domestic economy is projected to perform well due to growth in GDP of the oil sector (new exploration fields and investment increase in the existing fields) and also of the non-oil sector (Agriculture, Energy and Diamonds).

During the year, the credit rating agencies FITCH (in May) and STANDARD & POOR'S (July) raised the Angolan economy grade of "B+" with positive outcome to "BB" with stable outcome and MOODY´S (June) upgraded the grade "B1" with positive outcome to "Ba3" with stable outcome.

In terms of monetary policy, the priority objectives during the year had to do with price stability, Balance of the Exchange market and external accounts of the country, for the achievement of which different measures were adopted, such as:

- Cut to the required reserve (in national currency) ratio from 25% to 20%;
- Cut to the rediscount rate from 25% to 20%;
- Introduction of Open Market Operations for liquidity-absorption and provision;
- Reduction of foreign exchange exposure limit to 50% (long positions) and restriction of the items for its calculation;
- Change in the solvency ratio calculation involving among other issues, an increase in the coefficient for assets designated in foreign currency.
- Presentation of the New Monetary Policy Framework by BNA;

In that way, the Banco Nacional da Angola adopted a more restrictive policy, contributing to the stabilization of the kwanza value during 2011, which in turn allowed a general reduction of the interest rates. During the year, and according to the Monetary Policy Framework, the concept of Reference Base Interest Rate, called BNA Rate, was introduced so as to signal the monetary policy orientation and to be used as reference by the financial institutions for interest rates they practise in the interbank monetary market.

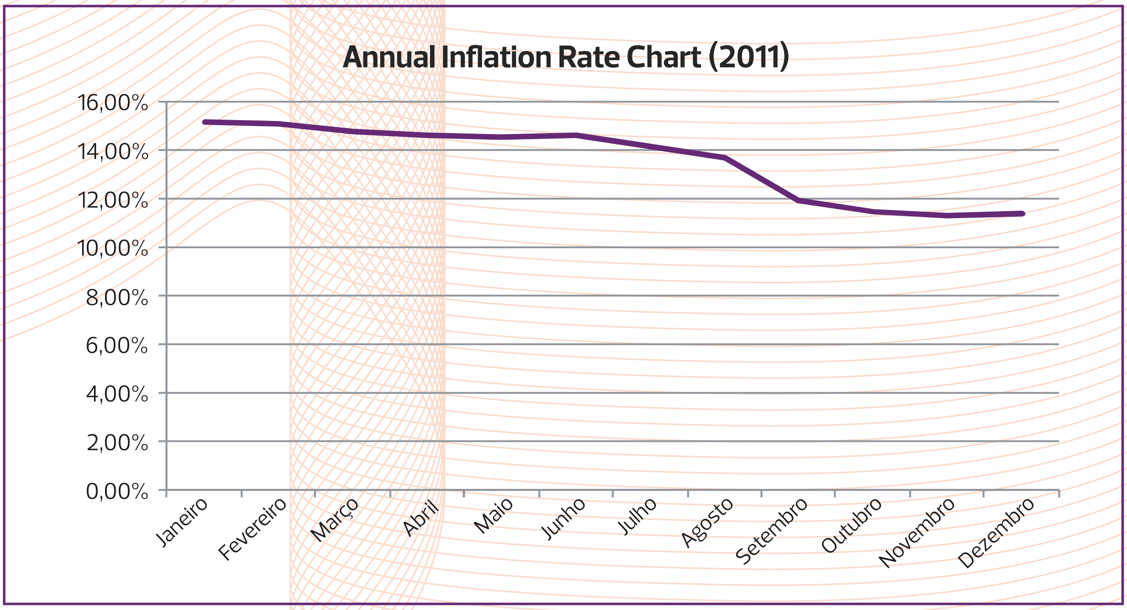


Source: Banco Nacional de Angola
Note: Janeiro – January; Fevereiro – February; Março – March; Abril – April; Maio-May; Junho – June; Julho – July; Agosto – August; Setembro – September; Outubro – October; Novembro – November; Dezembro - December

On the other hand inflation was reduced, in line with the goals set in the Agreement signed between the IMF and the country and also a restrictive policy based on effective foreign currency reserve management was implemented.

The accumulated sales of Treasury Bills (TB) and Central Bank Bonds(CBB) were Kz 333 billion and Kz 405 billion (a 49% reduction in relation to 2010) and the interest rates on both securities were in a downward trend until the third trimester, increasing slightly at the end of the year.

The cut to the required reserve (in national currency) ratio led to increase in available liquidity which together with other measures contributed decisively to the improvement of the national financial system liquidity level and permitted a more effective financing of the economy, as well as reduction of ruling interest rates.



Source: National Institute of Statistics
Note: Janeiro – January; Fevereiro – February; Março – March; Abril – April; Maio-May; Junho – June; Julho – July; Agosto – August; Setembro – September; Outubro – October; Novembro – November; Dezembro - December

The IMF visited Angola in June for yet another evaluation of the progress made under the Stand-By agreement, and the release of further 133 million USD was approved. The Fund pointed out the progresses that had been made in terms of economic stabilization policy, which benefited from an increase in the international reserves as well as from the adoption of structural reforms.

Economy of the Huambo Province

According to the State Budget, the financial resources allocated to the Huambo Province will be channelled towards policies aiming at:

(i) Promoting the rehabilitation of agriculture through attracting populations to the rural areas and creating better living conditions in the country. Such improvement shall lead to rise of domestic agricultural production and productivity and also to the agro-industry development and export of agricultural products.

(ii) Promoting the creation of industries, not only to substitute imported goods, but also to revive export activity. Measures have been taken to that end, such as recovery and development of productive activities, recuperation and creation of material infrastructures, reconstruction and enlargement of labour capital, technological development and reinforcement of private and public sectors.

BANCO COMERCIAL DO HUAMBO (COMMERCIAL BANK OF HUAMBO)

Introduction

The Commercial Bank of Huambo (BCH) is a regional bank, with head office in the city of Huambo. Its purpose is to support micro, small and medium-sized companies, by contributing significantly for the social and economic development of the region which is based on agro-industrial economic activity.

The Banco Comercial do Huambo, S.A. is a legal entity with social capital of 1 billion kwanzas, entirely denominated in national currency and all shareholders are Angolan citizens. The Bank was incorporated on 17 June 2009 and it started its commercial activity on 16 July 2010.

The Bank´s main activity is to engage in retail banking, as defined by law, in the Country and abroad, and as an Angolan legal entity it is obliged to fulfil the legal requirements and other Supervision Regulations on Governing Principles.

We were successful in carrying out our project despite the difficulties and problems we faced, thanks to the perseverance and determination of our founding shareholders.

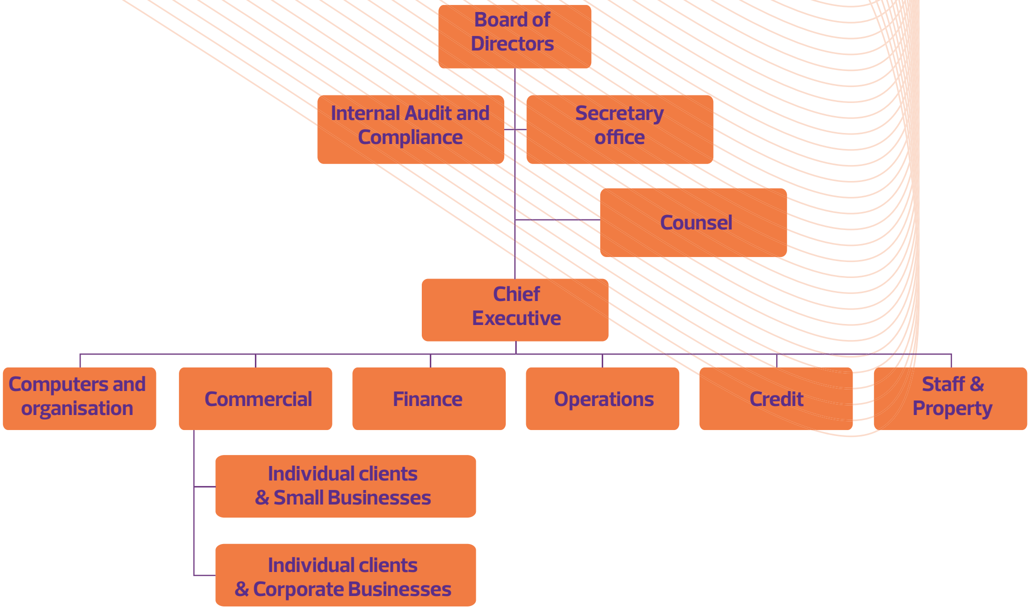
Mission

The Commercial Bank of Huambo was established with the mission to:

(i) Provide the Huambo region with a Credit Institution which has an in-dept perception of the Huambo province´s commercial and industrial structure;
(ii) Permit rapid decision-making, as the Bank´s Board of Directors decides locally;
(iii) Invest in the economic and social development of the region, considering its potential;
(iv) Establish and develop a small/medium-sized Credit Institution able to achieve good pro fitability levels so that its financial stability can face the competition;

Organization

The Board of Directors is the Bank´s governing body and it is comprised of 2 executive directors and 1 non-executive member; the Chairman is one of the executive directors.
The commercial area of the entity is structured in two business units: Individual Clients & Small Businesses and Individual Clients & Corporate Businesses.



As at December 31st, 2011, 13 full-time employees work at BCH, distributed in the following way:

Board of Directors	3
Management	1
Trained staff	8
Office staff	1

Strategic Priorities

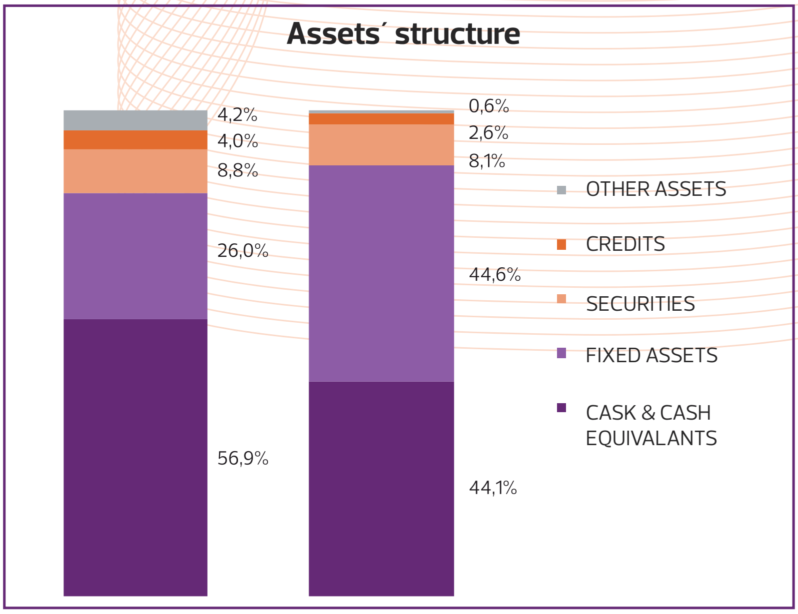
During this first period of activity, the Banco Comercial do Huambo began reflecting on the strategy and outlined an action plan for the coming years.

We confirm the intention to establish a name on the market which spreads our culture and our standards of quality and loyalty and offer our clients competitive products which add value to their businesses and lives.

In order to support its ambition for growth and to be close to its clients, the BCH began an expansion of its branch network, with the opening of the first branch in Luanda, and it is also projected that the bank will expand its presence in the Huambo province and extend it to other provinces.

This reinforcement will be accompanied by recruiting and staff training programs, in order to strengthen the organization and prepare it for future challenges.
An investment in infrastructures, which will allow the Bank to deliver to clients service and efficiency levels which are the Bank´s trademark, is also projected.

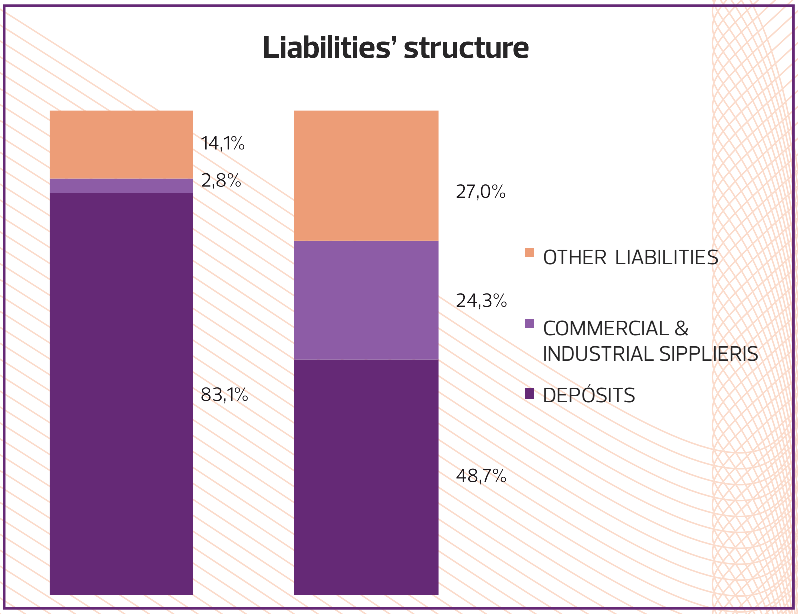
FINANCIAL ANALYSIS



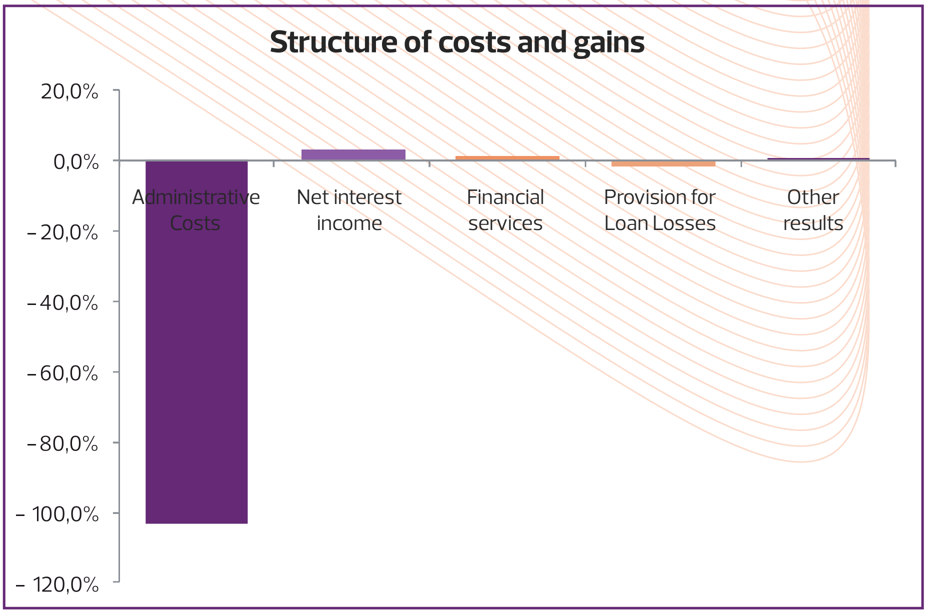
In 2010, the establishment of the Bank and the start of its operations demanded that a set of necessary investments are made so as to provide the bank with premises needed for the performance of its activity, mainly, investment in the construction of the head-office building, purchase and installation of computers and similar equipment and incorporation costs incurred. In 2011, the item "Fixed assets" is the smallest portion of the assets, considering the increase in cash and cash equivalents in virtue of increase in capital during the year.

Our deposit portfolio is about 83,1% of the liabilities, showing a significant growth compared to the deposits of the last year, which shows a growing trust of the clients.

For the most part of the other liabilities, they result from investment operations which were made with the aim to provide the Institution with considerable operating capacity.



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



Nevertheless, and although this is a very short period given the incorporation date and the start of banking operations, there is already an increase in the net interest income due mainly to significant increase of income from loans which exceeds expensses with client deposits, despite of the fact that those have grown significantly.

PROFIT/LOSS AND ITS APPLICATION

The net loss is -214.538.981,81 kwanzas which we suggest to be recorded under Retained Earnings/Losses.

03
Financial Statements

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Financial Statements

Balance sheet as at 31 December 2011 and 2010
(amounts in thousands of AOA)

	Notes	2011	2010
ASSETS			
CASH & CASH EQUIVALENTS	4	824.372	322.080
SECURITIES	5	126.885	58.960
CREDITS ON THE PAYMENT SYSTEM	6	28.522	0
LOANS and ADVANCES TO CLIENTS	7	58.402	4.266
OTHER ASSETS	8	32.798	18.752
COMMERCIAL AND INDUSTRIAL INVENTORIES & ADVANCES TO SUPPLIERS		-10	0
FIXED ASSETS	9	377.080	325.584
Total Assets		**1.448.049**	**729.642**
LIABILITIES			
DEPOSITS	10	599.993	239.809
LIABILITIES ON THE PAYMENT SYSTEM	6	20.172	0
OTHER LIABILITIES	11	102.196	252.360
Total Liabilities		**722.360**	**492.169**
EQUITY			
SHARE CAPITAL	12	1.000.001	300.000
RESERVES & FUNDS	12	14.795	14.795
RETAINED EARNINGS/LOSSES	12	-74.568	-77.322
OPERATING LOSS	12	-215.179	0
NON- OPERATING PROFIT	12	640	0
Total Equity		**725.689**	**237.473**
Total Liabilities & Equity		**1.448.049**	**729.642**

Income statement as at 31 December 2011 and 2010
(amounts expressed in thousands of AOA)

	Notes	2011	2010
Net Interest Income	13	**6.636**	**6.395**
Gains on Financial Assets		**15.703**	**7.207**
Gains on short-term investments		200	0
Gains on Securities		9.303	6.904
Gains on Derivative financial instruments		0	0
Gains on Loans		6.200	303
(-) Cost of Financial Liabilities	13	**-9.067**	**-812**
Interest expenses		-9.067	-812
Cost of short-term borrowing		0	0
Raising funds through securities		0	0
Cost of Derivative financial Instruments		0	0
Cost of Other borrowings		0	0
Profit from trading and changes in fair-value		**0**	**0**
Profit from currency exchange operations	13	**-747**	**120**
Profit/loss from financial services rendered	13	**2.674**	**257**
(-) Provisions for Bad debt and Guarantees Provided	13	**-2.820**	**-43**
Income from claims on insurance contracts		**0**	**0**
PROFITS FROM FINANCIAL INTERMIDIATION	13	**5.744**	**6.729**
PROFITS FROM STOCKS, PRODUCTS AND OTHER SERVICES		**0**	**0**
(-) Administrative and Marketing expenses		**-222.055**	**-84.102**

Staff	14	-69.262	-21.324
External services	15	-69.204	-30.700
Non-profit taxes and fees		0	-10
Fines Imposed by Regulation Authorities		-15	0
Research & Development Costs		0	0
Specific Provisions for losses on accounts receivable		0	0
Other administrative and marketing expenses		-6.625	0
Specific provisions for losses on Commercial and Industrial Inventories		0	0
Depreciations and Amortizations		-76.950	-32.069
Cost recovery		0	0
(-) Provision for other Assets e Probable Losses		**0**	**0**
Profit from Financial Assets		**0**	**0**
Other operating income and expenses	**17**	**1.132**	**50**
OTHER OPERATING INCOME AND EXPENSES		**-220.923**	**-84.052**
PROFIT/LOSS FROM MONETARY UPDATE OF PROPERTY		**0**	**0**
OPERATING PROFIT		**-215.179**	**-77.322**
NON-OPERATING PROFIT		**640**	**0**
PROFIT BEFORE TAX		**-214.539**	**-77.322**
(-) INCOME TAX EXPENSE		**0**	**0**
CURRENT NET PROFIT/LOSS		**-214.539**	**-77.322**
(-) MINORITY INTERESTS		**0**	**0**
PROFIT/LOSS FOR THE YEAR		**-214.539**	**-77.322**

Statement of Changes in Equity as at 31 December 2011 and 2010
(amounts in thousands of AOA)

	EQUITY	RESERVES	PROBABLE RESULTS	RETAINED EARNINGS/ LOSS	TOTALS
OPENING BALANCES	**300.000**	**14.795**	**-214.539**	**0**	**100.256**
Issue of share capital	700.001				700.001
Payments due to Capital reduction					0
Incorporation of Reserves					0
Incorporation of Retained Earnings				2.755	2.755
Currency translation movements					0
Appropriation of profit/loss				-77.322	-77.322
CLOSING BALANCES	**1.000.001**	**14.795**	**-214.539**	**-74.568**	**725.689**

Statement of Cash Flows for the years ended 31 December 2011 and 2010
(amounts in thousands of AOA)

IDescription	Notes	2011	2010
Cash from Net Interest Income		**2.691**	**6.296**
Cash receipts from Gains on Financial Assets		**11.411**	**7.108**
Cash receipts from short-term investment gains		200	0
Cash receipts from interests on Securities		6.281	6.804
Cash receipts from gains on Derivatives		0	0
Cash receipts from interest income		4.929	304
(-) Payment of Costs of Financial Liabilities		-8.720	-812
Payment of income expense		-8.720	-812
Cash flow from trading and changes in fair-value			
Cash flows from foreign exchange operations		**-747**	**120**
Cash flows from rendering of financial services		**2.674**	**257**
Cash flowsfrom claims on insurance contracts			
OPERATING CASH FLOW FROM FINANCIAL INTERMEDIATION		**4.619**	**6.673**
CASH GENERATED/PAID FROM STOCKS, PRODUCTS AND OTHER SERVICES			
(-) Payment of administrative and marketing expenses		-306.980	0
Cash paid for settlement of operations on the Payments System		-8.351	0
Cash flows from Other operating income and expenses		0	-51.983
INFLOWS AND OUTFLOWS FROM OTHER OPERATING INCOME AND EXPENSES		**-315.331**	**-51.983**
CASH FLOWS FROM OPERATIONS		**-310.712**	**-45.310**
Cash flows from Investment in securities		-64.803	-58.860
Cash flows from Investments in Credits		-55.641	-4.310
CASH FLOW FROM INVESTMENTS IN FINANCIAL INTERMEDIATION		**-120.444**	**-63.170**
CASH FLOW FROM INVESTMENTS IN OTHER ASSETS		**0**	**-18.752**
Cash flow from investment in fixed assets		-127.167	-357.653
Cash flow from sale of fixed assets		429	0
CASH FLOW FROM FIXED ASSETS		**-126.738**	**-357.653**
CASH FLOW FROM INVESTMENTS		**-247.181**	**-439.574**
Cash flows from financing - through Deposits		360.184	239.809
Cash flows from Financing- through Other borrowings		0	119.502
CASH FLOW FROM FINANCING THROUGH FINANCIAL INTERMEDIATION		**360.184**	**359.310**
CASH FLOW FROM FINANCING THROUGH MINORITIES			
Receipts from Increase of Capital		700.001	314.795
CASH FLOWS FROM FINANCING THROUGH EQUITY		**700.001**	**314.795**
CASH FLOWS FROM FINANCING THROUGH DEBT		**0**	**132.859**
CASH FLOWS FROM FINANCING ACTIVITIES		**1.060.185**	**806.964**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	4	**322.080**	**0**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	**824.372**	**322.080**
CHANGES IN CASH AND CASH EQUIVALENTS		**502.292**	**322.080**

04
Notes to the Financial Statements

04

Notes to the Financial Statements

Year ended 31 December 2011 and 2010
(amounts in thousands of AOA)

1. Incorporation and Activity

The BANCO COMERCIAL DO HUAMBO was incorporated by a public deed on 17 June 2009, hereinafter referred to as "Bank" or "BCH". BCH is a regional bank, with head office in Huambo and its object is banking activity, supporting small and medium-sized companies, contributing strongly for the social and economic development region which is based on agro-industrial economic activity. The bank started its commercial activity on 16 July 2010.
BCH will also support its clients through a consultancy service, starting at setting up a company right through preparation of financial viability projects. This is an innovative service in the Angolan financial system, available at the current branches of the Bank, situated in the cities of Huambo and Luanda.
Concerning the shareholder structure and as referred in Note 12, the Bank is owned by Angolan shareholders, and significant balances with shareholders are set out in Notes 10 and 12.
In compliance with the requirements of the Accounting Plan for Financial Institutions (CONTIF) and standards and instructions issued by Banco Nacional de Angola (National Bank of Angola, hereinafter referred to as "BNA"), concerning the official publication, the explanatory notes and information considered relevant for the interpretation of the attached financial statements are set out below.

2. Comparative Information

The amounts in the Financial Statements relate to the period of 31 December 2010 to 31 December 2011.

3. Basis of Preparation

The financial statements are prepared on historical cost basis and are stated in Kwanzas (AOA). They are in compliance with the accounting principles adopted by the Bank, namely going concern, prudency, accruals, substance over form, consistency, monetary update and uniformity, and in accordance with the Accounting Plan (Contif) for the banking sector, established by Banco Nacional de Angola. They further comply with Instruction n° 09/07 of 19 September of BNA which came into force on 1 January 2010 and Regulation 04/DSI/2011, which rules that International Accounting Standards must by applied for all accounting procedures and criteria not set in CONTIF.

3.1 Presentation Currency

The Bank´s financial statements as at 31 December 2011 are presented in Angolan Kwanzas (AOA), as provided in art. 5 of Notice n° 15/2007 of BNA, thus all Assets & Liabilities items denominated in foreign currency are translated at the average indicative rate published by BNA at balance-sheet date.

On 31 December 2011, the exchange rates of the currencies to which the Bank is more exposed in relation to AOA, were:

	2011	2010
USD	95,282	92,64
EUR	123,137	122,7

3.1 Accounting policies

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

a) Accruals concept

The Bank recognizes income when it arises, rather than when it is received and expenses, when they are incurred, rather than when they are paid, and they are stated in the financial statements in the periods to which they relate.

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

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

b)Provision for credit risks

The method used for calculating the provisions for losses on Client loans, has followed in 2010 and early 2011 the requirements of Notice n°4/2009 of 18 July. On 8 June, the BNA published Notice n° 4/2011 which repealed Notice n° 4/2009. Although this Notice has kept the rules regarding provisions, it imposed restrictions on granting loans in foreign currency.
In that way, the method used for calculating the provisions for losses on Client loans remains the same as in the previous year and is set out below.

c) Provisions for loans and interests

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

Level A: No risk
Level B: Very small risk
Level C: Small risk
Level D: Moderate risk
Level E: High risk
Level F: Very high risk
Level G: Risk of financial loss

The classification of each credit operation shall be revised at least once a year, through a re-evaluation of the criteria for the initial classification of the client, having in mind the minimum levels of provision calculated pursuant to Notice 4/2011.

Without prejudice to the revision mentioned in art. 4 of the referred Notice, the financial institution revises on a monthly basis each credit rating according to verified delays in payment of the principal or interests, and the rating of all credit operations for the same client, for provision calculation purposes, falls into the highest risk category.

The credit is classified in the risk categories according to the extent of time from the event of default , pursuant to Notice n°4/2011 which sets the following minimum levels of provision:

Risk Levels	A	B	C	D	E	F	G
% of Provision	0%	1%	3%	10%	20%	50%	100%
Extent of time from the event of default	until 15 days	15 to 30 days	1 to 2 months	2 to 3 months	3 to 5 months	5 to 6 months	over 6 months

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

a) Financial Assets

Investments in Associates

This item includes those investments in legal entities where the Bank holds, directly or indirectly, 10 per cent or more of the respective voting capital, without exercising control. (Associate company).

These financial assets are recorded under the equity method, and in cases of significant influence the equity method is used when the Bank has influence in the management or when it holds, directly or indirectly, 20% or more of the voting capital of associate company.

Interests in Other Entities

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

These financial assets are recorded at acquisition cost less provision for losses.
As of 31 December 2011, the BCH has recorded under this item an interest in EMIS of 36.048 thousand Kwanzas.

e) Securities

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

a) Trading;
b) Available for sale;
c) Held-to -maturity.

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

In the category "available-for-sale securities" only the securities which are acquired with the purpose to be eventually sold and subsequently do not fit in any other category.

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

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

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

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

The adjustment of securities' fair value follows the criteria of defined price set by BNA. The permanent losses on securities are immediately recognized in the profit/loss for the year, and the adjusted value resulting from the recognition of the mentioned losses becomes the new value base for income/loss appropriation purposes. These losses shall not be reversed in future financial years.

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

f) Transactions in foreign currency

The foreign currency operations are recorded pursuant to the principles of multi-currency system, according to which each operation is recorded exclusively for the involved currencies. Following this method, all balances in foreign currency, except notes and coins, are translated into AOA at the average index rate announced by BNA ruling on the closing date of each accounting month.

Transactional foreign currency exposure

The foreign exchange exposure for each currency is given by balancing off the assets and liabilities denominated in that currency, plus the amounts of transactions pending settlement and the foreign exchange spot transactions. The foreign currency exposure is remeasured monthly at the average exchange rates announced by BNA, and the resulting profits and losses due to foreign currency transactions are recognized in the income statement.

Foreign notes and coins

The foreign notes and coins are remeasured on a daily basis at the average exchange rates announced by BNA. The resulting differences from exchange rate fluctuations are accounted as profits or losses for the year.

Financial results in foreign currency translated into AOA

At the end of each month, all results denominated in foreign currency are translated into AOA at the weighted average of buying and selling exchange rates. This procedure implies change in the foreign exchange exposure for each foreign currency involved in relation to the national currency.

The gains/costs in each foreign currency are credited/debited against its respective foreign exchange exposure.

g) Monetary update

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

h) Tangible and intangible fixed assets

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

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

Designation	N° of years
Intangible fixed assets	
Software	
	3
Tangible fixed assets	
Works in rented buildings	10
Equipment	
Office equipment	10
Machinery and tools	6 e 7
Computers and similar equipment	3
Fittings	10
Transport	
Cars	3

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

i) Provisions and Contingencies

Provisions are recognized when:
a) the Bank has legal or constructive present obligation;
b) its payment is probable; and
c) the amount of this obligation can be estimated reliably.

Contingent liabilities are recognized in off-balance sheet accounts when the Bank has:
a) a possible present obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events which are not wholly within the control of the Institution;

b) a present obligation which has arisen as a result of past events, but which is not recognized because payment is not probable or because the amount cannot be measured reliably.

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

j) Corporate tax

The Bank is subject to Corporate Tax at 35% rate pursuant to Law n° 5/99 of 6 August, and it is considered fiscally a Group A taxpayer.

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

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

The deferred tax assets and liabilities are recognized for temporary differences between the amount of an asset or liability and its tax base. The amount corresponds to the tax amount payable or receivable in future years. The deferred taxes and liabilities are measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled.

k) Reduction in Recoverable Value of Assets (Impairment)

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

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

a) Significant decline of the asset value, more than the expected from its normal use;
b) Significant changes in technology, economy or laws which have negative effect on the Bank;
c) Increases in interest rates or any market rates, affecting the discount rates and leading to reduction in the present or recoverable value of the assets;
d) Carrying amount of liquid assets greater than market value;
e) Available evidence of obsolescence or physical damage of the asset;
f) Significant changes in the usage patterns of the asset, such as non-usage or part of a restructuring, with negative effect on the Bank; and
g) Indication of worse economic performance of the asset than expected.

4 Cash & Cash equivalents

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

Cash and cash equivalents	31.12.2011	31.12.2010
Cash on hand	41.132	9.940
Cash deposited with the Central Bank	466.093	276.836
Cash deposited with Financial Institutions	317.147	35.304
	824.372	322.080

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

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

The Regulation further sets that the reserve in national currency must be 25%, not including the Local Government deposits which are subject to a rate of 50% and Central Government which are subject to a rate of 100%.

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

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

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

5 Securities

This item has the following structure:

Debt securities held to Maturity	31.12.2011	31.12.2010
Treasury bills		
3 months	101.621	58.960
6 months	25.264	0
Total	**126.885**	**58.960**

The balance of the item "Securities held-to-maturity" is entirely comprised of short-term Treasury bills, acquired by the Bank during 2011.

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

a) focus on public debt securities and Central Bank securities;
b) profit-oriented criteria;
c) maintenance of liquidity and market risks associated controls.

6 Credits and Liabilities on the Payments System

These items are divided as follows:

Credits and Liabilities Payments System	31.12.2011	31.12.2010
Credits on the Payments System	28.522	0
Liabilities on the Payments System	20.172	0

The amounts stated as of 31 December 2011 refer to bank guaranteed cheques, bank cheques and cheques payable, which will be settled in 2012.

7 Loans and advances to Clients

The following is a breakdown of this item:

Loans and advances to Clients	2011 NC	2011 FC	2011 Total	2010 NC	2010 FC	2010 Total
Current Account	39.214	1.807	41.021	4.309	0	4.309
Deposit advances	35		35	0		0
Loans	17.829	2.292	20.121	0	0	0
Other loans and advances	0		0	0		0
Total Gross Loans and Advances	**57.078**	**4.099**	**61.177**	**4.309**	**0**	**4.309**
Provision for Loan Losses			**(2.775)**			**(43)**
Net loans and advances to Clients			58.402			4.266

The provision for loan losses as of 31 December 2011, estimated pursuant to Notice n°4/2011, of 8 July, representing 5% of the total amount of loan and due interests, is about 2.775 thousand Kwanzas.

8. Other Amounts

This item is broke down into the following:

Other Amounts	31.12.2011	31.12.2010
Other amounts of civil nature	17.630	698
Other amounts of administrative and commercial nature	15.168	18.054
	32.798	18.752

The balance in "Other amounts of civil nature"refers mainly to advances to Bank´s suppliers. The amount of administrative and commercial nature refers above all to anticipated expenses, namely rents and leases.

9 Fixed assets

This item is comprised of the following:

Tangible Fixed assets	31.12.2011	31.12.2010
Tangible Fixed Assets		
Basic equipment	5.423	7.107
Vehicles	5.302	5.302
Office equipment	17.264	11.914
Computers and similar equipment	48.211	45.751
Banking equipment	6.681	6.108
Security equipment	12.222	11.970
Work in fixed assets	37.615	2.806
Other tangible fixed assets	14.918	12.361
Gross Value	**147.636**	**103.319**
Depreciation of Tangible Fixed Assets		
Basic Equipment	(317)	(263)
Vehicles	(2.584)	(891)
Office equipment	(1.763)	(600)
Computers	(7.915)	(2.611)
Banking equipment	(945)	(300)
Security equipment	(1.770)	(603)
Other tangible fixed assets	(2.278)	(623)
Total Depreciation	**(17.572)**	**(5.891)**
Net Amount	130.064	97.428

Intangible fixed assets	31.12.2011	31.12.2010
Intangible Fixed Assets		
Ind. Property & other contracts	40.713	11.046
Incorporation costs	125.178	117.453
Expenses with starting off & expansion	8.955	2.433
Improvements in leased property	118.418	115.611
Other intangible fixed assets	7.873	7.791
Gross amount	**301.137**	**254.334**
Amortization of Intangible Fixed Assets		
Ind. Property & other contracts	(11.162)	(1.856)
Incorporation costs	(56.285)	(17.503)
Expenses with starting off & expansion	(2.195)	(73)
Improvements in leased properties	(17.166)	(5.828)
Other intangible fixed assets	(3.360)	(917)
Total Amortizations	**(90.168)**	**(26.177)**
Net amount	210.969	228.157

Financial assets	31.12.2011	31.12.2010
Interests in Other entities – EMIS	36.048	0

Total Fixed Assets	31.12.2011	31.12.2010
Depreciation and amortization	(107.739)	(32.068)
Fixed assets (Net amount)	377.080	325.584

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

The tangible fixed assets are recognized at acquisition cost, and the item "Computers and similar equipment" is the largest within the Bank´s technological equipment.

The accumulated movement in Fixed Assets as of 31 December 2011, denominated in thousands of Kwanzas, is set out in Attachment A.

10. Client Deposits

The breakdown of this item is presented below:

Client deposit	31.12.2011	31.12.2010
Current accounts		
In National Currency	444.062	139.836
In Foreign Currency	119.295	48.659
	563.357	**188.495**
Savings Accounts		
In National Currency	33.931	50.600
In Foreign Currency	2.705	714
	36.636	51.314
Total deposits	599.993	239.809

The current accounts of shareholders and first degree relatives amount to a total of 371.472 thousand of Kwanzas.
The breakdown of the savings accounts, according to the respective maturity and currency is as follows:

Savings Account	31.12.2011	31.12.2010
Savings Account	31.12.2011	31.12.2010
In National currency		
0 to 3 months	33.756	1.812
> 3 months	175	48.788
	33.931	50.600
In Foreign Currency		
0 to 3 months	1.276	714
> 3 months	1.429	
	2.705	714
Total	36.636	51.314

11.Other Liabilities

This item is comprised of the following:

Other liabilities	31.12.2011	31.12.2010
Tax liabilities	2.325	5.903
Other general liabilities	89.717	243.835
Other marketing and administrative amounts	10.154	2.622
	102.196	252.360

The balance of "Tax liabilities" relates to State tax, namely employee income tax and works contract service tax .

The balance at "Other General liabilities"refers to amounts due to creditors for the provision of services and other creditors.

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

12. Share capital

This item is comprised of the following components:

Capital	31.12.2011	31.12.2010
Capital	1.000.001	300.000
Other Reserves	14.795	14.794
Retained earnings	(74.568)	0
Profit/loss for the year	(214.539)	(77.322)
Total	725.689	237.472

As of 31 December 2011 the capital is totally subscribed and fully paid and is issued and divided in 1.000.000 nominal shares of 1.000 Kwanzas par value each. The item "Retained earnings" presents as of 31 December 2011, a deficit balance of 74.568 thousands of Kwanzas (compared to 77.322 thousands of Kwanzas).

The Bank´s shareholder structure in 2011 and 2010 is the following:

2011

Shareholders	Par value/share (in Kwanzas)	N° of shares	Total (in thousand of Kwanzas)	Shareholding
Natalino Lavrador	1,000	515	515,000	51.5%
Sebastião Lavrador	1,000	55	55,000	5.5%
Minoru Dondo	1,000	200	200,000	20%
António Mosquito	1,000	200	200,000	20%
Carlos Saturnino	1,000	30	30,000	3%
	5,000	1,000	1,000,000	100%

2010

Shareholders	Par value/share (in Kwanzas)	N° of shares	Total (in thousand of Kwanzas)	Shareholding
Natalino Lavrador	1,000	180	180,000	60%
Sebastião Lavrador	1,000	30	30,000	10.0%
Minoru Dondo	1,000	30	30,000	10%
António Mosquito	1,000	30	30,000	10%
Carlos Oliveira	1,000	30	30,000	10%
	5,000	300	300,000	100%

The amount of "Other reserves" results from investing the paid capital in Central Bank securities before the start of banking operations and it is recorded under a capital item as it is not an income resulting from Bank´s activities.

Furthermore, the Changes in Equity are stated in this report under the heading "Statement of changes in equity".

13.Net Interest Income

The following id the breakdown of this item:

Interest income	31.12.2011	31.12.2010
Gains on short-term investments	200	0
Gains on Securities	9,303	6,904
Interest income from loans	6,200	303
Total Interest Income	**15,703**	**7,207**
Interest expenses	9,067	812
Net Interest Income	**6,636**	**6,395**
Profit/loss from Foreign exchange operations	(747)	120
Profit from Financial Services rendered	2,674	257
(-)Provisions for/ Bad debt. and. Guarantees granted	(2,819)	(43)
Profit from Financial Intermediation	**5,744**	**6,729**

The gains from securities result from the interest rate of the securities.

The interest income from loans reflects the interest income from all loans granted and on which payment is due, as well as due interest paid by clients, arising from delayed payments of the instalments.

The interest expenses show an increase as a result of increase in clients' resources in 2011.

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

14.Staff costs

The following is a breakdown of this item:

Staff costs	31.12.2011	31.12.2010
Basic salaries	50.916	14.730
Extra pays	12.605	4.858
Income tax	4.245	1.473
Work accident Insurance	1.496	126
Other expenses	0	137
Total	**69.262**	**21.324**

As of 31 December 2011 the Bank has the following functional structure:

	2011	2010
Administration	3	3
Management	1	1
Trained staff	8	8
Office staff	1	1
	13	**13**

15. External Services

This item is comprised of the following components:

External Services	31.12.2011	31.12.2010
Communications	14.143	3.924
Water and Energy	1.118	1.124
Transport. travel and Accommodation	2.884	2.408
Publications. Advertising and Publicity	1.317	1.307
Security, Conservation and Repair	9.038	1.164
Expert services	17.847	9.832
Insurances	236	65
Leasing and Rentals	13.826	7.262
Materials	1.669	1.975
Other third-party supplies	7.126	1.639
Total	**69.204**	**30.700**

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

16.Corporate income tax

The Bank is subject to Corporate Tax, and is considered a Group A taxpayer. The tax on its profits is applied pursuant to art.72, items 1 & 2 of Law 18/92 of 3 July and the tax rate is 35% according to Law n°5/99 of 6 August.

As of 31 December 2011 and 2010, the tax base is set out below:

Tax on Current Profit	31.12.2011	31.12.2010
Profit/loss before tax	(214.539)	(77.322)
Taxable profit/loss	**(214.539)**	**(77.322)**
Tax rate	35%	35%
	(75.089)	**(27.063)**
Current tax	**0**	**0**
Net profit/loss for the period	(214.539)	(77.322)

In 2010, the amount of 9.500 thousand Kwanzas recorded in Non-profit related Taxes and Fees refers to a circulation tax paid by the Bank to the state (10%). As the result remains negative, the current tax is null.

17.Other operating income and expenses

Other operating Income and Expenses	31.12.2011	31.12.2010
Other Operating Income	1.132	50

The balance in "Other operating income and expenses" reflects cheques issued to clients throughout the year. As operations started on 17 June 2010, the difference between both comparative periods is likely to be significant.

18. Off-balance sheet:

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

Off-balance sheet	31.12.2011	31.12.2010
Guarantees obtained	40.356	13.000
Irrevocable commitments	31.122	4.300
Total	71.478	17.299

19. Events occurred after the reporting period

We are not aware of any facts or events after 31 December 2011 worth adjustments or disclosure in the Notes to the annual accounts for the period ended, which significantly distort the disclosed amounts and/or information, have distorted or are likely to distort the financial situation of the Bank, its results and/or its activities.

Attachment A | Chart of Fixed Assets

YEAR ENDED 31 DECEMBER 2011
(amounts in thousands of Angolan kwanzas)

	Opening balance 31.12.2010	Acquire in 2011	Transfers in 2011	Disposals in 2011	Gross Fixed Assets 31.12.2010	Depreciations	Net fixed assets 31.12.2010
Tangible fixed assets							
Basic equipment	7.107	0	0	1.684	5.423	317	5.106
Vehicles	5.302	0	0	0	5.302	2.584	2.718
Office equipment	11.914	5.350	0	0	17.264	1.763	15.501
Computers and similar equipment	45.751	2.460	0	0	48.211	7.915	40.296
Banking equipment	6.108	573	0	0	6.681	945	5.736
Security equipment	11.970	252	0	0	12.222	1.770	10.452
Adaptation works	2.806	37.615	2.806	0	37.615	0	37.615
Other tangible fixed assets	12.361	2.557	0	0	14.918	2.278	12.640
Total Tangible Fixed Assets	**103.319**	**48.808**	**2.806**	**1.684**	**147.636**	**17.572**	**130.064**
Intangible Fixed Assets							
Ind. Property & other contracts	11.046	29.667	0	0	40.713	11.162	29.551
Incorporation costs	117.453	7.725	0	0	125.178	56.285	68.893
Starting off and expansion expenses	2.433	6.522	0	0	8.955	2.195	6.760
Improvements in leased properties	115.611	2.807	0	0	118.418	17.166	101.252
Other intangible fixed assets	7.791	82	0	0	7.873	3.360	4.513
Total Intangible fixed assets	**254.334**	**46.803**	**0**	**0**	**301.137**	**90.168**	**210.969**
Totals	**357.653**	**95.611**	**2.806**	**1.684**	**448.773**	**107.740**	**341.032**

05
Reports

05
Reports

Independent Auditor´s Report

For the shareholders of
Banco Comercial do Huambo, SA

Report on the Financial Statements

We have audited the attached financial statements of Banco Comercial do Huambo, S.A., which comprise Balance Sheet as at 31 December 2011 showing total assets of 1.448.049 thousand Kwanzas and equity of 725.689 thousand Kwanzas, including a loss of 214.539 thousand Kwanzas; Income Statement; Statement of Changes in equity; Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

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

Responsibility of the Auditor

Our responsibility consists in expressing an opinion about these financial statements, on the basis of the audit which we conducted according to the International Standards on Auditing. Those Standards require that we comply with ethic requirements and plan and conduct such examination as to obtain reasonable assurance about whether the financial statements are free from material misstatements.

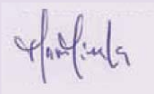
An audit involves procedures as to obtaining evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor´s judgment, including the assessment of risk of material misstatements in the financial statements due to fraud or error. By conducting those risk assessments, the auditor considered the internal control relevant for the adequate preparation and presentation of the financial statements by the Bank in order to determine audit procedures appropriate to the circumstances, rather than expressing an opinion on the efficiency of the Bank´s internal control. This audit also included assessment of the adequacy of the applied accounting policies and their disclosure, reasonableness of significant accounting estimates made by the Board of Directors and assessment of the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banco Comercial do Huambo S.A as of 31 December 2011, the result of its operations and cash flows for the year then ended, in conformity with the generally accepted accounting policies for the banking sector in Angola.

For PricewaterhouseCoopers(Angola), Ltd.



Mário Miranda Partner ,

Luanda, 30 April 2012

Report & Opinion of the Audit Committee

Dear Shareholders,

Pursuant to the Angolan legal provisions and regulations, the Audit Committee hereby reports on its fiscal action and gives its opinion about the Financial Statements of Banco Comercial do Huambo S.A. (BCH), for the year ended 31 December 2011.

The Audit Committe followed closely the progress of the entity´s activity and verified the regularity of the accounting records and respective documentation. Within its competence, the Board of Directors co-operated in providing the Audit Committee with the information it considered necessary for the performance of its duties, in terms worth noting.

The annual accounts were subject of complete examination conducted by the Bank´s external auditors according to whom, the financial statements give a true and fair view, in all material respects, of the financial position of Banco Comercial do Huambo S.A as of 31 December 2011, the result of its operations and cash flows for the year then ended, in conformity with the Accounting plan for the Financial Institutions in Angola issued by the Angolan Central Bank.

After considering the external auditors´ report, it is our opinion that the General Assembly should approve the Annual Report and Accounts 2011.

30 May 2012

FINAL NOTE

At the end of this first year of activity, the Board of Directors would like to thank those who collaborated with us for your support.

We thank our Clients for their trust and loyalty and we guarantee that we will keep working with motivation in order to maintain a high level of quality service provision.

We thank the official authorities, mainly the Central Bank for their collaboration.

We further thank the external and independent auditors, for the advice they have given us concerning the development of banking activities, as well as all our employees for their hard work, professionalism and dedication.

Huambo, 30 Abril 2012

Chairman of the Board of Directors

Together every step of the way

BCH Banco Comercial do Huambo

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