

ANNUAL REPORT 2017



Banco
Económico

Somos futuro

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01.

STATEMENT BY THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

The year under review proved to be a continuation of the challenging period that the Angolan economy has been going through. However, the domestic context was marked by relevant policy changes resulting from the country's democratic general elections, and by the beginning of a new era of economic development. In an economy dependent on oil, the industry continued to confront difficulties, with the need to control costs and to resize the workforce as a result of the chronic shortage of foreign exchange and of lower than expected oil production levels. However, the price of oil has stabilised in an interval higher than the minimum prices seen in the previous year, indicating that the unsustainable pressure on oil prices may be diminishing.

The banking sector also continued to face challenges arising from the limitation of access to foreign exchange and the deterioration of loans. The increase of inflation associated with the depreciation of the kwanza influenced the economy and, consequently, Banco Económico's operation. However, there were several entrepreneurial and diversification initiatives in various economic sectors, with a positive outlook.

OVERCOMING THE CLIMATE OF UNCERTAINTY

Despite the difficult market environment, 2017 was also the year that Banco Económico demonstrated resilience and stamina to do better, to adapt business models and mentalities in order to overcome the difficult macroeconomic environment.

One of the indicators that proved the effectiveness of this strategy was the increase of its national currency deposit base by 7%, which allowed Banco Económico to maintain its market share of deposits at 9%.

Banco Económico remained focused on anticipating and responding to customer expectations by offering products with innovative features, customised solutions, very competitive interest rates, excellent service quality, while carrying out a solid marketing investment to stimulate all market segments.

In 2017, Banco Económico strengthened its business segmentation strategy, including the Umoxi brand, created specifically to meet the most sophisticated needs of Affluent customers.



Overall, the bank attracted more than 20,000 new customers, and this indicator is a direct result of the commitment to the development of the market's best financial products, combined with an efficient and robust marketing strategy.

Banco Económico consolidated its current loan portfolio and actively encouraged new lending opportunities. In 2017, the bank's loan portfolio grew by 3% and the loan-to-deposit ratio rose to 21% compared to the 20% recorded in the operation in 2016. The bank also strengthened its risk management model and internal-control activities, maintaining strict monitoring of the recovery of non-performing loans, managing to ensure a consistent and sustained engagement with this type of borrowers.

Early in 2017, Banco Económico reached another important milestone in its transformational journey, on completing the final stages of the restructuring process that began in late 2014. This was one of the determining factors for the improvement of the bank's net interest income. Throughout this year, Banco Económico recorded a significant increase of commission revenue, mainly originated by the Trade Finance business area commissions.

While the bank has continued to invest in the improvement of its infrastructure and in employee training, operating costs remained under control despite the severe inflationary pressure inherent in the current economic climate.

Overall, the bank's net profit amounted to 6 thousand millions in 2017 and return on equity (net income or profit/net shareholder capital) stood at 12%.

Banco Económico recorded systematic progress in terms of financial results, and also

positioned itself to begin its next phase of growth to meet the future challenges of the Angolan economy. The bank developed several initiatives to be solidly prepared for the next level of regulatory changes in Angola, such as implementation of the IFRS 9 system and the new guidelines on impairments.

INTERNAL VALUE

Taking into account the economic trends of the present time, the adoption was imperative of a resizing strategy, which allowed the bank to reposition the branch network, redirecting human resources to the consolidation of its banking network across the country.

In 2017, the Banco Económico brand maintained a solid position in the market, also strengthened by the several marketing activities carried out both in the gallery and in the bank's auditorium – especially in the promotion of culture, art, networking and sport – with the aim of intensifying the relationship and engagement with the bank's customers, employees, partners and stakeholders.

The construction of community relations came to be a very active line of work in 2017. Banco Económico aims to contribute to the growth of the country's economy, ensuring a positive impact on society, in line with the commitment entered into to boost the social and economic development of the local community. In this sense, several initiatives were undertaken to promote financial literacy and to support social causes, in the areas of health, education, culture and the environment. The bank's involvement – and the support of all its employees – in the second edition of the blood-donor campaign, in partnership with the National Blood Institute, and the sponsorship given to the Angola Spelling project, a spelling bee that involved hundreds of students from over 18 public schools in Angola.

Considering that human capital is one of its most important assets, Banco Económico invested in its employees, improved working conditions and promoted meritocracy, so as to ensure high levels of competence, and a team of satisfied and motivated employees that strengthen Banco Económico's values.

Another important decision involved the expansion of technology-based initiatives, the bank having received an international prize in recognition of best app of the Angolan market. Another step was also taken in the bank's digitisation strategy, which has set as a priority the digital transformation of its services in order to improve customer experience. The Bank is in the middle of a total restructuring of its operating system, and this process will be fully implemented during 2018.

THE OUTLOOK FOR THE FUTURE

Forecasts for 2018 indicate that the country will see still-slow economic growth. Following the new political and economic reforms, Banco Económico will focus, continually, on the balanced and sustained growth of its operation, enabling it to contribute to the development of the Angolan economy. The bank also intends to lead the development of solutions to meet the expectations of customers, while maintaining a significant investment in its human capital and in support for social projects within the community.

In this era of hi-tech globalisation, digital innovation and the development of technology are transforming the social and economic context. In line with these dynamics, the bank aims to accompany this trend to integrate digital innovation and technological advances in the centre of its business. In 2018, we will have the opportunity to be an agent of change in this area.

ACKNOWLEDGEMENTS

On behalf of the Banco Económico Executive Committee I leave a special word of thanks to all employees for their dedication in fulfilling their missions and for sharing the bank's values. The contribution each and every one allowed the consolidation of the branch network, and the release of new products was a success. My thanks also to all customers, suppliers, shareholders and regulatory entities for their confidence in the Banco Económico team. For the future, we maintain a commitment to integrate into our business the best practices of the banking industry, to ensure high quality services and to contribute to the development of the Angolan economy. Banco Económico intends to be a reference of excellence in the Angolan banking system and is increasingly prepared for the future.



B

02.

**BANCO
ECONÓMICO**

BANCO ECONÓMICO IS AN ANGOLAN BANK THAT HAS BEEN IN OPERATION SINCE THE END OF 2014 AND HAS A UNIVERSAL LICENCE FOR A NETWORK OF 79 BRANCHES AND CUSTOMER SERVICE UNITS IN 17 PROVINCES.

2.1 MISSION

The central purpose of Banco Económico's business activity is to create value for its shareholders by following strategies that ensure long-term growth and sustainability.

Another of our goals is to contribute to the progress of people and companies to contribute to our employees' development and to the economic, social, cultural and environmental development of the country and the communities in which we operate whilst complying with the rules of ethics and professional codes of conduct.

2.2 IDENTITY

Banco Económico began its operations with a solid corporate identity. The Angolan banking sector was generically undifferentiated and was in need of segmentation and specialisation. Banco Económico took this opportunity to form a highly innovative and exclusive corporate image.

This corporate identity is proudly inspired by African culture because it reasserts its Angolan roots while projecting aspirations towards the future.

This elegant, sophisticated image is comprised by a solid symbol formed by a B and an E, a strong, imposing and positive abbreviation highlighted by the colours dark purple and cobalt blue. Two modern and elegant colours that create a sophisticated brand. The elegance of the combination of this image makes Banco Económico stand apart from the other operators in the Angolan banking market.

Banco Económico's brand image also reflects its specialised positioning. The Bank is committed to becoming the preferred banking partner of

a segment of customers which are increasingly demanding and sensitive to solutions devised to satisfy very special requirements.

Our Head Office also reflects this strategy. The building was opened at the end of 2015 and houses the Bank's central services, enabling optimisation of resources by connecting all of the Bank's operations.

Our Head Office is an intelligent building equipped with the best energy efficiency solutions, integrated management systems for buildings and technological platforms that favour the operational synergies of the Bank's team. All this makes it a unique building with the most modern resources of sustainable construction.

BE's Head Office is one of the tallest high-rises in Luanda, being 111 metres high and covering an area of 41,684.9 m². The building has 25 floors above ground and five below and was designed to be ultra-modern and equipped with the most advanced technological and architectural solutions.

In addition to the traditional spaces in offices and a work environment, the ground floor serves as the Bank's main branch, level SL hosts the cultural area and the Auditorium and canteen are located on level 1.

The building's entrance opens onto the avenue with a large covered courtyard that characterises and protects the different accesses to the Bank to generate a sophisticated dialogue between volume and contemporaneity.

The horizontal lines of the slabs on the facade are expanded outwards to create shady areas making energy management more efficient and sustainable. The slight changes in design from one floor to another make the volume dynamic and also reflect the Bank's contemporary and business-like image.

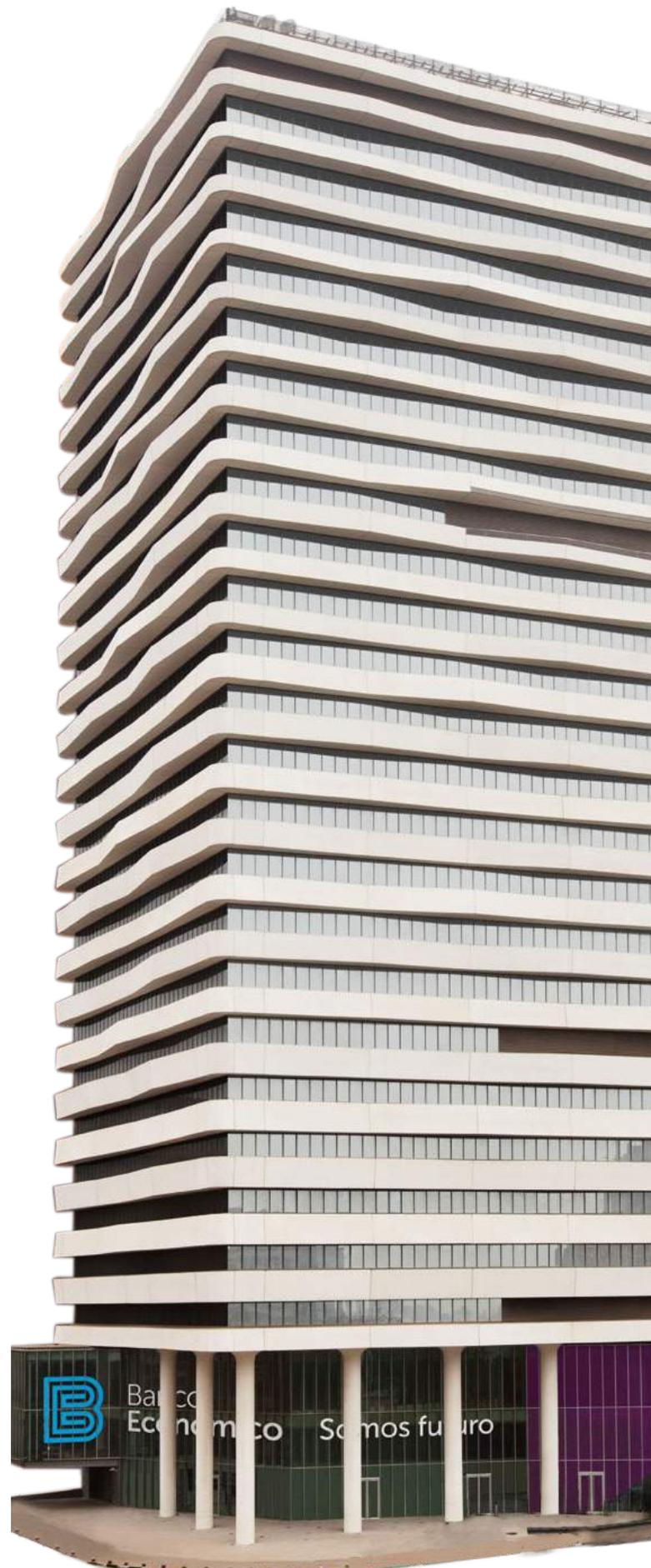
Banco Económico's head office incorporates modern units, such as the Training Centre, which demonstrates the Bank's commitment to the quality of its human resources. It provides specific training plans for the integration of new employees and themed modules for retraining and development of new skills, which are essential to the empowerment and management of the careers of the Bank's workforce.

Designed to be a space open to the public, the building has common areas for institutional, business, scientific, commercial and social events. Banco Económico's head office also has a wide variety of facilities, such as conference rooms, foyers, a canteen, an art gallery and a large auditorium, equipped with hi-tech systems of the highest quality designed to meet top international standards.

The Banco Económico Art Gallery is contemporary and sophisticated. It is currently one of the largest and best equipped exhibition halls in Angola, with architectural features that rival the best in the world.

The gallery covers an area of 763 square metres and has its own entrance. The room is very versatile and can be used as a single space for 300 people or divided up into smaller units for special activities. The Banco Económico Art Gallery is therefore an innovative, very elegant solution for a variety of events.

The Banco Económico Grand Auditorium seats 206 people and is ideal for a wide variety of meetings, such as summits, congresses, concerts, conferences, seminars, workshops and training. It is equipped with state-of-the-art technology, such as projectors, video recordings in different formats, simultaneous interpretation, sound systems, audio recordings and lighting.



2.3 STRATEGY FOR LONG-TERM GROWTH AND SUSTAINABILITY

Banco Económico has set out the following strategic guidelines for long-term growth and sustainability:

- Continuous increase in its number of customers by establishing long-term relationships
- Financing based mostly on customer deposits
- Prudent risk and investment policies
- Operating efficiency and a culture of cost control
- Quality, innovation and ethics

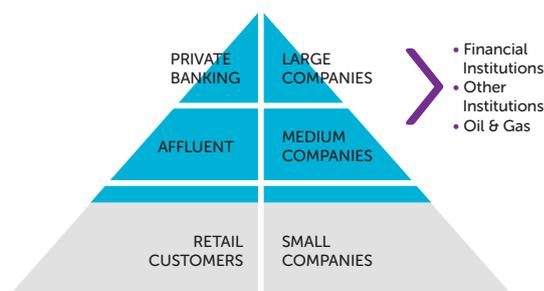
2.4 POSITIONING

Banco Económico based its market approach strategy on five main tactics:

SEGMENTATION

Banco Económico uses a matrix model in its approach to the market by offering financial products and services aimed to its target segments and developing a specialised offer to certain business sectors.

It currently serves the top segments and some business segments with the highest value and greatest growth potential. Concerning private customers it serves the private banking segment, affluent customers and high-potential retail customers. Concerning the business segment, we serve large, medium and major small companies, with a specialised approach for financial institutions, other institutions and companies in the oil & gas sector.



PRODUCTS AND SERVICES

Banco Económico is a multi-specialised bank with a broad range of financial products and services capable of meeting customers' different needs.

The main products and services that we provide include leasing, trade finance, investment banking, electronic banking, investment and saving products, foreign exchange hedging products, insurance, investment funds and pension funds.

MARKETING

Banco Económico uses advertising as an essential factor in promoting its brand, values, products and services.

QUALITY

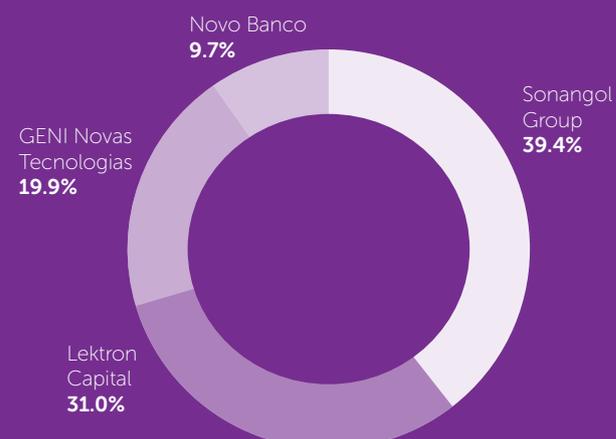
One of Banco Económico's main goals is to provide a good experience in contact with its customers and exceed their expectations. In order to achieve this goal, the Bank designs products and services suited to meet its customers' needs and trains its employees to provide exceptional customer care and attend to all customers' requests quickly and effectively.

In order to improve the quality of service and customers' satisfaction, Banco Económico conducts service monitoring campaigns using satisfaction surveys, mystery shopper programmes and measurement of response times.

VALUES

Total respect for the rules of ethics and professional codes of conduct is a value by which all Banco Económico employees must abide, guaranteeing compliance with absolute independence between the interests of the Bank, customers and shareholders.

2.5 SHAREHOLDERS



2.6 INVESTMENTS

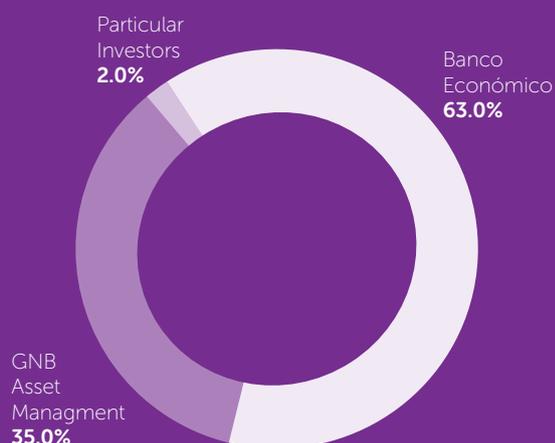
Banco Económico complements its business activity with investments in two asset management companies, one engaged in the management of investment funds and the other in pension funds, and one Insurance Company Tranquilidade.

ECONÓMICO FUNDOS

Económico Fundos, Sociedade Gestora de Organismos de Investimento Colectivo S.A. started its operation on 21st April 2008, and its object is create, develop and manage investment funds distributed through Banco Económico.

Económico Fundos, Sociedade Gestora de Fundos de Pensões started it's operation in April 2009.

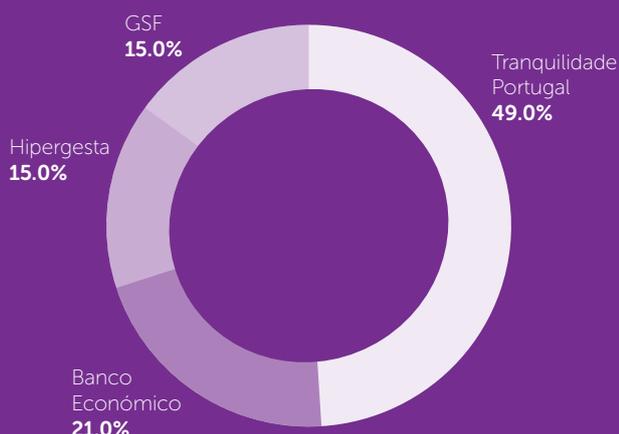
The companies' ownership structure is as follows:



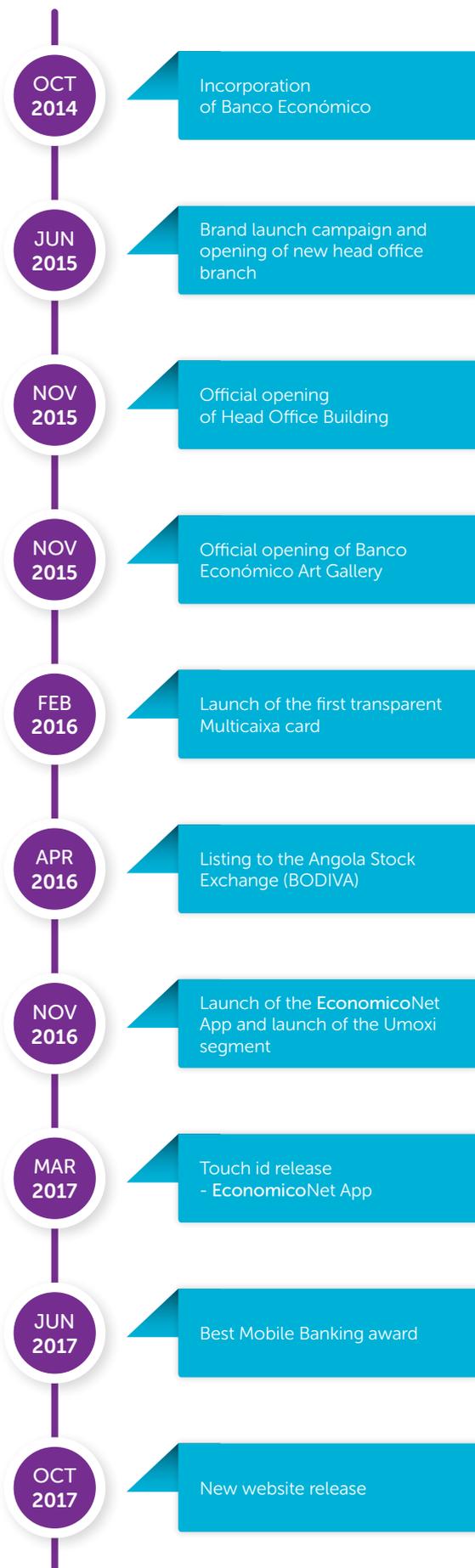
TRANQUILIDADE

Tranquilidade, Corporação Angolana de Seguros S.A. is an insurance company that has been operating in Angola since 2011 in the non-financial life and non-life products. Its products are also distributed through Banco Económico's channels.

The companies' ownership structure is as follows



2.7 MAIN EVENTS



2017

In 2017, Banco Económico maintained a strong dynamic in strategic and operational terms. The Bank's main institutional activities focused on launching innovative products, engaging in initiatives to promote national economic activities and carrying out various actions to develop commercial synergies.

FINGERPRINT INTRODUCTION ECONOMICONET APP

In line with the development strategy to digitalise its banking services, in January, Banco Económico introduced a new way of accessing mobile banking, through the authentication of the user's fingerprint. With this new feature, the customer does not need to enter a password to access the EconómicoNet App. Just complete the fingerprint recognition, with all the convenience, and the highest security standards. The system presents multiple levels of authentication and enhanced levels of certification in the execution of transactions

DEPOSIT WITH REMUNERATION INDEXED TO BRENT

The month of March marked the launch of an exclusive financial product in the Angolan market. Banco Económico created the Brent Stable Deposit (DP BRENT STABLE), a structured term deposit, an innovative banking offer in Angola, which allows clients to take advantage of the evolution of the oil price, with the possibility of receiving part of the interest in dollars. The product was directed to private customers, companies and institutions wishing to monetize their savings and diversify their investment portfolio.

The Brent Stable Deposit was presented at an Oil conference, held on March 9 at the Auditorium of the Headquarters Building of Banco Económico, in Luanda. Organized by the Banco Económico, the conference was attended by Professor Flávio Inocêncio and Dr. Luís Neves, who addressed themes related to oil in the context of world energy consumption, the oil market and its importance to the world economy.

THE FUTURE IS FOR CHILDREN WHO KNOW HOW TO SAVE

In May, and already thinking about World Children's Day on June 1st, Banco Económico launched two new accounts to help plan the future of the youngest. The Bank presented a new financial product to reinforce the importance of savings in the future planning of children and young people.

Banco Económico created the Junior Savings Account - for children up to 12 years old - and the Youth Savings Account - aimed at young people

between the ages of 13 and 17. These are interest-bearing current accounts, exclusive to minors and exempt from maintenance commission, until the age of majority.

In order to help raise awareness and stimulate savings habits among young people, in addition to the annual interest rate of 7%, this account allows for the additional payment of special incentive subsidies to encourage regular savings, by guardians who demonstrate greater commitment and discipline to save for the future.

To these products are also applied a supplementary account opening bonus of 1% at the end of the first quarter of the account opening, an additional bonus of 0.5% on the owner's birthday and another 0.5% bonus at Christmas. Thus, at each birthday and Christmas, the Banco Económico also contributes to growing the savings of the youngest.

Savings accounts for youngest are an important tool to support the management of the family budget, solving the concern of preparing for and securing the future of children. Both have a number of competitive advantages, taking into account the low initial minimum amount, the absence of management charges, the option to make deposits according to the potential of each customer, as well as the possibility of receiving contributions by bank transfer from family members, godparents or friends who wish to contribute to the savings accounts of the youngest.

With the launch of the Junior Savings and Youth Savings accounts, Banco Económico strengthened its segmentation strategy and increased its offer of products tailored to clients' needs, creating solutions aimed at the youngest. This was one more step by the bank to stress the importance of stimulating saving habits for children and young people and creating a responsible awareness of their financial resources.

NEW UMOXI CENTRE IN TALATONA

In June, the bank inaugurated its new Umoxi centre - an exclusive service space for the Affluent segment - in Dolce Vita Condominium and moved closer to its most special customers. Currently there are two Umoxi centres in operation, one in downtown Luanda and another in Talatona, and in 2018, a new space will be inaugurated in the Miramar neighbourhood.

Banco Económico offers Umoxi clients a personalized and exclusive service, a specialized team, their own spaces and a portfolio of solutions adapted to anticipate their needs, in each phase of their life.

INSTITUTIONAL CAMPAIGN WITH ANSELMO RALPH

In June, Banco Económico launched a new institutional campaign, with Anselmo Ralph as the brand ambassador. This reinforced BE's commitment to innovation, positioning itself as the bank whose activity follows the evolution of Angolan society towards the future.

With the signature "Banco Económico - Somos Futuro", Banco Económico's main differentiating axes were highlighted - the attractiveness of savings solutions, the profitability of investment products, high quality of service, investment in technology and specialized financial consultancy teams - through a creative concept: the future is ours, the future is great, the future is no unfulfilled needs, the future is digital and the future is to know more.

With this new campaign, Banco Económico presented a brand image differentiated by dynamism, modernity and competitiveness, and reinforced its operational position for projection into the future, in line with the business strategy it has been implementing in the Angolan market.

FILDA 2017

Between July 26 and 30, Banco Económico was present for the first time at FILDA 2017 with its own stand and in the shared space of EMIS (ATM Centre). The bank's commercial teams participated actively in the fair during the five days of the event, which also mobilized most of the bank's area directors.

The main novelties that Banco Económico presented at this event were the products and services highlighted in the institutional campaign in progress showcased by Anselmo Ralph, as well as the product New Customers Deposit, an application aimed at attracting new customers and resources, which consisted of a 3-month term deposit with GAIR (Gross Annual Interest Rate) of 11%, which included the provision of a detachable card for a 5% discount on the subscription of car insurance in the bank's branches.

ECONOMICONET APP AWARD

Also in July, EconomicoNet App was considered the "Best Mobile Banking Application Angola 2017" by Global Banking & Finance Review. This award reinforced the recognition of Banco Económico's constant commitment to the evolution of its digital channels, with the aim of providing its customers with advanced technology solutions, in line with the highest standards of the banking industry, at a global level.

This is the second recognition awarded by the Global Banking & Finance Review to Banco Económico, which received the "Best Internet Bank in Angola 2016" award last year, from the same international institution.

The Global Banking & Finance Review awards were designed to recognize companies in the financial community, globally, that stand out in terms of excellence and expertise. These awards reflect the innovation, the results, the strategy, the progressive and inspirational developments in the financial sector.

ANNIVERSARY DEPOSIT

In October, the month of the third anniversary of operations, Banco Económico launched an innovative three-month term deposit with a rising interest rate of up to 16%. The Anniversary Deposit provided for very competitive levels of return and represented another example of the Bank's development of innovative financial products for the Angolan market.

The Anniversary Deposit consisted of a three-month application with the innovative concept of a rising interest rate accrual, for each month of the deposit. In the first month, the return would be 10%, in the second month it would increase to 13% and in the third month it would reach the 16% Gross Annual Interest rate.

GOLF TOURNAMENT

Also, as part of the celebration of its third anniversary, Banco Económico decided to hold a special event, in the form of a golf tournament, which brought together employees and clients. The event took place in one of the most privileged areas of the Luanda Province - Campo de Golfe dos Mangais - and also featured professional players from various competitive circuits.

Open Golf Banco Económico became a friendly tournament, in which bank teams, clients and professional athletes shared moments of pleasant social interaction, stimulated by the enjoyment of participating in one of the most inspiring sports. The initiative closed during the afternoon, at the Banco Económico Gallery, with a dinner for all tournament participants concluding with an awards ceremony for the players, with a draw for a trip for 2 people to Cape Town, in South Africa.

NEW WEBSITE

The digital banking services of Banco Económico also presented, in 2017, news for Internet users. Banco Económico has developed a new, more interactive, modern, sophisticated and functional website.

The visual concept was the most obvious change of www.bancoeconomico.ao, which was reformulated and modernized, in line with the values and communication of the brand. The new website has developed an appealing, innovative interface, enhancing the usability and ergonomics of utilization and highlighting the various products

and services individually. The user now has a more intuitive access to the various information elements on the bank's website, through the simplification and ease of navigation to content.

The performance of the new site is substantially improved, particularly in terms of access times and the presentation attractiveness of the main contents, an improvement achieved by adopting an extremely dynamic modular structure that allows access to all relevant information with just one click. The site has also integrated search tools that are fast, intuitive, easy to use and with an automatic suggestion system, making searching for content extremely fast and efficient.

The new site also offers greater ease in sharing content, through the provision of a sharing module in all pages, to allow an easy disclosure of information by visitors. On all pages there are featured highlights for other information, or related content, to facilitate navigation.

The new structure is more responsive, tailored and optimized, both in terms of design and content, to all devices - Desktop / Mobile - Multi-Browser and Multi-Platform - and has also been optimized for search engines.

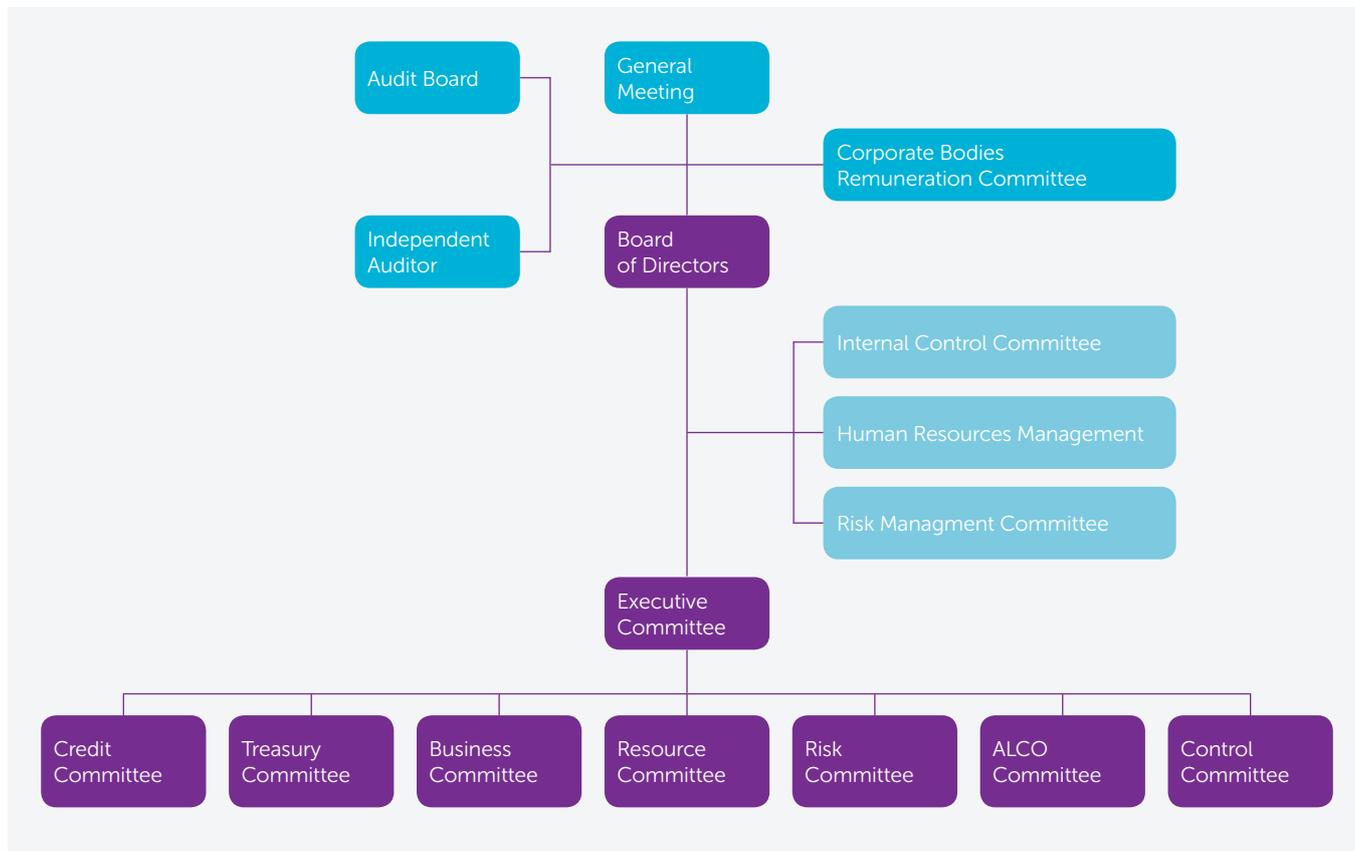


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03.

GOVERNANCE AND SUPERVISION MODEL

3.1 STRUCTURE OF THE GOVERNANCE MODEL



GENERAL MEETING

The General meeting consists of all shareholders entitled to vote. Decisions shall be taken by a majority of votes cast in the proportion of one vote for each hundred shares, except in cases provided for in the Bank's Articles of Association and the applicable legislation.

The Board of the General Meeting is composed of a Chairman, a Vice-Chairman and a Secretary, elected for three-year terms, and their re-election is permitted.

It is incumbent upon this body:

- To assess the report and accounts of the Board of Directors;
- To deliberate on the appropriation of the annual results;
- To elect the members of the Board of the General Meeting and Corporate Bodies of the Company;
- To deliberate on any change of Articles of Association;
- To appoint a Remuneration of the Corporate Bodies Committee, composed of Shareholders.

Composition of the Board of the General Meeting	
General Meeting	Position
Abílio Augusto Ferreira de Lemos de Almeida Gomes	Chairman
Ana Paula Godinho Marques da Conceição	Vice-Chairman
Domingos António Monteiro	Secretary

REMUNERATION OF THE CORPORATE BODIES COMMITTEE

The Remuneration of the Corporate Bodies Committee aims to define, implement and review the remuneration policy of the members of the corporate bodies under the terms of article 17, Notice no. 1/13 of April 19.

The Remuneration of the Corporate Bodies Committee is represented by the Geni Group, elected at the Shareholders' General Meeting in December 2016.

AUDIT BOARD

The Audit Board is composed of a chairman and two members. It is incumbent upon this body:

- Follow the process of providing and disclosing financial information and submit recommendations or proposals to ensure its integrity;
- Verify whether the accounting policies and valuation criteria adopted by the company lead to a correct presentation of the assets and results;
- Prepare an annual report on the audit activity and give an opinion on reports (accounts, corporate governance and internal control system and proposals submitted by the Management).

Composition of the Audit Board	
Audit Board	Position
Carlos Freitas (*)	Chairman
Mário Bruno da Conceição Ferreira Lourenço	Member
Adilson Humberto de Sá Nogueira	Member

(*) representing the Mazaars Angola Society.

INDEPENDENT AUDITOR

The Independent Auditor of the Bank is Ernest & Young Angola Lda, since January 1, 2016.

BOARD OF DIRECTORS

The Board of Directors is composed of 5 members, namely a chairman, a vice-chairman and 3 members. The main responsibilities of the Board of Directors are:

- Monitor the day-to-day management of the Executive Committee;
- Deliberate on matters of exclusive competence of the Board of Directors according to regulations and Articles of Association;
- Submit the annual report and accounts to the approval of the General Meeting.

Composition of the Board of Directors	
Board of Directors	Position
António Paulo Kassoma	Chairman
Sanjay Bhasin	Vice-Chairman
Inocêncio Francisco Miguel	Member
Pedro Filipe Pedrosa Pombo Cruchinho	Member
Eduardo Araújo Nunes Pinto	Member

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors established three Committees, namely the Internal Control Committee, the Human Resources Management Committee and the Risk Committee.

The Responsibilities of the Committees of the Board of Directors are:

Committees	Responsibilities
Internal Control	<ul style="list-style-type: none"> • To guide the Board of Directors in the internal control strategy, ensuring the development of an appropriate organizational culture; • To supervise the independent auditor; • To supervise the execution of audit analyses and the execution of the respective corrective measures; • To supervise the functioning of the different components of the Bank’s Internal Control System model (compliance, risk, and internal audit).
Human Resources Management	<ul style="list-style-type: none"> • To define, implement and review the remuneration policy for employees; • To ensure the alignment of the remuneration policy with the Bank’s strategy and risk profile.
Risk	<ul style="list-style-type: none"> • To advise the Board on the risk strategy, taking into account the Bank’s financial situation and the nature, size and complexity of the activity; • To supervise the identification, assessment and management of the risks to which the Bank is exposed; • To supervise the performance of the Bank’s Risk Function.

EXECUTIVE COMMITTEE

The Executive Committee is composed of four members, namely a chairman and three executive directors.

The distribution of areas of responsibility by the members of the Executive Committee is as following:

Chairman of the Executive Committee

Sanjay Bhasin

- Marketing and Communication Department
- Investment Banking Department
- Private Banking Department
- Top Corporate Companies Department
- Leasing Department
- Operational Marketing Department
- Companies Commercial Department
- Institutional Commercial Department
- Commercial Networks Department
- Oil Companies Department
- Affluent Department
- Insurance

Executive Director

Pedro Cruchinho

- Financial and International Department
- Accounting and Budget Control Department
- Risk and Credit Control Department
- Credit Recovery Department
- Fund Management

Executive Director

Eduardo Pinto

- Information Technology Department
- Operations Department
- Organization and Quality Department
- Cards and Direct Channel Department
- Security Department
- Patrimony and Logistics Department

Executive Director

Inocência Miguel

- Compliance Department
- Internal Audit Department
- Legal Department
- Human Resources Department
- Social Responsibility Department
- Internal Control and Risk Department Operational

Within the scope of its responsibilities, the Executive Committee has seven specialized committees and councils with the following objectives:

Committee / Council	Objective
Credit Council	Analyse and approve credit proposals, under the supervision of the Executive Committee
Payment and Treasury Committee	Analyse the conditions of the markets, financial flows and the treasury position, under the supervision of the Executive Committee
Business Committee	Analyse the development of the Bank's business and approval of action plans in the different segments and product lines, under the supervision of the Executive Committee
Resource Committee	Analyse the Bank's organizational model, process changes, quality assessment and operational performance, system evolution and cost reduction initiatives, under the supervision of the Executive Committee
Alco Committee	Analyse the evolution of the balance sheet structure and results, under the supervision of the Executive Committee
Risk Committee	To conduct the analysis of the loans and capital portfolio, to monitor of the main impaired operations and implementation of risk models, under the supervision of the Executive Committee
Internal Control Committee	Analyse and decide the main regulatory changes and the Internal Control System changes, under the supervision of the Executive Committee

3.2 SUPERVISION

In addition to the supervision of Audit Board and External Auditor, as required by current regulations, Banco Económico has set up the following control functions:

RISK MANAGEMENT

The main purpose of risk management function is to identify, evaluate, monitor and report all significant internal and external risks to which Banco Económico is exposed, ensuring their maintenance at an acceptable level, avoiding a negative effect on the Bank's Balance Sheet.

The risk control covers strategic, credit, liquidity, market, interest rate, exchange rate, operational, reputational and compliance risks.

The main units involved in risk control and prevention are the Risk Committee, Treasury Committee, Control Committee, Risk and Credit Control Department, Compliance Department, Internal Audit Department, Internal Control and Operational Risk Department and the Risk Management Office.

COMPLIANCE

The Compliance Department is responsible for ensuring that all Banco Económico's business activities, members of corporate bodies, directors and employees comply rigorously with all legal,

statutory, operational, tutelary, ethical and conduct requirements which, at all times, are applicable to them, within the framework of control and institutional supervision, by the competent regulatory authorities to which it is subject.

It is responsible for promoting and ensuring the Bank's Compliance policy, in a dynamic perspective in accordance with its legal obligations and internal directives.

It is also responsible for assessing the processes for the prevention and detection of criminal activity, including the anti-money laundering and terrorist financing.

The Compliance Department also plans, develops and maintains an effective relationship with the regulators and other entities.

The control units at Banco Económico have submitted, during the year and with reference to 30 November, their activity reports to the Bank's Board of Directors and Audit Board.

The Internal Control Report constitutes the affirmative opinion of Bank's Board of Directors over the quality of its internal control system. The issue of the report is accompanied by an opinion on its contents from the Audit Board and External Auditors.

INTERNAL AUDIT

The Internal Audit Department operates on a permanent basis, independently from any other function or unit. Its purpose is to provide to Board of Directors an independent assessment of the quality and effectiveness of internal control systems and processes, risk management (current or emerging) and governance, helping to protect the organisation's value, solvency and reputation.

The Internal audit teams at Banco Económico have full, free, unlimited access to all its information to all the information they need to fully carry out its mission. This access covers documents, facilities, magnetic media digital devices, apps and physical, computer or virtual files.

The work of the internal audit team is based on the principles set out in Banco Nacional de Angola Notice 2/2013 of 19 April and the following internal documents approved by the Board of Directors: the Code of Conduct, Internal Audit Regulations and Internal Audit Manual. The Internal Audit Manual was designed on the basis of the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA)

The activities of the year 2017 fell into the following categories:

- Evaluation of the Internal Control System;
- Extension of audit work to all business areas, focused on areas of greater risk;
 - Assessment of the design of the controls to confirm that its structure is adequate to prevent material errors and / or misappropriation of resources in a timely manner.
 - Assessment of the operational effectiveness of controls to confirm their implementation in accordance with their design, as well as the operational effectiveness of such implementation by qualified professionals.
- Monitoring the evolution of significant subjects and recommendations;
- Monitoring the degree of resolution of the opportunities for improvement identified in previous years;
- In-depth review of significant risks governance assessment methodology;
- Review of the working methodology and of the IA Manual;
- Major improvement in the execution of the business plan;
- Definition of a new reporting model for the presentation of audit work, which is more understandable and focuses on the points considered most significant to those being audited;
- Reinforcement and consolidation of the computer audit team;
- Launch of new remote audits and consequent analysis of their results; and,

- Dissemination activities of the Internal Audit Function.

For the year 2018 the plan includes the consolidation of the analysis of the Internal Control System monitoring tools, aimed at automatically testing system controls and the archiving of evidence. The IAD also expects to be involved in transversal projects within the scope of implementation of the current transformation plan.



B

04.

ETHICS AND CODES OF CONDUCT

4.1 HUMAN RESOURCE REGULATIONS

Banco Económico recognises that long-term success depends on the ability to attract, retain and develop employees capable of guaranteeing continuity and sustainable growth. This vision is reflected in the Bank's Human Resource Policy, which is defined on the basis of its strategy and includes hiring employees with personal attitudes and professional skills that will guarantee close alignment between the candidate's values and the Bank's culture.

As a financial institution, Banco Económico provides its employees with excellent working conditions, a safe, healthy environment, regular training and flexible policies to ensure a work-life balance.

4.2 CODE OF CONDUCT

Banco Económico's mission is to create value for its customers by offering high-quality financial products and services, abiding by strict standards of conduct and corporate responsibility, thereby ensuring a transparent management that is free of conflict of interest.

As part of this culture of responsibility, the Bank has introduced a Code of Conduct, which defined the essential principles and rules to apply during the professional activity of Board of Directors and supervisory bodies as promoters of an ethical culture in the institution, and during the professional activity of all employees in their interactions with customers, suppliers, service providers and competitors.

The Bank's employees must be competent, diligent, loyal, trustworthy professionals and conduct themselves correctly, conscientiously, courteously and cordially.

The Compliance Department is responsible for the Code of Conduct in terms of explaining its contents and application to employees. Whenever necessary, it can request the assistance of other departments, such the Internal Audit Department and Human Resource Department.

4.3 POLICY ON CONFLICTS OF INTEREST

Considering its susceptibility to possible conflicts of interest, Banco Económico has internal rules and

internal procedures which ensures that the conduct of its employees and the members of the governing bodies are guided by ethical principles that reflect the highest standards of moral and professional conduct.

The priorities for management of the Bank's business are impartiality and independence in order to prevent conflicts of interest, as required by law. This includes conflicts between the interests of the Bank and its customers and also between the interests of its different customers.

4.4 RELATED PARTIES POLICY

Banco Económico has set out rules and procedures for transactions with related parties in order to guarantee its independence from its shareholders based on best corporate governance practices and to identify ways of ensuring legal security and economic order.

4.5 ANTI-MONEY LAUNDERING POLICY

The capacity to detect and prevent possible money laundering and terrorist financing activities, result directly from the Banks' knowledge of certain key information about counterparties and their transactions. Therefore Banco Económico's business activities are based on policies and criteria for the prevention of money laundering and terrorist financing, as required by law.

Banco Económico is committed to the highest standards of prevention of anti-money laundering (AML). Management and other employees abide by the best practices for preventing the use of our services and products to launder money and recognise the importance of fighting this kind of financial crime and the negative impact arising from the risk of not following these practices.

In view of the increasing importance of fighting such activities, the Bank has been especially careful to identify weaknesses and the most exposed areas in order to ensure that it has adequate methods for controlling and mitigating transaction and counterparty risks. There are two moments when this knowledge is particularly important:

- When initiating a contract or changing the holders of an existing contract with KYC (Know your Customer) procedures, i.e. verifying the identity of the holders, representatives and actual beneficiaries;

- Monitoring the contract's characteristics, KYT (Know your Transactions), by identifying atypical situations, in advance and during the contact with the customer after detection of the situation.

The Bank constantly analyses its anti-money laundering strategies, targets and goals and maintains an effective AML programme for its business. The programme reflects the best practices for a financial institution.

Training courses are held regularly to identify suspected money laundering situations and they are also useful in fulfilling the Bank's legal and regulatory obligations.

The prevention of money laundering and terrorist financing is one of the pillars of trust in the financial system and is constantly monitored by Banco Económico.

- Employee training on standards of transparency, consumer protection and other applicable legislation;
- Statistics for periodic reporting to the Board of Directors and the BNA.

4.6 WHISTLEBLOWING

Banco Económico has implemented a policy and procedures approved by the Board of Directors in order to ensure the internal and external reporting of suspicious operations.

All employees are obliged to report suspicious operations to the Compliance Department, which subsequently informs the Financial Information Unit – UIF.

In addition to suspicious operations, all operations, individually or cumulatively, greater than USD 15,000, or the equivalent amount in AOA, require the completion of a declaration of Funds' origin and destination and are reported to the UIF.

4.7 COMPLAINTS

The service quality is considered a fundamental factor in customer satisfaction and loyalty consequently Banco Económico has a system for managing and monitoring complaints, based on the following model:

- Different channels for submitting complaints, including remote and digital channels;
- Centralised management of customer complaints by the quality management unit;
- Recording of complaints in a system that can be used to manage the different stages, monitor response time and provide statistics;
- Procedures that ensure a timely response to the customer;



B

05.

BUSINESS ACTIVITY

5.1 MACROECONOMIC BACKGROUND

THE GLOBAL ECONOMY

The world economy grew by 3.7% in 2017, half a percentage point above 2016. Overall, all global economies grew, especially emerging and developing countries that grew by 4.7% in 2017, particularly Asia, the region contributed to more than half of global growth, with China and India growing by close to 7%. Sub-Saharan Africa grew by 2.7% in 2017, well above the 1.4% recorded in 2016. Developed economies grew by 2.3% compared to 1.7% in 2016.

The Chinese economy grew by 6.8% in 2017, the fastest pace since 2015, exceeding the 6.5% expectations of the Chinese Government, in a context of slowdown of the real estate market and slowdown in credit growth, with the debt ratio falling for the first time since 2011. These factors were offset by increased exports, public investment in infrastructure, increased corporate profits and private income.

The good performance of the US economy improved the market's expectation regarding the evolution of the reference interest rate. In 2017, the US Federal Reserve (FED) made three rate increases of 25bp each putting it at the end of the year at 1.5%. Based on the futures price, the market expects that in 2018 the FED, under the chairmanship of J. Powell, will keep the same record as J. Yellen and continue the rate of gradual increase of the reference rate putting aside two additional increases totalling 50bps.

In the Euro Zone, the European Central Bank (ECB) has announced that it will reduce its quantitative easing from January 2018. The ECB nevertheless intends to keep the reference rate at current levels (historically very low) until the predicted end of the "Quantitative easing" in September 2018. The ECB's intention is to slowly withdraw the stimulus to the economy but, if inflation remains below the 2.0% target, it could extend the "Quantitative easing" program. The bond market's response to these changes was not very significant, with yield curves tending to flatten as short-term rates increase more than long-term rates, consistent with moderate market expectations for positive surprises in inflation.

This monetary policy differential should justify an appreciation of the USD against the Euro due to the expected increase in the interest rate differential.

However, this did not happen, the USD depreciated more than 12% against the EUR, going from 1.05 at the beginning of the year to ending 2017 at 1.2022. The justification for this movement lies in other

factors: (i) growth expectations in the Euro Zone throughout the year have improved while in the US they have remained stable; (ii) the approval of the new fiscal plan by the US government has worsened the outlook for the country's public finances, as the reduction in fiscal revenues will increase the budget deficit, while in the Euro Zone there has been an improvement in the outlook for the budget deficit; and (iii) lastly, in 2017 there has been an increase in risk appetite and demand for more profitable assets, a movement that traditionally harms USD which is a safe haven asset for times of instability.

OIL MARKET

The recovery of the oil price that began in 2016 was maintained in 2017 and the movement intensified in the second half of the year. In 2016 the agreement signed between the main producers to reduce supply was the driver. In 2017 (i) the improvement of global growth prospects, (ii) climate events in the US, (iii) geopolitical tensions in the Middle East and (iv) the extension of the OPEC agreement to limit production allowed the movement to continue. The price of a barrel of oil (Brent) rose 17.7% during 2017, reaching a high of USD 67.02 / barrel in December, a level not seen since mid-2015. Based on the Brent futures market, investors expect prices to remain between USD 63-66 throughout 2018.

EVOLUTION OF BRENT'S PRICE

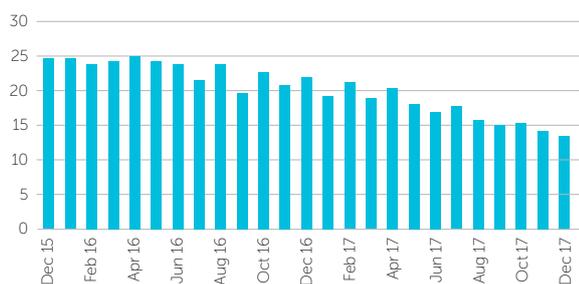


THE ANGOLAN ECONOMY

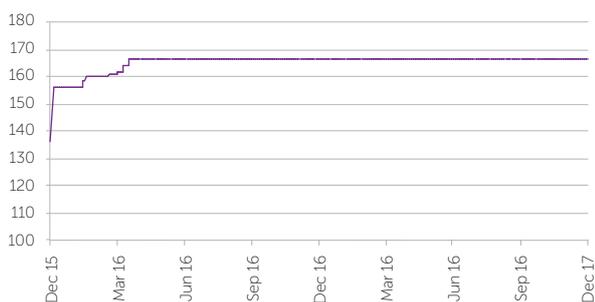
Despite the good performance of the oil market in 2017, the effect of low prices in previous years continued to have an impact in 2017. The decrease in tax revenues, both oil related and those related to other economic activity, forced a large cut in infrastructure spending, particularly in the oil sector which in turn will affect the future oil production capacity and then revenue collection. According to official data, oil GDP decreased by 2.3% in 2016 and -0.5% in 2017 (projection). Overall, the IMF projections indicate that economic activity in Angola decreased by 0.7% in 2016, with a modest recovery expected in 2017, with a growth of 1.5% essentially supported by the growth in the energy distribution, agriculture and fisheries sectors.

Another consequence of the low oil price was the significant reduction of net international reserves, which declined by around 30% during the year, which limited the supply of foreign currency by the National Bank of Angola (BNA), the main supplier of the market. The impact on the official exchange rate during the year 2017 was not as significant as expected, but the shortage of currency for national requirements ended up hampering the country's economic activity due to the heavy dependence on imports of raw materials and machinery for industry and consumer goods for retail. It also accentuated the differential between the official exchange rate and the exchange rate in the parallel market, indirectly weakening the currency. The total volume of foreign currency provided by BNA in 2017 was USD 12 thousand millions, 3.8% higher than the previous year.

INTERNATIONAL RESERVES

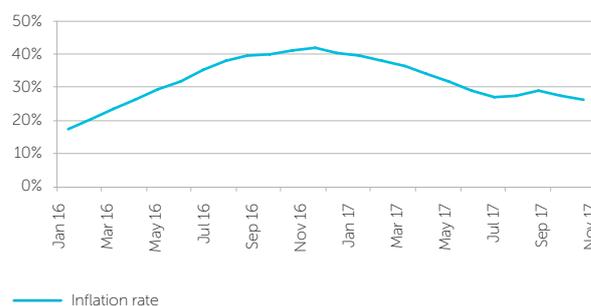


EVOLUTION USD / AOA



BNA maintained a tight monetary policy, in order to contain inflationary pressures caused by the weakening of the currency. However, it took substitution measures, reduced the Mandatory Reserves in national currency from 30% to 21%, but also removed the possibility that Treasury Bonds could represent the reserves. The inflation rate, after reaching 42% at the end of 2016, the highest rate of the last decade, decreased throughout 2017 and at the end of the year the annual inflation stood at 26.3% as the effect of the devaluation of the kwanza in the price of imported goods declined.

EVOLUTION OF BNA INTEREST RATES

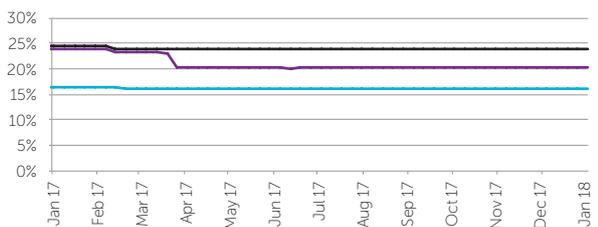


In the interbank market, rates continued to rise but at a more moderate pace with increases in the order of 1 to 3 percentage points. An exception was the Overnight rate which, after having reached 25% at the end of 2016, normalized during 2017, having fallen by 8.5 percentage points and ending the year at 16.4%. Regarding the securities market, Treasury bills remained stable, at only a 182-day maturity, a slight reduction (-3.7 bp). Regarding the Bond market, the issues were mostly of the type indexed to the exchange rate, with a decrease of 25bp for the shortest maturities. The price of the public debt is very high, having reached unsustainable levels, so it is expected that from 2018 we will see restructuring of the maturity profile and the emergence of different structures such as variable rate bonds indexed to Treasury Bills in order to reduce the cost of the public debt.

EVOLUTION OF LUIBOR



TREASURE BILLS INTEREST RATES



Efforts to control expenditure and restructuring of the public sector made it possible to reduce public debt from 76% in 2016 to 65% in 2017, which is still very high, especially given the high level of interest rates, which causes the debt service to weigh heavily on current expenditure, in an economy where tax revenues are still very much dependent of the oil market (more than 50%).

The year 2017 was also marked by the elections held in August. Although the main party remained in government, it was undoubtedly a turning point, laying the groundwork for significant structural and policy changes in 2018. The most immediate change will have been the change in the exchange rate management mechanism with the BNA announcing at the beginning of 2018, that it will adopt an exchange rate mechanism with exchange rates fluctuating within a band between a maximum and minimum limit, defined according to the economic and exchange rate conditions reflected by current macroeconomic indicators.

It is expected that in 2018 there will continue to be difficulties in accessing the foreign exchange market, and that the depreciation of the kwanza that began with in 2015 will continue, but with a greater dispersion of the currencies available to the market.

Liquidity difficulties will also remain a reality and financing costs will remain high.

Despite the country’s enormous economic potential, the persistence of structural challenges continues to hinder economic diversification and inclusive growth. It will be essential to continue the effort to reform institutions, increase agricultural productivity, invest in adequate infrastructure, focus on the qualifications of human resources and trade facilitation and export support systems.

5.2 COMMERCIAL BANKING

2017 witnessed a strengthening of the Banco Económico brand recognition. This was reflected by an increase in our customer portfolio, resources and more dynamic and commercial focus from our teams on meeting customers’ needs. This effort was accompanied by a very positive commercial dynamic and which translated into a continuous and sustained growth of the customer portfolio.

Continuing the strategy of segmentation of services, a new service space for Umoxi customers was inaugurated and the team of managers was strengthened. Under the Umoxi brand, the service has been solidified for customers with medium-high value incomes, who seek a customized service, superior levels of advice for managing their assets and for investment in financial products and services. Umoxi customers benefit from a differentiated service space with an exclusive manager focused on quality, satisfaction and efficiency.

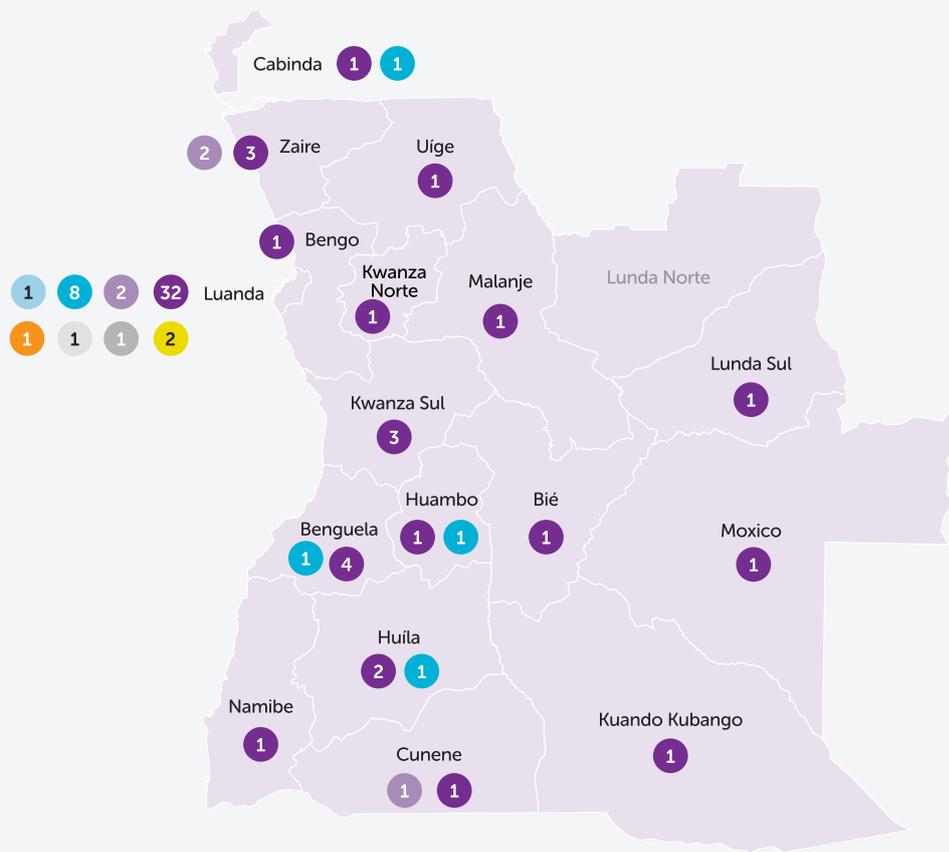


GEOGRAPHICAL COVERAGE

In 2017, Banco Económico made small adjustments to its distribution structure and optimised its positioning to match its customers' profile.

Banco Económico ended 2017 with 79 customer service points and has national coverage being present in the main cities, with discontinued services being integrated into existing agencies.

In this context, another Umoxi centre was created in Talatona, in the Dolce Vita agency, the Lar do Patriota Business Centre was inaugurated and four branches in the Luanda area were closed: Kikuxi Park, Nkruma, Ekumbi and Cruzeiro.

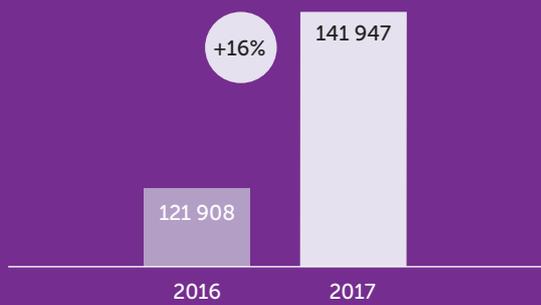


- 56 Bank agencies
- 5 Customs/Stations
- 2 Affluent Centres
- 1 Private Centre
- 12 Business Centres
- 1 Top Corporate
- 1 Oil&Gas Centre
- 1 Institutional Centre

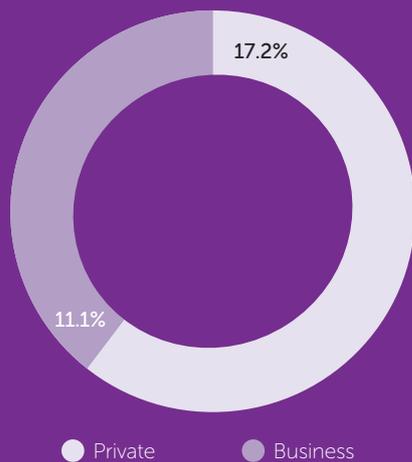
CUSTOMER PORTFOLIO

There was another substantial growth in our customer portfolio of 16% (2016: +19%) to a total of 141,000 customers. This reflects the attraction of around 20,000 new customers. The private segment grew by 17%, while the business segment increased 11%.

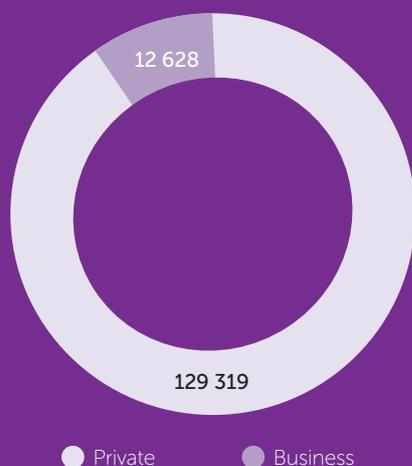
CUSTOMER PORTFOLIO



GROWTH IN THE CUSTOMER PORTFOLIO



CUSTOMER PORTFOLIO BY SEGMENT



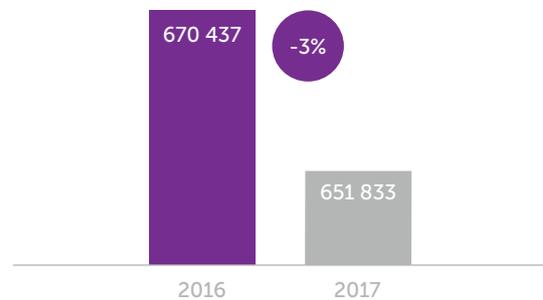
The increase in our customer portfolio clearly demonstrates confidence in the BE brand, the continuing effort on growing the financial services offer and consolidation of our distribution network.

CUSTOMER DEPOSITS

The banking sector's total customer deposits rose by 1% to 7.076 thousand millions kwanzas.

During this period, BE also showed a slight decrease of 3%, corresponding to AOA 18 thousand millions, contrary to the significant growth observed since 2014 (2016: + 32%). This decrease resulted from the purchase of AOA 30 thousand millions of public debt securities by a large client and the outflow of funds from a public sector customer of AOA 55 thousand millions. The remaining customer deposits portfolio showed a net increase of AOA 67 thousand millions.

CUSTOMER DEPOSITS (AOA MILLION)

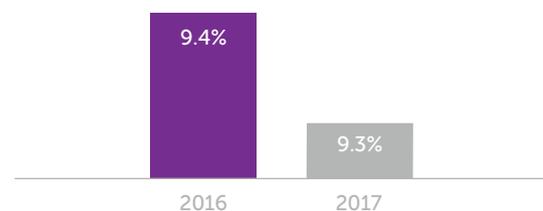


The reduction in total customer deposits was due to the decrease in foreign currency denominated funds, with a decrease of 10% (2016: + 5%). Customer deposits denominated in national currency grew 7% in 2017 (2016: + 36%).

As a result of this decrease market share decreased slightly to 9.3% (2016: 9.4%), and BE should remain the sixth largest bank in the system in terms of volume of deposits.

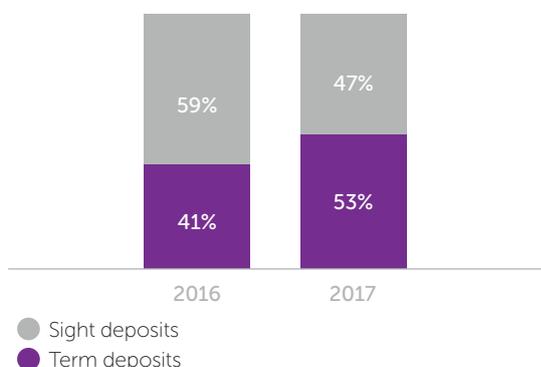
CUSTOMER DEPOSITS SHARE

Deposits Quota

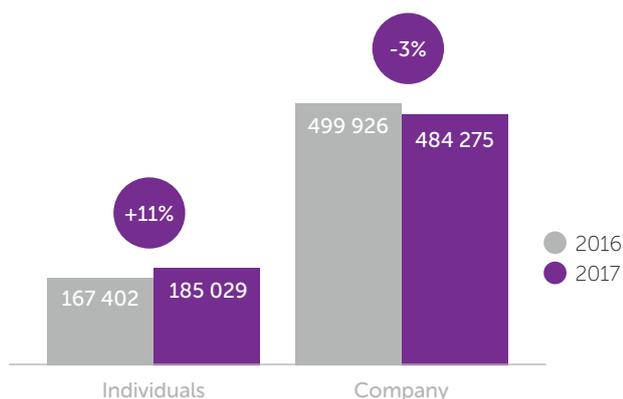


The year of 2017 was also marked by the increase in term deposits compared with deposits at sight, with those representing 53% of the total customer deposits and deposits in the private segment accounting for 28% (2016: 25%) of total deposits.

DEPOSITS BY NATURE



DEPOSITS BY SEGMENT



The year 2017 was marked by strong commercial dynamics, with the launch of various savings and investment products.

O FUTURO É PENSAR EM SI, NO NOSSO ANIVERSÁRIO!
DEPÓSITO ANIVERSÁRIO
 Depósito a prazo a 3 meses com taxa crescente. Exclusivo para novos fundos.*
 Celebre connosco e habilite-se a uma surpresa muito especial.
 1º mês - 10%** | 2º mês - 13%** | 3º mês - 16%**
Reservado para clientes novos e exclusivos do Banco Económico. Não é possível solicitar este depósito em caso de cancelamento de outros depósitos a prazo. Para mais informações contacte o seu gestor, ligue EconómicoDirecto 222 693 610 | 923 100 000

SE PODE TER MAIS, NÃO SE CONTENTE COM MENOS.
DEPÓSITO EXCLUSIVO

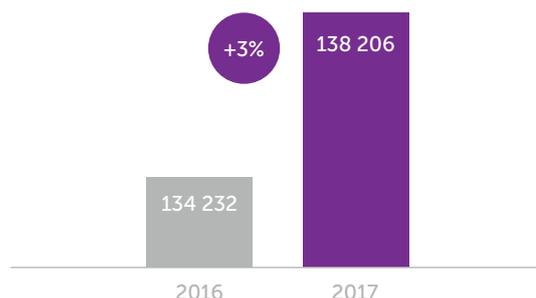
1º ANO DE SUCESSO PARABÉNS!
 É com muito prazer que celebramos consigo um ano de excelentes resultados do DP Brent Stable. Felicitamo-lo por ter escolhido investir neste produto único e estaremos sempre consigo para renovar os seus sucessos.

EMBARQUE JÁ NAS SUAS PROXIMAS FÉRIAS
DEPÓSITO POUPANÇA VIAGEM
 A OPORTUNIDADE DE FAZER A VIAGEM DOS SEUS SONHOS COM UM INVESTIMENTO A PRAZO QUE TRAZ NA BAGAGEM O ACESSO A TAXAS DE JURO ESPECIAIS E DESCONTOS EM PACOTES TURÍSTICOS E SEGURO DE VIAGEM.
 • Depósito a prazo disponível para montantes a partir de 250.000 € (4, 6, 12 e 24 meses).
 • Taxas de juro variáveis e programadas.
 • Seguro de viagem de 8.000€.
 • Descontos de 10€ em serviços prestados por agências de viagens associadas.
 • Até 4.000 € de desconto no seguro de viagem contratado até 2 meses a partir da data de finalização do depósito, excluído para depósitos a 12 e 24 meses.
Para mais informações contacte o seu gestor, ligue EconómicoDirecto 222 693 610 | 923 100 000

LOANS AND ADVANCES TO CUSTOMERS

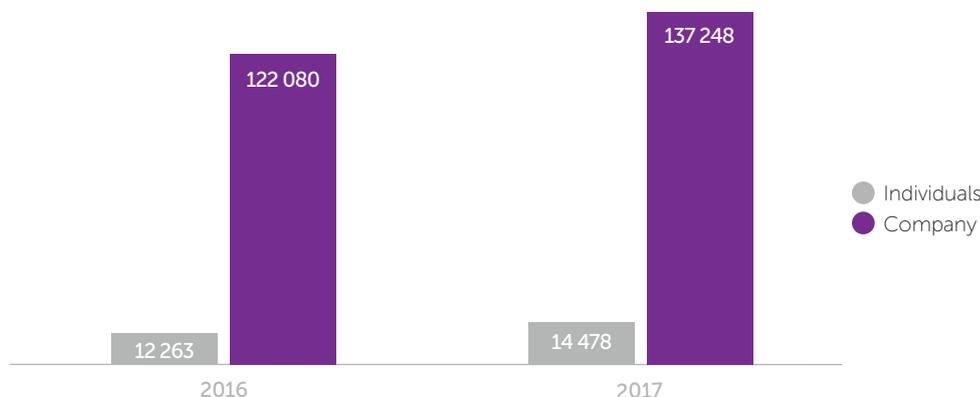
In 2017, Banco Económico stepped up its support for the economy with loans growing 3% comparing to 2016, despite the general contraction in the different sectors of the economy and the maintenance of interest rates at a very high level.

LOANS AND ADVANCES TO CUSTOMERS (AOA million)



The growth in loans and advances focused mainly on production sector, with loans granted to companies increasing by AOA 16.6 thousand millions and loans to individuals by AOA 4.2 thousand millions.

LOANS AND ADVANCES TO CUSTOMERS BY SEGMENT (AOA million)



The loans and advances to customers' portfolio includes AOA 48 thousand millions from a Treasury bond and respective accrued interest. The balance has not been considered in this analysis due to its distinctive nature.

DIRECT CHANNELS

Banco Económico has stepped up investment in the development of its multi-channel distribution platform, in line with the strategic plan and vision for distribution and customer service models, aiming to provide the best banking service in Angola, 24 hours a day, 7 days a week.

The **EconomicoNet** multi-channel platform supports five channels:

Platform	Channel Brand	Segment	User
EconomicoNet	EconomicoNet CORPORATE	Companies and institutional	Customer
	EconomicoNet	Individuals	
	EconomicoNet App	All	
	Consult@Cartão	Companies and institutional	Cardholder
	EconomicoNet Branch	All	Bank

NEW SERVICES AND DEVELOPMENT OF EXISTING SERVICES

Banco Económico continued to implement its multi-channel service development strategy. As part of this strategy, 2017 was a year of consolidation of the various **EconomicoNet** services, promoting its use and increasing the penetration rate in our customers' portfolio.

In parallel, it continued the improvement of existing Internet banking services, **EconomicoNet CORPORATE** (companies), **EconomicoNet** (Individuals) and **EconomicoNet App** (Mobile), with the launch of new functionalities, such as:

- New savings platform;
- Payment services;
 - Payments for Unitel agents;
 - Payment to the State (RUPE - Single Reference of Payment to the State);

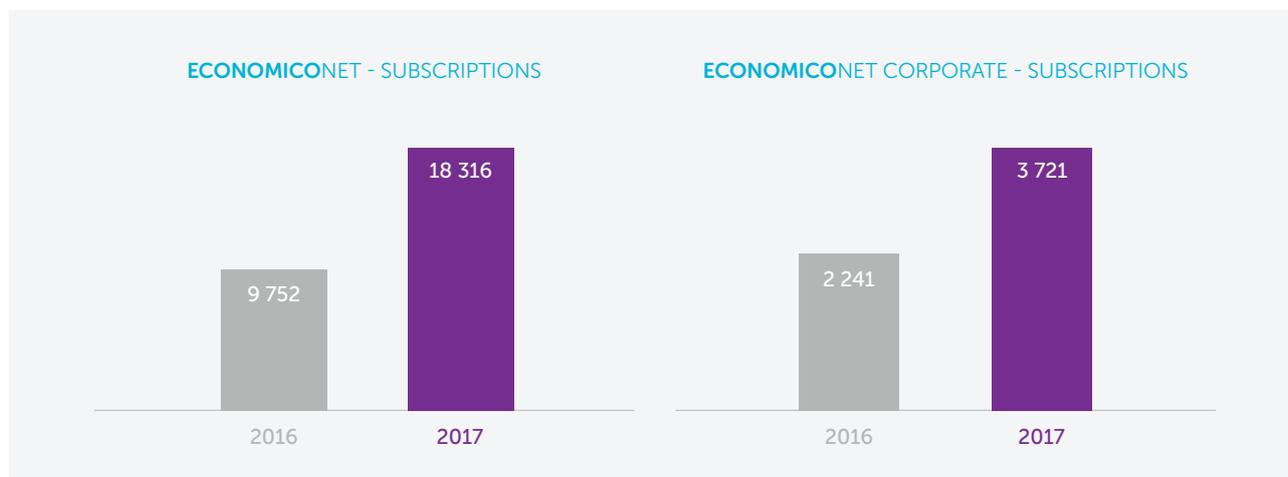
- Notifications by e-mail and SMS after operation;
- Collection service (to be launched in the first quarter of 2018);
- Invoice payment service (to be launched in the first quarter of 2018).

All our channels are developed with cutting-edge technology and high security standards.

SUBSCRIPTIONS AND USE

At the end of 2017, the Internet Banking for Companies (**EconomicoNet CORPORATE**) reached 3,721 subscribers, representing a 66% growth compared to December 2016, with the volume of transactions growing 36%, with almost 95,000 financial transactions.

In the **Economico**Net service (Internet Banking for Individuals), the number of subscriptions increased by 88% compared to the end of 2016, representing 18,316 subscribers. The volume of transactions grew 144%, with the number of transactions reaching 96,524.



AWARDS AND DISTINCTIONS

The quality of our work in developing internet banking services was recognised by the prestigious international publication Global Banking & Finance Review, with the award for Best Internet Bank Angola 2016. The award distinguishes the high quality and performance of the Bank's online banking service and the publication considered it the best in the Angolan market in 2016.

This distinction recognises the functional variety and quality of service provided by Banco Económico's internet banking and the effectiveness and robustness of its strategic investment in technological innovation.

The Mobile Banking service, **Economico**Net App, was recognized as "Best Mobile Banking Application Angola 2017" by the prestigious international publication Global Banking & Finance Review. The prize distinguishes the superior quality of usability, functionality and performance of the bank's mobile banking service, considered by the entity as the best in the Angolan market in 2017.



INSTRUMENTS OF PAYMENT

In 2017, growth was continued in the area of debit and credit cards, ATM, TPA and POS, and the implementation of the new cards and terminals application was initiated, as well as a CMS (Card Management System) type application that will allow to improve the operational management and to develop the level of the offer to customers.

DEBIT AND CREDIT CARDS

Multicaixa debit cards grew by 15% in terms of number of cards and 63% in invoiced amount, which reached 44.549 thousand millions kwanzas.

Credit cards, increased in number by 17% and 11% in invoiced amount, representing 10.026 thousand millions kwanzas.

Service and metrics	2016	2017	Δ 2017/16	
			#	%
Multicaixa debit cards No. Cards	54.248	62.188	+7.940	+15%
Multicaixa debit cards Invoiced amount AOA (millions)	27.249	44.549	+17.300	+63%
Multicaixa credit cards No. Cards	5.408	6.324	+916	+17%
Visa cards Invoiced amount AOA (millions)	9.008	10.026	+1.018	+11%

AUTOMATIC PAYMENT TERMINALS

Activity in automatic payment terminals (TPA) grew substantially. The number of terminals rose 30% and transactions 31%.

Service and metrics	2016	2017	Δ 2017/16	
			#	%
Automatic payment terminals No.	2.238	2.907	+669	+30%
Automatic payment terminals Invoiced amount AOA (millions)	52.958	69.161	+16.203	+31%

ATMS | TELLER MACHINES

Even though the number of the bank's Multicaixa ATMs decreased by only one to 88 machines, the value of financial transactions increased 37% due to greater availability and operability of the installed machines, which reflected the improvement in quality indicators for ATM services in terms of operability, and down time due to lack of banknotes.

Service and metrics	2016	2017	Δ 2017/16	
			#	%
Business activity indicators				
ATMs - No.	89	88	-1	-1%
Caixas Automáticas – ATM Facturação AOA (milhões)	61.399	84.016	+18.798	+37%
Quality of service indicators				
ATMs - Operability rate (OR)	96.37%	97.14%	+0.77%	+0.8%
ATMs - Down time due to a lack of banknotes	13.82%	13.98%	+0.16%	+1.2%

5.3 BANCASSURANCE

The year 2017 was the third year of the bancassurance project with Tranquilidade Corporação Angolana de Seguros, which saw a consolidation of the knowledge acquired by the distribution network about the products and respective coverage, improving the capacity for counselling, and keeping a focus on reinforcing commercial dynamism and revising risk coverage in the life area, with the introduction of the first Life-Death, and not-life, insurance, with the inclusion of services such as towing and taxi in Auto coverages.

The insurance policies sold in 2017, represented a volume of premium sales of more than AOA 1,000 million, with non-life products representing 99% of total sales.

The insurance penetration rate increased slightly compared to last year, around 4.7% of the current customer portfolio, but it still represents a great potential for growth in this segment.



5.4 INVESTMENT BANKING

In an adverse, highly challenging macroeconomic setting for Corporate & Investment Banking, the Investment Banking Department (DBI) focused on supporting the investment projects that are best aligned with the government's plan to reverse the cycle and stimulate economic growth. We therefore gave priority to the sectors of agriculture and agro-industry, fishery and fish farming, extraction of non-oil natural resources (wood, ornamental rocks, among others), the manufacturing industry (in the sub-sectors less dependent on imports), tourism and services.

This strategy sought to channel finance into sectors with greater growth potential, based on sustainable development of Angola's natural resources, the promotion of domestic production to supply the domestic market and reduce imports, as well as the export of products with competitive advantages for regional and international markets.

Despite the difficulties of the last few years, Angola shows a sustained reduction in the share of GDP the oil and diamond sectors: around 30% in 2017 versus around 50% in 2010.

However, this decline has been mainly filled by service sectors (trade and distribution, construction, etc.) and not by the productive sectors (agriculture, fisheries, industry, etc.) that remain at low levels.

At same time, the DBI increased support to Bank's commercial activities to better understand customers' needs and respond to their expectations in a realistic way appropriate to the current economic climate. The offer of loan products is always preceded by a careful assessment of projects and their promoters. This assessment considers the client's ability to manage and sustain the viability of its business, having available capital so as not to depend solely on bank finance,, which is extremely costly in current economic environment.

In addition to loan provider, Banco Económico seeks to be a partner and financial adviser for customers, establishing a medium/long-term relationship focused on the success of their business and ensuring compliance with Bank and other stakeholder commitments.

In order to compensate the reduction in major investment projects in Angola, the DBI has raised its financing to Micro, Small and Medium Enterprises (MSMEs) under the Angola Investe Programme. The DBI is the department responsible for managing the programme, organising and structuring the financing of Angolan entrepreneurs, including monitoring

the operations of projects with the assistance of external consultants and institutional support from government bodies (MINEC, INAPEM, FGC).

In 2017 the DBI approved 25 projects, amounting to AOA 11,6 thousand millions, of which 5 have been fully disbursed and 15 are still in the disbursement stage. We expect the programme to continue with support of MINEC in 2018 with the DBI already having a promising pipeline of projects under analysis.

There has also been an increase in requests for support services for companies in the preparation of business files (references, size and sectorial and economic significance) for submission to government authorities (Ministry of the Economy (MINEC) and other ministries) to support their need for foreign currency.

In spite of a reduction in foreign investment projects, the DBI continues to support international investors that are interested in investing in Angola, providing detailed information on the economic, financial, tax, legal and regulatory situation, including the facilitation of local and international partnership opportunities.

Finally, through its capital markets activity, the DBI assisted with the launch of the new Treasury Securities Exchange (MBTT), with the incorporation of public securities (Treasury Bonds and Bills) in the new Securities Centre (CEVAMA). Beginning in the first quarter of 2017, the customer securities portfolio from the SIGMA platform (BNA) was migrated to the SIMER system (BODIVA) with the transfer of the securities and the formalization of the respective registration contracts and deposit of transferable securities.

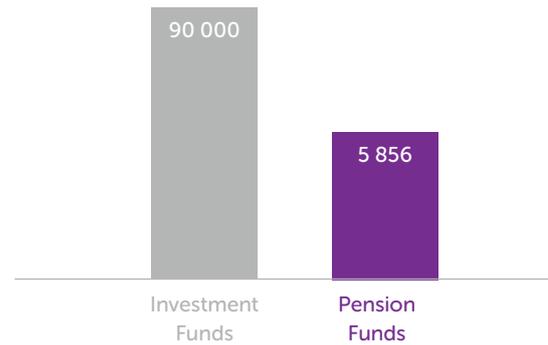
The DBI continues to play an active role in this new business area, providing to customers an integrated offer of capital market services in primary market (organisation of public and private offerings of securities with fixed and variable returns), and in the secondary market (brokering securities in the organised market), the Bank being registered at CMC and accredited by BODIVA, as a Trading and Settlement Member.

5.5. ASSET MANAGEMENT

Two real estate investment funds (one focused on rentals and the other on asset appreciation) and 4 pension funds are currently managed through companies operating under the brand Económico Fundos.

The total assets managed increased by 6.5% and amounts to AOA 96.000 million, and could be divided as follows in the graphic on the right:

ASSETS UNDER MANAGEMENT (AOA million)



Regarding Real estate investment funds, are managed and commercialized six top-quality buildings in Luanda:

TORRES OCEANO



TORRES LOANDA



TORRE ESCOM



EDIFÍCIO VITÓRIA



QUINTA DA ROSA LINDA



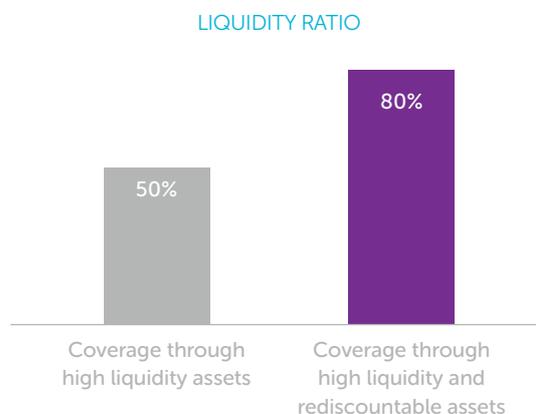
ACQUAVILLE



Management fees increased 2% comparing to 2016.



Our policies have also made it possible to maintain good liquidity ratios. Liquid assets and assets eligible for rediscount allow us substantial coverage of unsubordinated financial liabilities, i.e. customer deposits and unsubordinated loans.



5.6 FINANCIAL MANAGEMENT

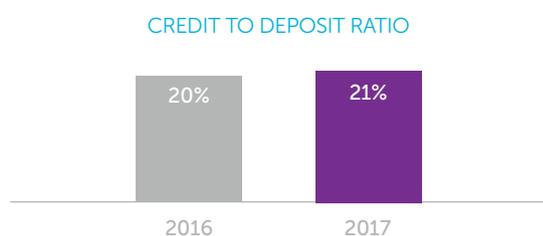
Banco Económico determines and adapts its financial management to the bank's medium-term business plan and the macroeconomic context, through the implementation of strategies for management of liquidity, interest rates and foreign exchange.

LIQUIDITY MANAGEMENT

Concerning liquidity management, Banco Económico has taken a number of measures to reduce the liquidity risk and consolidate cash levels. They include the following:

- Increasing our customer portfolio;
- Increasing the weight of customer deposits in total financing sources;
- Limiting the new loans granted;
- Allocating excess of liquidity to liquid assets.

The adoption of these measures has maintained a stable resource base as well as a reduced credit to deposit ratio of 21% (2016: 20%).



ASSET AND LIABILITY MANAGEMENT

In its integrated asset and liability management, Banco Económico systematically monitors its financial activity, with special attention to managing its financial profit/loss.

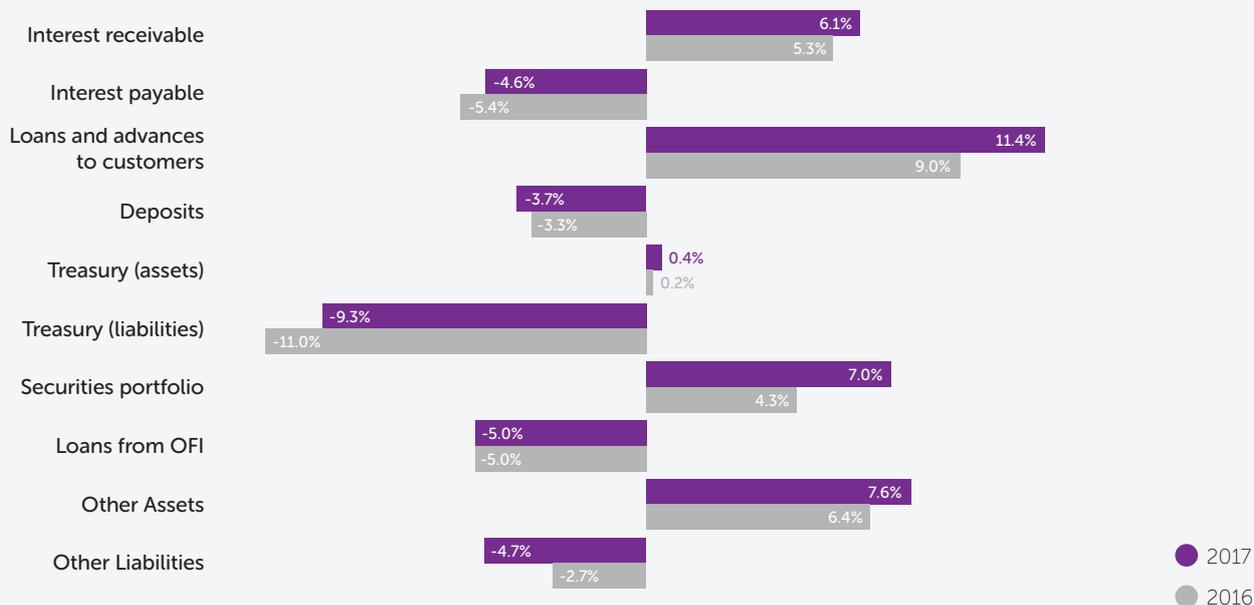
In this context, we have introduced measures to manage the interest rates of assets and liabilities, and we have made adjustments based on changes in market interest rates.

The financial year of 2017 was marked by the improvement of the financial result, due to the following factors:

- Increase in the average interest rate on loans given high market interest rates;
- Reduction of the financing cost of liquidity obtained from the National Bank of Angola, due to the full settlement of the financing in March 2017;
- Increased interest on securities by investing in 12-month term treasury bills.

The combination of these factors produced a financial result of AOA 11,577 million (2016: AOA -2,478 million).

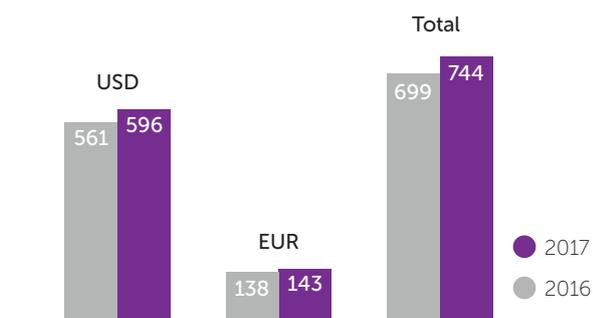
AVERAGE ASSET AND LIABILITIES RATES OF RETURN



EXCHANGE MANAGEMENT

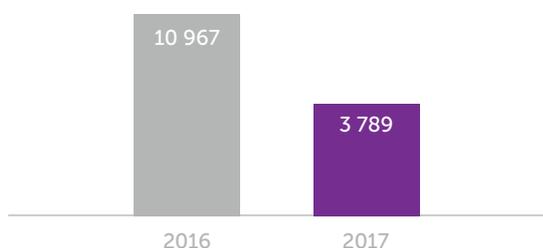
As part of its exchange management, Banco Económico permanently monitors its exposure in order to ensure its correct macroeconomic positioning by adopting strategies to neutralise the devaluation risk of the Angolan currency.

EXCHANGE POSITION (USD millions)



As a result of the maintenance of the value of the national currency in 2017, the foreign exchange result for 2017 was around AOA 3.8 thousand millions.

EXCHANGE RESULTS (AOA millions)



5.7 RISK MANAGEMENT

The aim of the bank’s risk management policy is to constantly maintain an appropriate relationship between its net equity and its business activity, as well as the assessment of its risk profile compared to the profitability of each business line.

Under the new regulatory framework, Banco Económico set up a new integrated risk management system that includes policies, procedures, processes, limits, controls and systems that can identify, assess and monitor information on the different types of risk.

In this context, the following monitoring committees have been set up; the Risk Committee, the Internal Control Committee and the ALCO Committee. The Risk Management Office (GGR), created in 2016, has the functions of coordinating and supervising risk management policies and risk governance practices, as well as creating tools and models for risk management and exposure analysis.

STRATEGIC RISK

In management of Strategic risk, the Risk Management Office identifies the main risks to which the bank is exposed and analyses their potential quantitative and qualitative effects in order to determine the risk tolerance level.

It monitors economic indicators, simulates stress test scenarios and monitors the effectiveness of the bank’s strategic risk management model in order to keep exposure in line with the established tolerance

levels and identify opportunities for improvement in response to market conditions and the assumptions used in decision making process.

REPUTATIONAL RISK

The Risk Management Office applies the following principles when managing the reputational risk:

- Identify the risk of a stakeholders' negative perception of the bank's activity and assess its potential quantitative and qualitative effect;
- Prevent the risk by monitoring relations with customers and transactions recorded through business reports issued by other offices and departments;
- Create and implement mechanisms to mitigate the impact of reputational risk;
- Record and control the elements that characterise the bank's reputation to maintain exposure at the established tolerance level and mitigate potential deviations on a timely basis.

LIQUIDITY RISK

Liquidity risk is one of the main challenges of the banking system as the market does not have diversified and long-term sources of financing. Consequently, the Bank adopts a conservative policy of liquidity management, to maintain adequate levels of liquidity and liquid assets.

In terms of liquidity risk management, the Bank annually prepares its liquidity policy integrating the medium-term business plan, the annual budget and the macroeconomic situation. The bank's conservative liquidity policy is based on the following principles:

- Increase of the customer portfolio
- Increase in customer funds of a stable nature
- Granting of loans limited to fundraising
- Investment of excess liquidity in short-term liquid assets

The monitoring of the liquidity position and related risk is on-going, through a set of daily and monthly reports available to management. These also include the liquidity ratios and the limits in force.

In addition to permanent monitoring of the liquidity situation, the Bank periodically performs sensitivity analyses based on extreme scenarios in order to determine adverse impacts on the liquidity position and establishes a contingency plan to respond to liquidity crisis situations.

MARKET RISK

As a result of our liquidity management policy, which favours investment of excess liquidity in liquid assets that can be rediscounted at the central bank, the only assets subject to variation in price are treasury bonds issued by the Republic of Angola denominated in Angolan and foreign currency.

Banco Económico appraises the market prices of its portfolio of treasury bonds and analyses its sensitivity to potential variations in price to determine possible impacts on profits and Equity.

INTEREST RATE RISK

In addition to the integrated management of assets and liabilities discussed above, Banco Económico regularly analyses the sensitivity of its balance sheet to interest rates by quantifying the effect on profits of rises and falls in interest rates of different assets and liabilities.

EXCHANGE RATE RISK

The exchange rate risk is managed within the Bank's financial management strategy and the effect on profits is regularly quantified applying hypothetical variations in exchange rates.

CREDIT RISK

The Risk and Credit Control Department is the department responsible for the credit process and risk monitoring.

THE CREDIT PROCESS

The Risk and Credit Control Department analyses all loan proposals from the commercial areas and evaluates both the customers' ability to meet payment deadlines and related guarantees.

All loan applications are analysed and approved by the Loan Board, based on information regarding the basis of operation and the report of the loan analyst.

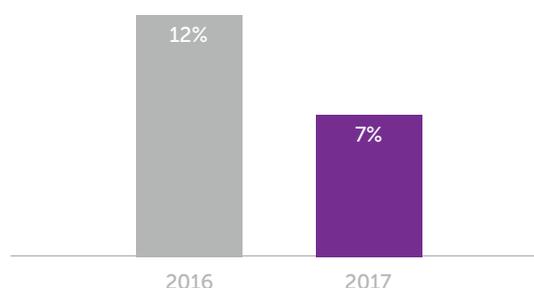
The Risk and Credit Control Department and the commercial areas permanently monitor the bank's loan portfolio and credit risk. The Risk Committee meets every month and analyses the main indicators and risk positions.

Extrajudicial and judicial recovery is handled by the Risk and Credit Control Department with the support of Legal Department after all possible commercial means of recovery have been exhausted.

QUALITY OF OUR CREDIT PORTFOLIO

The credit portfolio default levels remain stable, with the past-due credit ratio improving to 7% (2016: 12%).

RATIO OF OVERDUE CREDIT TO CREDIT AT RISK



OPERATIONAL RISK

Banco Económico set up the Internal Control and Operational Risk Department to address the internal control system and operational risk.

Banco Económico has been strengthening its internal control system in accordance with best international practices and compliance with regulatory requirements set out in BNA Notice 02/2013 of 22 March incorporated in the internal control environment, the risk management system, management information and monitoring system.

In 2016, we began implementing operational risk management in order to identify, measure, control and monitor the risks of our business.

The bank defined a methodology based on the documentation of risk and controls in the bank's processes, analysis of the data gathered in assessment questionnaires (qualitative) and records of events (quantitative). It also includes monitoring risk and control indicators, defining action plans to mitigate risks identified and issuing internal and external reports. A risk catalogue was drawn up in accordance with the best practices set out by the Basel II Committee. The first and second levels are in line with the rules established by that Committee and the third is adjusted to the specifics of Banco Económico's environment.

5.8 EQUITY

In 2017, there was a positive evolution in the solvency ratio (+3.52 bp) due to the reduction of the risk assets associated with the payment of the financing of the National Bank of Angola and the reduction of the forex exposure.

Solvency ratio	2016	2017	Var
Assets in Risk	822 760	631 646	-191 114
Credit Risk	648 960	494 100	-154 860
Foreign Exchange Risk	173 800	111 470	-62 330
Risk Average	0	26 076	26 076
Regulatory Equity	98 394	97 780	-614
Tier 1	39 849	43 327	3 478
Tier 2	71 013	71 111	98
Great Risks	-12 468	-16 658	-4 190
Solvency ratio	11.96%	15.48%	3.52%

5.9 TECHNOLOGY, TRANSFORMATION, INNOVATION AND QUALITY

The work developed in policies, processes, methodologies, quality management, tools and infrastructures, aims to provide the Bank with a robust, efficient and rules-based operational model, as well as providing excellent customer service and allowing for innovation in the offer of services and products.

DIGITAL TRANSFORMATION

The repositioning of the digital transformation strategy that had originally been incorporated in the operational transformation plan marked 2017. Banco Económico decided to make it more focused, rapid and effective by giving it greater autonomy.

As a consequence an executive director was hired to design, by the end of the first quarter of 2018, the "digital strategy", in coordination with the other Departments and create a team to accelerate its implementation to:

- Increase Customer acquisition and retention;
- Innovate in the offer of products, services, channels and processes;
- Differentiate the Bank by innovation;
- Increase operational efficiency.

STRATEGIC PROJECTS

The launch of the project of modernization of the existing core banking system Flexcube (Oracle), will result in the installation of a new version of the banking core, with 12 years of new developments and using new technology, with significant gains in operational efficiency, risk reduction and commercial efficiency.

OPERATIONAL TRANSFORMATION PLAN

The Operational Transformation Plan was revised, extended, implemented continuously with the following objectives:

1. Technological modernisation and digital conversion of its operating model;
2. Innovation of products, services and distribution channels;
3. Technological modernization;
4. Operational efficiency and quality of service;
5. Risk mitigation and reinforcement of the control model.

At the same time, Banco Económico intensified its efforts to increase its teams' skills and reinforce its IT governance model in order to improve the efficiency and effectiveness of teams and processes.

During 2017, the projects were divided into six transformation initiatives:

6- Innovation in multichannel distribution, improvement in quality of service, reduction of risks and increase in efficiency

4- Digitisation of processes and distribution (multi-channel system)

5- Improving management information and commercial tools

1- Modernisation and reinforcement of infrastructure's ability and security

2- Reinforcement of IT governance and team training

3- Update of catalogue, development of rules and control model

1- MODERNISATION AND STRENGTHENING OF INFRASTRUCTURE AND SECURITY

In 2017, the IT Department (ITD) and Organization and Quality Department (OQD) continued to strengthen its IT management model (IT governance) its teams and their training. Employees participated in training in the COBIT 5.0 framework and the ITIL methodology, and professionals were contracted for critical positions.

In parallel the capacity and resilience of its data communication infrastructure and Data Processing Centres (DPC) were improved. The convergence of technological solutions and a reduction in operating costs also helped improve service quality. The measures included:

Modernisation and optimisation of data communications

- Reorganisation of the international communications with reduction in costs;

The implementation of collaborative tools

- Acquisition and implementation of a collaboration tool (Skype for Business) to increase

the efficiency of internal communication, with the commercial networks and in the management of projects with international suppliers;

Modernisation of data processing centres (CDPC)

- Start the migration of Contingency Data Processing Centre, to the new centre, restructuring of disaster recovery architecture and separation of non-productive and disaster recovery environments;
- Start the modernisation of the data storage architecture, with the purchase and installation of new HP 3 Par equipment, which is more modern and capable of responding to medium-term needs for growth and performance.

Modernization of commercial network equipment

- Selection, acquisition and implementation of the new all-in-one workstations for commercial networks, aiming to facilitate communication between the commercial units and the central areas, enabling information sessions, training and specialized support to clients;
- Partner Selection for the reorganization of bank printing, for the acquisition of new multifunction

printers and implementation of a new management model;

Infrastructure management

- Implementation of the System Centre for a more effective and efficient management of job configuration;
- Strengthening the infrastructure’s monitoring and alarm processes in order to achieve consistent levels of availability and quality of service targets;
- Strengthening the monitoring of the WAN network with an increase in availability of services.

Application architecture

- Design of the new application architecture, aligned with the Flexcube upgrade;
- Acquisition and installation of new Middleware and Application Server (Oracle) solutions, the basis of the new application architecture;

Support for the modernization of the application architecture of the Bank

- Construction of environments to support new applications being implemented: New Flexcube, Wizzio Onboarding (digital journeys), IBM BPM (workflow), IBM Filenet (digital document management) and Tranzway ACT (cards and terminals);

Development of application solutions

- Development of small applications (Circula Fácil and reconciliation cards);
- Development of the new intranet;
- Support for the new site and digital communication project (e-goi solution).

2- IMPROVEMENT OF IT GOVERNANCE AND TEAM TRAINING

In 2017, Banco Económico continued to review and improve policies, processes, tools and skills with a view to managing infrastructure, apps and the innovation process more efficiently and effectively. The following initiatives were particularly important:

Strengthening of IT governance

- Implementation of a career plan and appointment of area and unit coordinators in the IT and Organisation Departments;
- Formalisation of the project portfolio management area to increase efficiency and improve responses to in-house customers;
- Improvement in cost control, in line with the bank’s corporate budget management model;
- Acquisition and implementation of the new ITSM application (IT management);

Fundamental changes

- Re-name the Informatics Department as the Information Technology Department;

- In the Organization and Quality Department:
 - Re-name the former Organization Department and re-formulate its mission,
 - Strengthening of the Application Management Area with an Integration Unit responsible for architecture application and architecture integration.

Improving skills

- Hiring of critical resources in the areas of integration, systems administration and database management;
- Delivery of a training programme for all coordinators, including the COBIT 5.0 framework and the ITIL methodology together with hiring of personnel for critical positions.

3- UPDATE OF CATALOGUE OF PROCESSES, DEVELOPMENT OF RULES AND STRENGTHENING OF INTERNAL CONTROL

Update of catalogue and development of rules

The catalogue of the Bank’s processes has been updated and expanded and now covers 443 processes.

The bank continued to update its catalogue of processes and improve its rules with the creation of new policies and procedures and the reformulation of some existing rules, as a result of amendments to laws, regulations, applications, processes and commercial practices. The bank published 46 rules and 59 forms in 2017:

Processes and procedures		Forms	
New	Reformulated	Digitalised	Altered
14	32	12	47

Control model

Improvements to the internal control system focused on rules, with closer control of processes and the development of independent controls.

Improving quality of service and customer relations

Further improving customer service quality is a central concern for the IT, Organisation and Quality departments. It has become stronger in the bank’s culture. Our concern for customer service and the quality of everything that we do was reflected in the quality indicators included in the assessment of our commercial and central activities.

Quality | Satisfaction survey

Banco Económico continued its constant evaluation of quality and customer satisfaction for its products and services. For this purpose, the bank conducted it’s the second global customer satisfaction survey, inquiring 395, customers, to measure their opinion

and address the causes of any dissatisfaction identified .

The survey assessed overall satisfaction with customer care, image, products and services, prices and other factors. This assessment enabled the bank to make improvements that proved necessary to meet their expectations and, consequently, enhance the bank’s quality image.

Quality | Complaints

Throughout the year, the Bank handled 252 complaints, received through the various channels available (contact centre, e-mail, website, commercial areas, complaints book and BNA).

The bank improved its processes for the receipt, registration and handling of complaints to provide a quicker and better response to its customers’ concerns and promote proximity to the customer by improvement of functionalities of the site and of contacts by telephone .

Central Departments Objectives System

In 2017, the Bank designed a System of Objectives and Incentives (SOI) for the Central (Support and Control) Departments, to complement existing procedures for Commercial Networks, aiming at:

- Align the activity of each department with the objectives of the Bank;
- Evaluate, in an objective and quantitative way, the annual performance of each structure;
- Encourage departments and staff to improve individual and overall performance;
- Strengthen a culture of participation and responsibility, focused on excellence in execution and concern for the Customer;
- Improve objectivity when evaluating and rewarding employees.

4- DIGITALISATION OF PROCESSES AND DISTRIBUTION (MULTI-CHANNEL SYSTEM)

The digital conversion of operating and distribution models continued to be one of the main aspects of the bank’s transformation, with three central goals: improve quality of service to achieve excellence, eliminate the operational risk and risk of fraud and increase operating efficiency.

Digitalised Processes

Many of the processes have been digitalised using Workflow and Document Management applications.

Processes supported in Workflow	Maintenance in 2017 – Workflow		
	New	Updated	Total
130	28	12	40

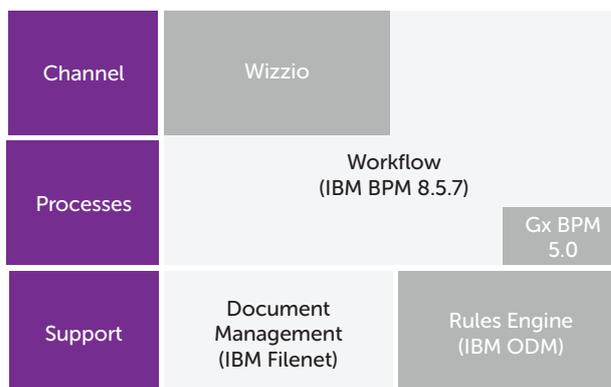
Digitalisation of processes | Workflow and document management

Since 2014, the bank has been digitalising its processes using two tools: Workflow (BPM) and digital document management (ECM/DMS). At the same time, the development accelerator (Gx BPM), which develops and executes workflows on the IBM BPM platform. This component was equipped with new functionalities:

- Automatic calculation of customer scoring in introducing a new customer or opening a new account;
- Integration with the AML filtering tool;
- Integration with the banking operational system;
- Communications to customers (texts/emails) informing them of the status of requests.

The digitalisation of Workflow processes improves control of the status of all requests and their levels of service. This improved quality of customer service and enabled us to take action in processes performing below expected levels..

After three years using the platform, we planned an update to be implemented by mid-2018. This would provide for portability on mobile terminals, creation of a corporate (single) solution for digital document management, the introduction of a business rules engine and full digitalization of critical customer processes, starting with customer acceptance and account initiation.



Multi-channel distribution model

Banco Económico continued to follow its strategy of developing multi-channel services to provide its customers with the best 24/7 banking service in Angola.

As part of this strategy, 2017 was a year of consolidation, dedicated to obtaining new customers for the four key services - **EconomicoNet CORPORATE** (companies), **EconomicoNet** (Individuals), **EconomicoNet App** (mobile individuals and companies) and **Consult@Cartão**.

The new features were fewer than in previous years, with many new developments underway, to be launched in 2018.

5- IMPROVING MANAGEMENT INFORMATION AND COMMERCIAL TOOLS

In terms of development of management information and commercial tools, the following are notable:

- Optimization of existing reporting;
- Launching of the new operational reporting project, to be carried out in parallel with the New Flexcube project;
- Commercial launch of the MAC application - Commercial Monitoring Model.

The bank continued to invest in its management information platform, which produces regular commercial, risk and bank management reports.

The bank extended the use of the MAC – Commercial Accompaniment Model), a CRM (Customer Relationship Management) solution for Commercial departments, to make business processes more effective and efficient and provide better service to Customers (operational CRM) and in the development of business information in line with its goals (analytical CRM)

6- INNOVATION IN MULTICHANNEL DISTRIBUTION, IMPROVEMENT IN QUALITY OF SERVICE, REDUCTION OF RISKS AND INCREASE IN EFFICIENCY

In terms of business support applications:

- Started the New Flexcube project, which will allow the updating of the core banking system, dated 2008, The first phase (PWT | Product Walkthrough), provided a better understanding of the new solution and to identify improvements. This project will allow significant gains in commercial and operational efficiency and effectiveness and technological and operational risk reduction, in addition to increased control;
- The bank gave a strong commitment to improve services on the multi-channel platform (**EconomicoNet**) whether in direct relationship with the customer through the APP (available for Android and iOS platforms) or through use of the **EconomicoNet** architecture on the internal channel called **EconomicoNet Balcão**, which provides payment services (taxes and services) to Unitel employees, integrated in real time with companies' systems (AGT, Unitel or other suppliers of goods and services).

Concerning the service-offer, we expanded our range of term deposits, types of account and

agreements, and other transactional services (payment of taxes, collections...) and revision of the price list, the numbers being summarised in the table below:

Core Banking Products		Manager Branch Migration	Price list-rules change
New	Altered		
103	160	20 000 Customers	80

Main projects in 2017 by type:

Strategic

- New Flexcube | Start of the modernization project of the banking system, with the phase of Product Walkthrough and survey of requirements;
- Digital | Start of the full digitalisation of the critical processes, starting with the client acceptance and account initiation.

Offer and price list

- Circula Fácil | improvement of the Road Tax marketing offer;
- Creation of 103 new products and alteration of 160 products, 80% of which were in the areas of Deposits and Transfers;
- Review of 80 price list rules.

Commercial Dynamics

- Implementation of the analytical and operational functions of the Commercial Monitoring Model (CRM tool).

Multi-channel distribution

- Scheduled Savings Solution | New savings application with multi-channel features for one-off and regular savings;
- **EconomicoNet** App | Authentication with fingerprint, payment of Unitel Agents and other improvements;
- **EconomicoNet** | Payment of Unitel agents in real time;
- **EconomicoNet** Counter | Integration with Flexcube cash deposit;
- ADC (Account Debit Authorization) | Possibility for the client to subscribe ADC to the companies with which the Bank has protocols;
- Taxes | Provision of payment via RUPE (Single Reference for Payment to the State).

Operational efficiency

- SWIFT - Flexcube | Automation of the processing of incoming transfers - STP (national and international);
- Workflow | Integration with Flexcube (core banking);
- Workflow | IBM BPM engine upgrade (8.5.7), with performance gains;
- Cards and Channels | Preparing initiation of new ACT (CMS | Cards Management System);
- Kiwi | Start-up of the origination process;
- Collection of Values | Automation of activity.

Legal and Regulatory

- Taxes | Deactivation of the Special Contribution on Banking Operations (CEOB);
- Taxes | Improvements in the treatment of specific exemptions;
- Taxes | Provision of payment via RUPE (Single Reference for Payment to the State).

Internal Control / Operational Risk

- Reporting | Integration of data sources from other applications (EconomicoNet, Tranzway, Leasing, AGC);
- Reporting | Improved Processing Times;
- Start of a review of application profiles with an view to optimization.

Management information

- Segregation of the credit portfolio sold for accounting and management information purposes;
- Production of new legal reports (FIU, Investment Plan MNEC) and improvement of client information;
- Adoption of IAS / IFRS standards in the property values report.

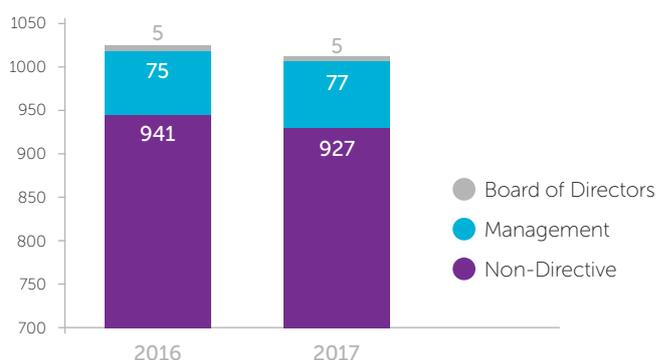
5.10 HUMAN RESOURCES

Aware of the importance of human resources in achieving the strategic goals Banco Económico continued the process of transforming its human resource's policies begun in 2016.

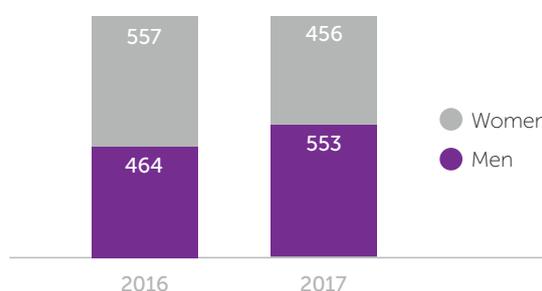
It has focused its performance on activities such as succession plans, the preparation of the behavioural and specific training program, in the implementation of a new process of reception and integration for new employees, as well as a set of other initiatives around policies of promotion, careers, development and training of staff, promoting a better integration and performance, based on a culture of meritocracy.

In 2017, the workforce was reduced slightly by 1.2% and currently consists of **1009 employees (97% Angolans), 456 of whom (45%) are women and 553 (55%) are men.**

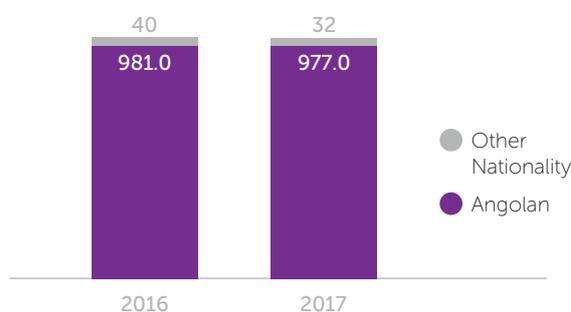
TOTAL HUMAN RESOURCES



HUMAN RESOURCES BY GENDER



HUMAN RESOURCES BY NATIONALITY



In 2018, Banco Económico will continue to challenge its human resource policies, taking new strategic paths for the development of its employees in to develop the excellence of its people as a differentiating factor in the market.

5.11 SOCIAL RESPONSIBILITY

Since it commenced operations, Banco Económico has always had a strong commitment to promoting corporate social responsibility. The bank's approach to corporate citizenship involves developing a close relationship with society through participation of its employees and their families and the community.

In 2017, Banco Económico undertook countless social responsibility activities especially in the areas of health, financial literacy, education and culture.

BLOOD COLLECTION CAMPAIGN "DROP BY DROP GIVE LIFE TO THOSE WHO NEED IT"

This is second edition in 2017 of a project in partnership with the National Blood Institute.

Its main objective is to reduce the blood deficit in Angolan public hospitals and, consequently, to help reduce the country's high mortality rates.. As a second objective, it aims to encourage volunteers (employees and society at large) to become regular donors.

In 2017, four actions were carried out, two in Luanda (February and October), one in Lunda Sul (May) and the other in Malange Province (October). Some 623 volunteers participated in these campaigns, which enabled the collection of 427 blood balloons, enough to save 1256 lives.

SPONSORSHIP OF THE MUNICIPAL HOSPITAL OF CACUACO

The Protocol, initiated in 2015 and continuing in 2016 and 2017, aims to help mitigate difficulties in the hospital, in terms of physical, medical, equipment, medicines and consumables, which lead to a significant mortality rate, especially among children. The Sponsorship of the Municipal Hospital of Cacuoaco consists of the following:

- Biannual supply of equipment necessary for the good care of patients.
- Quarterly supply of consumables deemed necessary.
- Visits to patients to donate goods and volunteer activities including reading, painting, cleaning, and Christmas party.

HEALTH PROTOCOLS

Banco Económico considers it a priority to contribute to the well-being and quality of life of its employees and family members. In this sense, the

Social Responsibility Department has developed protocols with several entities around health, complementary to Health Insurance, to ensure greater benefits for its workforce.

DOCTOR'S OFFICE

Inaugurated on November 8, 2016 and now active for a year, it is located in the headquarters building of Banco Económico and is another initiative within the strategy of development of human resources. Banco Económico considers its employees to be its most important asset, so it assumes investment in their health and well being through the implementation of a preventive medicine model.

SPELLING ANGOLA

This project aims to stimulate students to develop their real academic abilities, to cultivate a taste for reading and consequently to mitigate any weaknesses in learning Portuguese.

Created by the Saber Sem Limites group, aware of the weaknesses of national public education, they decided to create a mechanism to change this paradigm.

It is a spelling contest for primary school students from public schools in Luanda.

EXTERNAL SCHOLARSHIPS

The administrative management of 3 scholarships for higher education granted to students outside the Banco Económico. The subjects are Psychology of Work and Organizations, Languages and Literature and Accounting. Banco Económico is responsible for the cost of registration, enrolment, tuition and manuals.

APPRENTICES OF GOOD

Banco Económico maintained its support for the "Apprentices of Good" social project, a non-profit initiative developed in the municipality of Cazenga, Luanda province, covering 25 adults and 90 children.

The project incorporates classes from first-year to fifth year and also literacy classes. It is managed by five young people.

"Apprentices of Good" corresponds to the first school for most of the children who are part of the project, removes them from the street and consequently contributes to the reduction of child delinquency.

UNDER THE TENT

A social project focussed on education, created by the Pastor of an Evangelical Church, aims to support families from disadvantaged social strata or in situations of social vulnerability. Located in

the Municipality of Cazenga, it dedicates itself to teaching, with more than 60 students, split into three shifts.

For this project, the Economic Bank had the partnership of Weza Gest S.A. The financing was used for the construction and equipping of classrooms and other facilities.

With the children of this project, the month of the child was celebrated by the organisation of children's activities. The giant game Economic Bank Savings, a relay race, the Handkerchief Game and others were concluded with a snack for all.

ST. CATHERINE OF SIENA SCHOOL IN NORTH CUANZA

On the third anniversary of Banco Económico, the school in question benefited from structural infrastructure support, due to the fragility of the school.

About 2000 children attend the school with some classes taught outside and in the schoolyard, in precarious conditions. Within the framework of this project, Banco Económico financed the construction of three classrooms, amphitheatre and furniture and computer equipment were also provided.

BANCO ECONÓMICO GYMNASIUM

Opened in February 2016, Banco Económico "A Fit Future" gymnasium is equipped with machines, group classrooms and changing rooms and is available to all Banco Económico employees.

1ST EXTERNAL MALE FUTSAL TOURNAMENT

The practice of a sport, at whatever age, provides a set of benefits, not only physically, but also mentally and socially. These benefits make clear the importance of sport for the full and harmonious development of practitioners.

For this reason, the 1st External Male Futsal Tournament was sponsored by Banco Económico. This was attended by 8 teams from several institutions, namely Banco Sol, BDA, Banco Millennium Atlântico, BCS, MS Telkom, BAI and Sonangol EP.

The 1st External Male Futsal Tournament was played with great enthusiasm, with the participants managing the related social aspects. Given the main focus of the Tournament was to help those most in need, essential goods such as food, clothes, toys and teaching materials were collected for the benefit of the Social Centre of Santa Barbara.

CONSERVATION OF MARINE TURTLES AND BLACK ANTELOPES

Banco Económico supports the conservation of sea turtles through the Kitabanga Project, assigned

to the Department of Biology of the Faculty of Sciences of Agostinho Neto University.

The Kitabanga Project has been operational since 2003, with the consent of the Ministry of the Environment and its main objective is to contribute to the knowledge and protection of sea turtles along the Angolan coast.

ANGOLA SÉCULOS DE SOLIDÃO BOOK RELEASE

Consistent with the social and cultural objectives of Banco Económico, the book "Angola Séculos de Solidão" was launched in July in the bank's auditorium.

Co-authored by researchers Martinho Júnior and Leopoldo Baio reports a historical chronology based on analytical research on different moments in Angola's political-military history and intelligence.

The book portrays, in 265 pages and 12 chapters, chronologically, the history of Angola from colonialism until 1992, before the civil conflict, with texts supported by images, maps and statistics.

SPONSORSHIP OF HUÍLA REGIONAL MUSEUM

The first cultural project consisted of the printing of catalogues of the exhibition of the Museum, called "The Secular Heritage of the Peoples of Southern Angola".

SUPPORT TO SINGER MIGUEL BUÍLA

The gospel singer Miguel Buíla provides a fine example of overcoming a physical disability. Banco Económico decided to support the release of the singer's album, in partnership with Producer Bom Som. The launch was made at the Auditorium and Gallery of Banco Económico.

STATE HOUSING PROJECTS

The framework for the Social Responsibility Division is based on the sustainable development objectives defined by UNESCO.

As such the Bank supported the Angolan State project, managed by the real estate company Imogestin S.A., which will enable the employees of Banco Económico to acquire their housing.

450 employees applied to the SHP, to purchase their own housing in the following provinces: Bengo, Benguela, Cabinda, Huila, Luanda and Namibe.

ART GALLERY AND AUDITORIUM

"THE REPRESENTATION OF THE HUMAN FORM IN ART IN ANGOLA"

Galeria Banco Económico opened its exhibition program on 9 March with the inauguration of the exhibition "The representation of the human form in

art in Angola”, a collection of about 89 works by 65 Angolan artists, which remained open to the public until 4th April.

António Ole, Hildebrando Melo, Délio Jesse, Ana Silva, Kapuka, Francisco Vidal, Mónica de Miranda, Januário Jano, Keyezua, Mangovo, Yonamine and José Silva Pinto were some of the artists represented in this exhibition, which resulted from the research and selection of This Is Not A White Cube (TINAWC) that presented artistic productions from the 1950s to the present day.

The exhibition was curated by Sónia Ribeiro, Danilo Fortunato and as guests Jorge Gumbe and Benjamim Sabby. The curators theme was the “representation of the human form”, inserting portraits and the self-portraits. In the Art History books, evidence of changes made to the portrait over a given period of time, are observed in chronological and formal order. There are changes of a technical nature, but also changes in the attitude of the artists based on their motives.

This attitude stems from a more critical analysis by the artists, in relation to their context and period in time. It was intended to address the main aspects of the contemporary social world and to favour the artist and the spontaneity of his expression. The exhibition brought together urban sculptures, paintings, installations and photography.

This exhibition also included an educational section composed of reproductions of preparatory studies, comic book history and cartoons, which also were open to the public.

MESSU CINEMA CYCLE

The gallery and auditorium of Banco Económico were the stages of the Messu Cinema Cycle, which took place between June 7th and August 11th. The initiative consisted of a cinematographic exhibition, focused on national and African production, and included cinematic extracts, feature films and short films, documentaries and video art.

Inspired by the term Messu - which is the deconstruction of the word Jikulamessu, in quimbundo - which means to see or see, the Messu Cinema Cycle was curated by Sónia Ribeiro and Danilo Fortunato. The project was intended to be a catalyst for the development and promotion of cinema - for its enormous wealth, diversity and potential - by presenting a contemporary view of Angola, as well as establishing a mechanism to support national production, to provide an incentive to encourage artistic-cultural projects.

Over two months, more than 26 works by national and African filmmakers were presented in a heterogeneous and multidisciplinary exhibition of

cinematic productions that reflect and interpret everyday life, history, as well as the paradoxes and idiosyncrasies of Africa.

The exhibition was opened with the 2017 feature film “The Island of Dogs”, with Jorge António, which was followed by several pieces of a very complete and eclectic program, which highlight the exhibitions of the historical films of Sarah Maldoror and António Ole, sessions with films by authors representing the Angolan cinema, such as Orlando Fortunato, Mariano Bartolomeu, Ruy Duarte, Ademir Ferreira and Maria João Ganga, as well as works by young emerging and promising talents.

The Messu Cinema Cycle organised by Banco Económico in partnership with IACAM, Cinematheque, Generation 80 and the Ministry of Culture.

NO'ART - NEW WAVE OF ARTISTS

On September 20, NO'ART - New Wave of Artists - was presented at the Banco Económico Gallery. The exhibition was organized by Neovibe and was attended by nine artists - Wolof Griot, Silvestre Quinzembe, Serafim Serlon, Landa Yeto, Letícia N'Guizani, Sombra Andrygraf, Josmani Neto, Maiomona and Armando Scoot - who presented works representative of several art forms such as painting, sculpture, graffiti and performance.

The exhibition was aimed primarily at unveiling amateur and emerging talent to promote the work of lesser-known artists. Through this project, the organization followed the creative process, through several phases, and set out to develop a set of partnerships so that the artists can have greater access to resources for the development of their activity, such as living space and finance, to allow them to continue their work.

PHOTOGRAPHY COMPETITION AND EXHIBITION OF BANCO ECONÓMICO EMPLOYEES

For the second consecutive year, a challenge was launched for the bank's teams to express their artistic creativity through photography. In addition to stimulating the employees' hidden talents, the main objective was to auction, for the highest price, the photographic entries to the competition, and use the funds raised in favour of the institutionalized children, of the Lar Nossa Senhora das Mercês, in Malanje.

As part of the celebration of its 3rd anniversary in October, the bank held its photography competition for employees, under the theme “What is the future?” The prize was a photography workshop. After reception of the photos of the participants, the bank's employees voted to identify the authors of the three best photographs.

The prize-giving event for the winners - Jeronimo Sozinho, José Chikana and Winnie Monteiro - was held on October 27 at the Banco Económico Gallery, where the auction of the exhibited photographs was also held, with a bidding floor of 10 thousand kwanzas, per unit.

The funds raised of the auction was sent to Lar Nossa Nossa Senhora das Mercês, a social institution in Malanje, which hosts more than thirty orphans and disadvantaged children, aged between 4 months and 23 years. The home was created 22 years ago by the Mercedarian sisters. The main needs of the institution range from maintenance of infrastructures, transportation of children to school, and daily food, hygiene and health, needs. One of the main objectives of the home's management is the construction of a primary school, to mitigate the fragility of the institution's education element.

"THE (IN)VISIBLES" - GAEL BELLET BRISSAUD

On 31 May 2017, the Banco Económico Gallery received the photographic exhibition "The (In) Visibles" by Gael Bellet Brissaud. The exhibition included about 23 photographs inspired by two main themes - Displaced and Graffiti - that translated a photographic vision of the author on several "invisibles" found in everyday life in Africa.

Gael Bellet Brissaud is a successful businessman, living in Luanda for several years.

Because he is not a graduate, he believes he has an obligation to be open-minded to educate himself and learn from others. He considers himself to be a self-made man, with a long-standing passion for photography and photography. He likes to enjoy street art and decided to photograph it, because he believes that when we look at it positively, we find beauty in it.

Regarding the exhibition "The (In) Visibles" he reflects that "when he was in Gabon he realized the extent of these" invisibles. "They eventually become part of our lives, but they are invisible." In Gabon, he approached these people and spoke to them. He looked very much at how they presented themselves, what they wear and why they do it in a certain way. His intention is to try to understand what is going on in their mind, understanding that often the way they present their art reflects their inner world.

"People see these" invisibles "on the streets and pretend they do not see them, but tomorrow we can be crossing that border. The human being is a complex machine, and the borders are very faint. There are different levels of madness, and indeed, as Freud said, "Everyone is crazy."

In photographing these "invisibles" he wanted to show that "the invisible is all around us, and that it

also needs to be respected, because they respect us. They are human beings like us." Brissaud wanted to "open a door to reflection and philosophical discussion about this state of madness. And, somehow make the" invisible "visible.

With curatorship of Sónia Ribeiro from This Is Not the White Cube, the exhibition was open until June 21, 2017.

BEING HER(E)

The last activity of the year, at the Banco Económico Gallery, was the exhibition Being Her(e), which was inaugurated on 24th November.

The South African platform! Kauru / Black Collector's Forum presented, for the first time in Luanda, Being Her(e), a exhibition of historical and contemporary perceptions of what it means today, to be an African female body.

The exhibition was attended by 14 female artists, from the African continent and from the diaspora. Being curated by Paula Nascimento (Angola) and Violet Nantume (Uganda), Being Her(e) constitutes a space for reflection on the creation of myths in relation to the female body, incorporating and interpreting "woman" and feminine interiority, with an approach to themes such as gender, subjectivity, memory, belonging, sexuality and identity.

Being Her(e) has integrated more than 20 selected works that, either in isolation or in relation to each other, confront, contextualize, question and redefine historical and contemporary notions of what it means to be a female body in Africa and the African diaspora. The exhibition proposed the interrogation of preconceived ideas about femininity, suggesting a broader reflection on the evasive theme of identity and its various forms of representation. "

With the Being Her(e) exhibition in Luanda, curators Paula Nascimento and Violet Nantume continued the dialogue that began in Pretoria, South Africa, in 2015 with Being and Becoming, Complexities of the African Identity, an exhibition that sought to raise issues on the various layers of African identity and the urgency of forging new, unorthodox ways of seeing and being African.

5.12 RECOGNITION

BANCO ECONÓMICO CONSIDERED ONE OF THREE ANGOLAN BANKS WITH BEST CUSTOMERS' TREATMENT

Multimétrica, a market survey company, has been analysing customer care provided at Angolan banks. As part of the survey, they visited all the branches in the different provinces and used a number of criteria to assess the way the banks presented themselves to their customers (visibility, Multicaixa, interior décor), how well the cashier worked and the level of service. Some of the factors considered were the waiting time, posture, attitude and vitality of the employees as well as the arguments that they used.

According to Multimétrica's independent study in 2015, Banco Económico is one of the three banks that present a best costumers' treatment.

In a detailed analysis of the three features examined - physical aspects, cashier and customer service - Banco Económico was considered the best in terms of physical aspects, followed by Standard Bank and Millennium Atlântico.

Banco Económico came in third in terms of the cash desk. It was considered the second best with regard to customer care.

The average score for customer care in the Angolan banking market showed a poor performance (32.6%), in contrast to 85.89% for physical aspects and 85.43% for cashiers at the branches visited. The average performance achieved in the criteria physical aspects and cashier was much higher than that for customer care. The institutions with the best scores for these features were Banco Económico with 95.76% and BANC with 98.67%.

BEST INTERNET BANK ANGOLA 2016



The quality of our work in developing internet banking services was recognised by the prestigious international publication Global Banking & Finance Review, with the award for Best Internet Bank Angola 2016. The award distinguishes the high performance of the bank's online banking system

and the publication considered it the best in the Angolan market in 2016.

This distinction certifies the quality of Banco Económico's internet banking service and the effectiveness and solidity of its strategic investment in technologic innovation.

The Global Banking & Finance Review awards were created to acknowledge companies in the financial community worldwide that stand out in terms of excellence and specialisation. These prizes reflect the innovation, results, strategy and progressive, inspirational changes taking place in the financial sector.

BEST BANK GOVERNANCE ANGOLA 2016



Corporate Governance was also recognised this year with the Best Bank Governance Angola 2016 award from Capital Finance International (CFI.co), a London-based newspaper and portal that specialised in economics, business and finance. It publishes news, analyses and opinions on markets worldwide.

Every year CFI.co chooses individuals and organisations that make a significant contribution to the convergence of economies and brings added value to all stakeholders.

It upholds that the best practices can be found all over the world, which is why it introduced an award programme that recognises and distinguishes excellence, believing that through sharing good practices can encourage other market operators to improve their performance.

This year, the panel of judges CFI.co Awards Programme considered that Banco Económico was a customer-oriented bank while also making a substantial financial investment in major projects in Angola. After restructuring its ownership structure and creating a new corporate image, the bank was completely revitalised. Its operational specialisation was designed to create a diverse range of financial products and services in line with the highest standards of the banking sector at national and international level.

As a result of its operating structure, with specialised business areas, Banco Económico offers a variety

of products and services adapted to the needs of different sectors - oil and gas, trade finance, investment banking and entrepreneurship – and other business areas with vital importance to the country.

The CFI.co judges recognised that Banco Económico prioritised the need to abide by the strictest standards of corporate governance and that it had placed regulatory compliance at the centre of its business model.

BEST MOBILE BANKING APPLICATION ANGOLA 2017



EconomicoNetApp of Banco Económico was considered the "Best Mobile Banking Application Angola 2017", for its excellent performance in the categories of "customer-focused products and services", "continuous investment in innovative technologies" and "dedication and commitment to quality improvement". The bank's mobile application has also been recognized for its intuitive user interface, which provides access to a wide range of services - such as account inquiries, product subscriptions, transfers and payments - as well as its robust security system.

The award granted to the mobile application of Banco Económico also recognized the Bank's strategic vision for the creation of digital banking solutions, as well as Banco Económico's ongoing commitment to innovation and the development of technology-based products to optimize the consumer experience.

5.13 SEPARATE AND CONSOLIDATED PROFIT/LOSS

Banco Económico reported a profit of AOA 6.012 thousand millions in its separate company accounts and a consolidated profit of AOA 6.008 million for the period.

INCOME STATEMENT

Millions of Kwanzas	Separate			Consolidated		
	2016	2017	Var	2016	2017	Var
Financial Results	-2 477 531	11 471 934	-	-2 431 022	11 485 889	-
Commissions	4 807 203	8 094 990	68%	5 578 378	8 772 712	57%
Exchange gains and losses	10 967 280	3 789 171	-65%	11 184 908	3 787 503	-66%
Others	-101 348	4 739 523	-	-456 963	4 619 924	-
Banks operating income	13 195 604	28 095 618	113%	13 875 301	28 666 028	107%
Operating Costs	16 714 138	19 172 684	15%	16 977 981	19 698 881	16%
Provisions	810 490	2 910 609	259%	810 710	2 874 518	255%
Taxes	0	0	0%	226 163	57 293	-75%
Non-Controlling interests	0	0	0%	187 335	26 489	-86%
Net Income	-4 329 024	6 012 325	-	-4 326 888	6 008 847	-

FINANCIAL RESULT

2017 was the year of recovery of the financial result, after settlement of the financing granted by the National Bank of Angola in March. The increase in credit interest rates also contributed to the improvement in the financial result, as did the investment of excess liquidity in 1-year term public debt and the maintenance of the average interest rate on customer funds.

It is estimated that in 2018 the improvement in net interest income will continue.

FEES AND COMMISSIONS

Banking fees increased considerably, essentially due to recovery of international operations, such as payment instruments and trade finance.

Thousands of Kwanzas	2016	2017	Var
Commissions	4 807 203	8 094 990	68%
Trade finance	1 223 605	2 887 959	136%
Debit and Credit Cards	1 066 123	1 305 528	22%
Transfers	594 039	1 229 287	107%
Loans and guarantees	427 300	1 288 831	202%
Tax collection	231 401	558 000	141%
Others	1 264 735	825 385	-35%

FOREIGN EXCHANGE RESULTS

Foreign exchange results decreased compared to 2016 because of the stability of the national currency exchange rate in 2017. In 2016, the national currency suffered a devaluation of 23%, which contributed positively to the foreign exchange results. Despite this reduction, the foreign exchange result was around AOA 3.8 thousand millions, also driven by the recovery of international activity related to means of payment and international trade operations.

OPERATING COSTS

Our programme of reduction and control of costs that began in 2015 continued to show good results, and total costs grew 15% in 2017, below the 26% inflation registered in the period.

Thousands of Kwanzas	2016	2017	Var
Personnel expenses	7 433 592	9 146 276	23%
Services	6 891 448	7 786 684	13%
Amortizations	2 389 098	2 239 524	-6%
Total	16 714 138	19 172 484	15%

The increase in human resources costs is due to the job review plan and the performance awards.

PROVISIONS

At the level of provisions, the 2017 fiscal year was marked by the recovery of derecognized credits of AOA 4.7 thousand millions and the release of provisions for credit of AOA 2.2 thousand millions. The recovery of credits is recorded in the caption other financial income.

Thousands of Kwanzas	2016	2017	Var
Provisions	810 490	2 910 609	259%
Loans	4 617 769	2 224 675	-52%
General	-3 807 279	685 934	-

5.14

OUTLOOK FOR FUTURE ACTIVITY

As defined in the Bank's Business Plan, Banco Económico expects the preservation of liquidity and Equity autonomy and no further extraordinary measures concerning these matters are planned.

Growth through the increase of customers' portfolio by introducing new products and services. The Bank's commercial performance and quality will be privileged.

The financing of the economy will be assured by growth in Bank financing, ensuring the maintenance of the current transformation ratio.

The total settlement of Banco Nacional de Angola loan in March 2017 and combined with the costs reduction measures this enabled the Bank to return to the profit, from that date.

The increase in profitability, anticipated with the commercial development of Banco Económico, will progressively strengthen solvency levels.



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06.

**APPROVAL
OF THE BOARD
OF DIRECTORS**

6.1 ANNUAL REPORT AND ACCOUNTING DOCUMENTS

The Board of Directors is responsible for the preparation, integrity and objectivity of the separate and consolidated financial statements and other information contained in this report.

Following good corporate governance practices, the Board of Directors is not aware of any circumstances that change their conviction that:

- The bank and its subsidiaries have internal accounting and administrative control systems to ensure that their assets are safeguarded and that their operations and transactions are performed and accounted for in compliance with the standards and procedures in place.
- The separate and consolidated financial statements for the financial years ending on 31 December 2017 and 2016, which have been audited and prepared in compliance with the regulations in force in Angola, give a true, appropriate picture of the separate and consolidated assets, liabilities, equity profit/loss and cash flows.
- The Annual Report gives an accurate description of the business performance and financial position in separate and consolidated terms for the financial years of 2017 and 2016.

6.2 PROPOSED APPROPRIATION OF PROFITS

As required by the articles of association, the Board of Directors hereby submits to the General Meeting of Shareholders the proposed appropriation of the profit/loss for 2017, as follows:

- For legal reserve equivalent to 10% of the net result of the year of AOA 601.232.473,50;
- For retained earnings, the amount of AOA 5.411.092.261,47.

6.3 ACKNOWLEDGEMENTS

The Board of Directors would like to thank its customers, suppliers and shareholders for their confidence, its employees for their loyalty and dedication and the government and supervisory authorities for their cooperation.

Luanda, June 14th, 2018

Board of Directors



BancoEconómico
Somos futuro



07.

**SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017**

INCOME STATEMENT

SEPARATE INCOME STATEMENT

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

	Notes	31.12.2017	31.12.2016
Interest and similar income	4	51,723,050	54,306,149
Interest and similar expenses	4	(40,251,116)	(56,783,680)
Net interest income		11,471,934	(2,477,531)
Fees and commissions income	5	8,506,130	5,369,879
Fees and Commissions expenses	5	(411,140)	(562,676)
Results of financial assets and liabilities carried at fair value through profit or loss	8	(23)	-
Results of available-for-sale financial assets	7	433,306	-
Results of other financial assets		-	-
Foreign Exchange gains/losses	6	3,789,171	10,967,281
Other operating income	9	4,134,436	(483,484)
Incoming from banking		27,923,814	12,813,469
Technical margin of insurance activity		-	-
Income from banking and insurance		27,923,814	12,813,469
Staff costs	10	(9,146,276)	(7,433,592)
Third-party supplies & services	11	(7,786,884)	(6,891,448)
Depreciation and amortisation	22 e 23	(2,239,524)	(2,389,098)
Provisions net of annulments	28	(280,034)	82,952
Impairment for loans and advances to customers net of reversals and recoveries	20 and 28	(2,224,675)	(4,617,769)
Impairment for other assets net of reversals and recoveries	25	(405,900)	3,724,327
Profit/(loss) from associated companies and joint ventures	24 e 28	171,804	382,135
PRE-TAX INCOME OF ONGOING OPERATIONS		6,012,325	(4,329,024)
Income taxes		-	-
Current	13	-	-
Deferred	13	-	-
AFTER-TAX INCOME OF ONGOING OPERATIONS		6,012,325	(4,329,024)
Results of from discontinued and/or in discontinuation operations			
NET INCOME		6,012,325	(4,329,024)
Average number of ordinary shares issued		72,000,000	72,000,000
Basic profit/(loss) per ordinary share	12	0.08	(0.06)
Diluted profit/(loss) per ordinary share	12	0.08	(0.06)

The notes to the accounts form an integral part of these financial statement.

The Accounts Management
Denise Henriques

The Board
Sanjay Bhasin

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

	Notes	31.12.2017	31.12.2016
Interest and similar income	4	51,723,050	54,303,813
Interest and similar expenses	4	(40,237,161)	(56,734,835)
Net interest income		11,485,889	(2,431,022)
Fees and commissions income	5	9,217,675	6,177,610
Fees and Commissions expenses	5	(444,963)	(599,232)
Results of financial assets and liabilities carried at fair value through profit or loss	8	(23)	-
Results of available-for-sale financial assets	7	433,306	-
Results of other financial assets		-	-
Foreign Exchange gains/losses	6	3,787,503	11,184,908
Other operating income	9	4,099,509	(520,123)
Incoming from banking		28,578,896	13,812,141
Technical margin of insurance activity		-	-
Income from banking and insurance		28,578,896	13,812,141
Staff costs	10	(9,469,980)	(7,519,232)
Third-party supplies & services	11	(7,963,341)	(7,061,584)
Depreciation and amortisation	22 e 23	(2,265,560)	(2,397,165)
Others provisions	28	(280,034)	82,952
Impairment for loans and advances to customers net of reversals and recoveries	20 e 28	(2,188,584)	(4,615,634)
Impairment for other assets net of reversals and recoveries	25	(405,900)	3,721,972
Profit/(loss) from associated companies and joint ventures	24 e 28	87,132	63,160
PRE-TAX INCOME OF ONGOING OPERATIONS		6,092,629	(3,913,390)
Income taxes			-
Current	13	(57,293)	(226,163)
Deferred	13	-	-
AFTER-TAX INCOME OF ONGOING OPERATIONS		6,035,336	(4,139,553)
Results of from discontinued and/or in discontinuation operations			
Non-Controlling Interests		(26,489)	(187,335)
NET INCOME		6,008,847	(4,326,888)
Average number of ordinary shares issued		72,000,000	72,000,000
Basic profit/(loss) per ordinary share	12	0.08	(0.06)
Diluted profit/(loss) per ordinary share	12	0.08	(0.06)

The Accounts Management

Denise Henriques

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BALANCE SHEET STATEMENT

SEPARATE BALANCE SHEET

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

	Notes	31.12.2017	31.12.2016
ASSETS			
Cash and deposits at central banks	14	138,59,166	72,344,391
Cash and deposits at other credit institutions	15	34,755,931	69,847,033
Loans and advances to central banks and other credit institutions	16	81,968,105	56,070,540
Available for sale financial assets	17	119,236,292	133,507,887
Investments held to maturity	18	29,485,581	-
Financial assets held for trading	19	1,635	-
Loans and advances to customers	20	178,835,613	163,997,223
Non-current assets held for sale	21	5,155,788	414,534
Other tangible assets	22	45,324,533	46,367,972
Intangible assets	23	2,144,991	1,463,292
Investments in associates and joint ventures	24	1,517,075	1,216,878
Other assets	25	283,681,147	558,594,598
Total assets		920,655,858	1,103,824,348
Liability and Equity			
Deposits from central banks and other credit institutions	26	119,894,301	267,585,362
Deposits from customers and other loans	27	651,833,602	670,436,508
Liabilities held for trading	19	1,157	-
Provisions	28	4,671,044	4,004,022
Current tax liabilities	30	24,843	22,972
Subordinated debt	20	71,111,361	71,092,571
Other liabilities	30	24,706,293	48,243,893
Total Liabilities		872,242,602	1,061,385,328
Share capital	32	72,000,000	72,000,000
Fair value reserves	31	0	79,567
Other reserves	31	23,903,096	23,903,096
Revaluation reserves		-	-
Retained earnings	31	53,502,165	49,055,485
Non-Controlling Interests		-	-
Net Income		6,012,325	(4,329,024)
EQUITY			
Total Equity		48,413,256	42,439,020
Total liabilities and equity		920,655,858	1,103,824,348

The Accounts Management

Denise Henriques

The Board

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BALANCE SHEET STATEMENT

CONSOLIDATED BALANCE SHEET

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

	Notes	31.12.2017	31.12.2016
ASSETS			
Cash and deposits at central banks	14	138,549,167	72,344,393
Cash and deposits at other credit institutions	15	34,944,313	69,847,033
Loans and advances to central banks and other credit institutions	16	81,968,105	56,070,540
Available for sale financial assets	17	119,236,292	133,509,334
Investments held to maturity	18	29,485,581	-
Financial assets held for sale	19	1,635	-
Loans and advances to customers	20	178,818,324	163,945,978
Non-current assets held for sale	21	5,155,788	414,534
Other tangible assets	22	45,486,377	46,381,453
Intangible assets	23	2,146,429	1,465,225
Investments in associates and joint ventures	24	433,968	166,427
Other assets	25	283,873,662	558,849,483
Total assets		920,099,641	1,102,994,400
Liability and Equity			
Deposits from central banks and other credit institutions	26	119,894,301	267,585,362
Deposits from customers and other loans	26	649,811,984	668,408,829
Liabilities held for sale	19	1,157	-
Provisions	28	4,592,128	3,987,211
Current tax liabilities	30	491,310	432,146
Subordinated debt	29	71,111,361	71,092,571
Other liabilities	30	25,064,794	48,463,462
Total Liabilities		870,967,035	1,059,969,581
Share capital	32	72,000,000	72,000,000
Fair value reserves	31	0	(79,567)
Other reserves	31	23,903,096	23,903,096
Revaluation reserves		-	-
Retained earnings	31	(53,500,028)	(49,055,485)
Non-Controlling Interests	31	720,692	583,663
Net Income		6,008,847	(4,326,888)
EQUITY			
Total Equity		49,132,607	43,024,819
Total liabilities and equity		920,099,641	1,102,994,400

The Accounts Management

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STATEMENT OF COMPREHENSIVE INCOME

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

	Notes	31.12.2017	31.12.2016
Profit / (Loss) for the year		6,012,325	(4,329,024)
Other comprehensive profit/(loss) for the year			
Other comprehensive profit/(loss) for the year			
Pensions		-	-
		-	-
Items that may be reclassified as profit/(loss)			
Available for sale financial assets			
Gains and losses for the financial year	17	79,567	(184,172)
Deferred taxes		-	--
		79,567	(184,172)
Total comprehensive profit/(loss) for the year		6,091,891	(4,513,196)

The Accounts Management

Denise Henriques

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STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

	Notes	31.12.2017	31.12.2016
Profit / (Loss) for the year		6,008,847	(4,326,888)
Other comprehensive profit/(loss) for the year			
Other comprehensive profit/(loss) for the year			
Pensions		-	-
		-	-
Items that may be reclassified as profit/(loss)			
Available for sale financial assets			
Gains and losses for the financial year	17	79,567	(184,172)
Deferred taxes		-	--
Total comprehensive profit/(loss) for the year		6,088,414	(4,511,610)

The Accounts Management

Denise Henriques

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CHANGES IN EQUITY

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

				Reserves retained earnings and other comprehensive income			Profit / (Loss) for the year	Total equity
	Share Capital	Share Premium	Own shares	Fair value reserves	Other reserves, retained earnings and other comprehensive income	Total		
Balance as at December 2016	72,000,000	-	-	104,605	(34,933,099)	(34,828,494)	9,316,226	46,487,732
Other comprehensive income	-	-	-	(184,172)	-	(184,172)	-	(184,172)
Changes in fair value net of tax	-	-	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	(4,329,024)	(4,329,024)
Net profit/(loss) for the year								
Total comprehensive income for the year	-	-	-	(184,172)	-	(184,172)	(4,329,024)	(4,513,196)
Increase in Capital	-	-	-	-	-	-	-	-
Transfers of Reserves	-	-	-	-	9,316,226	9,316,226	9,316,226	-
Other movements	-	-	-	-	464,484	464,484	-	464,484
Balance as at December 31, 2016	72,000,000	-	-	(79,567)	(25,152,389)	(25,231,956)	(4,329,024)	42,439,020
Other comprehensive income	-	-	-	79,567	-	79,567	-	79,567
Changes in fair value net of tax	-	-	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	6,012,325	6,012,325
Total comprehensive income for the year	-	-	-	79,567	-	79,567	6,012,325	6,091,891
Increase in Capital	-	-	-	-	-	-	-	-
Transfers of Reserves	-	-	-	-	(4,329,024)	(4,329,024)	4,329,024	-
Other movements	-	-	-	-	(117,656)	(117,656)	-	(117,656)
Balance as at December 31, 2017	72,000,000	-	-	0	(29,599,069)	(29,599,069)	6,012,325	48,413,256

The Accounts Management
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CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

				Reserves retained earnings and other comprehensive income			Profit / (Loss) for the year		Total equity
	Share Capital	Share Premium	Own shares	Fair value reserves	Other reserves, retained earnings and other comprehensive income	Total			
Balance as at December 2016	72,000,000	-	-	104,606	(34,933,099)	(34,828,494)	426,715	9,316,226	46,914,449
Other comprehensive income	-	-	-	(184,172)	-	(184,172)	-	-	(184,172)
Changes in fair value net of tax	-	-	-	-	-	-	-	-	-
Actuarial deviations	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	(4,326,888)	(4,326,888)
Net profit/(loss) for the year									
Total comprehensive income for the year	-	-	-	(184,172)	-	(184,172)	-	(4,326,888)	(4,511,060)
Non-controlling interests	-	-	-	-	-	-	156,948	-	156,948
Increase in Capital	-	-	-	-	-	-	-	-	-
Transfers of Reserves	-	-	-	-	9,316,226	9,316,226	-	9,316,226	-
Other movements	-	-	-	-	464,484	464,484	-	-	464,484
Balance as at December 31, 2016	72,000,000	-	-	(79,567)	(25,152,389)	(25,231,956)	(583,663)	(4,326,888)	43,024,819
Other comprehensive income	-	-	-	79,567	-	79,567	-	-	79,567
Changes in fair value net of tax	-	-	-	-	-	-	-	-	-
Actuarial deviations	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	6,008,847	6,008,847
Total comprehensive income for the year	-	-	-	79,567	-	79,567	-	6,008,847	6,088,414
Non-controlling interests	-	-	-	-	-	-	137,028	-	137,028
Increase in Capital	-	-	-	-	-	-	-	-	-
Transfers of Reserves	-	-	-	-	(4,326,888)	(4,326,888)	-	4,326,888	-
Other movements	-	-	-	-	(117,656)	(117,656)	-	-	(117,656)
Balance as at December 31, 2017	72,000,000	-	-	0	(29,596,933)	(29,596,933)	720,692	6,008,847	48,132,606

The Accounts Management
Denise Henriques

The Board
Sanjay Bhasin

CASH-FLOW STATEMENT

SEPARATE CASH-FLOW STATEMENT

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

Description	Notes	31.12.2017	31.12.2016
Cash Flow From Financing Activities		-21,353,091	-34,585,987
Income Received From Financial Instruments		32,705,260	20,852,834
Income received from Liquidity investments		1,080,139	309,601
Income Received From Bonds And Securities		10,763,061	5,774,880
Income received from Derivative financial instruments		0	0
Income Received From Loans to Customers		20,862,060	14,768,353
(-) Payments Of Debt Financial Instruments Expenses		-54,058,351	-55,438,820
Payments of Customer Deposit Expenses		-39,368,849	-22,411,817
Payments of liquidity funding expenses		-11,115,988	-29,495,463
Payments of Customer Deposit Expenses		-3,573,514	-3,531,541
Cash Flow From results of Foreign Exchange Rate operations		3,309,923	300,574
Cash Flow From Financial Services Provided		8,094,990	4,807,203
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		-9,948,178	-29,478,210
(-) Payments Of Commercial And Administration Costs		-16,933,160	-14,325,040
Cash Flow From Operation on Settlement System		784,170	-278,242
Cash Flow From Trade Receivables and Payables		251,375,851	-56,262,150
Income received from Financial fixed assets		171,804	382,135
Cash Flow From Other Expenses and Operating Income		167,884	-483,484
RECEIVABLES AND PAYMENTS FROM OTHER OPERATING INCOME AND EXPENSES		235,566,548	-70,966,781
CASH FLOW FROM OPERATIONS		225,618,370	-100,444,990
Cash flow from Liquidity Investments		-25,897,565	-32,751,210
Cash Flow From Investments In Bonds And Security		14,351,158	-28,773,251
Cash Flow from Foreign-exchange investment operations		3,789,171	0
Cash Flow from Investment in loans		-17,777,236	-15,925,986
CASH FLOW FROM FINANCIAL INVESTMENT OPERATIONS		-25,534,472	-77,450,447
CASH FLOW FROM INVESTMENTS IN OTHER IN OTHER ASSETS		-4,741,254	-254,409
CASH FLOW FROM INVESTMENTS IN OTHER IN OTHER ASSETS		2,046,206	144,162
Cash flow from the sale of Fixed Assets		0	0
CASH FLOW FROM FIXED ASSETS		2,046,206	144,162
CASH FLOW FROM INVESTMENT ACTIVITIES		-28,229,519	-77,560,694
Cash Flow From Customer Deposits		-18,602,906	160,989,594
Cash flow from Liquidity Borrowings		-147,691,061	62,293,662
Cash Flow From Other Funding Operations		18,790	13,099,551
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		-166,275,177	236,382,807
CASH FLOW FROM FINANCING ACTIVITIES		-166,275,177	236,382,807
OPENING BALANCE OF CASH AND CASH EQUIVALENT		142,191,424	83,814,301
CLOSING BALANCE OF CASH AND CASH EQUIVALENT	14 and 15	173,305,097	142,191,424
CHANGE IN CASH AND CASH EQUIVALENT	14 and 15	31,113,673	58,377,122

The Accounts Management

Denise Henriques

The Board

Sanjay Bhasin

CASH-FLOW STATEMENT

CONSOLIDATED CASH-FLOW STATEMENT

FOR THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2017 AND 2016

(Thousands of kwanzas)

Description	Notes	31.12.2017	31.12.2016
Cash Flow From Financing Activities		-21,353,091	-34,857,065
Income Received From Financial Instruments		32,705,260	20,852,834
Income received from Liquidity investments		1,080,139	309,601
Income Received From Bonds And Securities		10,763,061	5,774,880
Income received from Derivative financial instruments		0	0
Income Received From Loans to Customers		20,862,060	14,768,353
(-) Payments Of Debt Financial Instruments Expenses		-54,058,351	-55,709,899
Payments of Customer Deposit Expenses		-39,368,849	-22,411,817
Payments of liquidity funding expenses		-11,115,988	-29,495,463
Payments of Customer Deposit Expenses		-3,573,514	-3,802,619
Cash Flow From results of Foreign Exchange Rate operations		3,309,923	300,574
Cash Flow From Financial Services Provided		8,094,990	4,807,203
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		-9,948,178	-29,478,210
(-) Payments Of Commercial And Administration Costs		-16,744,780	-14,325,040
Cash Flow From Operation on Settlement System		784,170	-278,240
Cash Flow From Trade Receivables and Payables		251,375,851	-56,262,150
Income received from Financial fixed assets		171,804	382,135
Cash Flow From Other Expenses and Operating Income		167,885	-483,484
RECEIVABLES AND PAYMENTS FROM OTHER OPERATING INCOME AND EXPENSES		235,754,929	-70,966,779
CASH FLOW FROM OPERATIONS		225,806,751	-100,716,066
Cash flow from Liquidity Investments		-25,897,565	-32,751,210
Cash Flow From Investments In Bonds And Security		14,351,158	-28,773,251
Cash Flow from Foreign-exchange investment operations		3,789,171	0
Cash Flow from Investment in loans		-17,777,236	-15,925,986
CASH FLOW FROM FINANCIAL INVESTMENT OPERATIONS		-25,534,472	-77,450,447
CASH FLOW FROM INVESTMENTS IN OTHER IN OTHER ASSETS		-4,741,254	-254,409
CASH FLOW FROM INVESTMENTS IN OTHER IN OTHER ASSETS		2,046,206	144,162
Cash flow from the sale of Fixed Assets		0	0
CASH FLOW FROM FIXED ASSETS		2,046,206	144,162
CASH FLOW FROM INVESTMENT ACTIVITIES		-28,229,519	-77,560,694
Cash Flow From Customer Deposits		-18,602,906	160,989,594
Cash flow from Liquidity Borrowings		-147,691,061	62,293,662
Cash Flow From Other Funding Operations		18,790	13,099,551
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		-166,275,177	236,382,807
CASH FLOW FROM FINANCING ACTIVITIES		-166,275,177	236,382,807
OPENING BALANCE OF CASH AND CASH EQUIVALENT		142,191,426	83,085,380
CLOSING BALANCE OF CASH AND CASH EQUIVALENT	14 and 15	173,493,480	142,191,426
CHANGE IN CASH AND CASH EQUIVALENT	14 and 15	31,302,054	58,106,046

The Accounts Management

Denise Henriques

The Board

Sanjay Bhasin

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

NOTE 1 INTRODUCTION

Banco Económico, SA (the Bank or BE) is a universal commercial bank that is domiciled and operates in Angola, at no. 27 of Rua do 1º Congresso, Ingombota, Luanda. It has all the necessary authorisations from the competent Angolan authorities, including that granted by Banco Nacional de Angola (BNA or Central Bank).

BE changed its name on 28 October 2014, after applying restructuring measures ordered by the BNA. BE resulted from the renaming of Banco Espírito Santo Angola S.A., which was originally founded in August 2001 and began operations on 24 January 2002.

BE has always been a privately owned banking institution established under Angolan law and its company objective is universal banking on the terms and within the scope allowed by law. BE's share capital is owned by six entities. Grupo Sonangol owns the largest shareholding (39.4%). The other shareholders are Lektron Capital, SA (30.98%), GENI (19.9%) and NOVO BANCO, S.A. (9.72%), which is its only banking shareholder (see Note 40 of the financial statements).

BE's share capital has been totally subscribed and paid amounting to AOA 72,000,000,000, and represented by 72,000,000 nominative shares, with a face value of AOA 1,000 each, equivalent to USD 9.90 on issue date.

NOTE 2 ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

In accordance with Notice 6/2016 of 22 June issued by Banco Nacional de Angola, the financial statements of Banco Económico, S.A. (Bank or Económico) are prepared in accordance with the International Financial Reporting Standards (IFRS).

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB)

and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and their predecessors.

The separate and consolidated financial statements of Banco Económico published here refer to the financial year ended 31 December 2017.

The financial statements are stated in thousands of kwanzas, rounded to the nearest thousand. They were prepared on a going concern principle, in accordance with the principle of historical cost, with the exception of assets and liabilities at fair value, such as derivatives, financial assets and liabilities at fair value through profit or loss and available for sale financial assets.

The preparation of financial statements in accordance with the IFRS requires the Bank to make judgements and estimates and use assumptions that affect the application of accounting policies and the amounts of earnings, costs, assets and liabilities. Changes in these assumptions or differences between them and the actual situation may have impacts on current estimates and judgements. The areas that involve a greater degree of judgement or complexity or where significant assumptions and estimates are used in preparing the financial statements are analysed in Note 3.

The financial statements for the year ending on 31 December 2017 were approved at a meeting of the Board of Directors on June 14, 2018.

2.2 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated into the functional currency (kwanza) at the foreign exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the foreign exchange rate in force on the date of the balance sheet. Exchange differences resulting from conversion are recognised under profit/loss. Non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are converted to the functional currency at the exchange rate in effect on the date of the balance sheet. Non-monetary assets and liabilities recorded at fair value are converted into the functional currency at the exchange rate in effect on the date on which the fair value is determined and recognised against profit/loss, with the exception of those recognised under available for sale financial assets, the difference of which is recognised against equity.

The exchange rates in force at the end of 2017 and 2016 are as follows:

CURRENCY		Exchange rates 2017	Exchange rates 2016
POUND STERLING	GBP	223 084	202 973
AMERICAN DOLLAR	USD	165 924	165 903
SWISS FRANC	CHF	169 612	162 141
SWEDISH KRONA	SEK	20 128	18 187
DANISH CROWN	DKK	26 621	23 404
CANADIAN DOLLAR	CAD	131 737	122 964
JAPANESE YEN	JPY	1 469	1 426
EURO	EUR	185 400	185 379
NAMIBIAN DOLLAR	NAD	13 951	13 951
SOUTH AFRICAN RAND	ZAR	13 451	12 167

2.3 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers include loans originated by the bank, whose intention is not to sell at short-term. They are recorded on the date on which the loan or advance is made to the customer. Loans and advances are initially recorded at fair value and subsequently at amortised cost net of impairment. Associated transaction costs are part of the effective interest rate of these instruments. Interest recognised by the effective interest rate method is recorded under net interest income.

Loans and advances to customers are derecognised from the balance sheet if (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 of holding them, the control over assets has been transferred.

Loans and advances to customers are initially recognised at their fair value plus transaction costs and are subsequently measured at amortised cost based on the effective interest rate method, being presented on the balance sheet net of impairment losses.

IMPAIRMENT

The Bank's policy consists of a regular assessment of the existence of any objective evidence of impairment in its loans portfolio. Any impairment losses identified are recorded against profit/loss and subsequently reversed through profit/loss if there is a reduction in the estimated loss in a subsequent period.

After initial recognition, a loan or portfolio of loans to customers, defined as a series of loans with

similar risk characteristics, may be classified as an impaired portfolio if there is objective evidence of impairment resulting from one or more events and if these events have an impact on the estimated value of the future cash flows from the loan or customer loan portfolio that can be reliably estimated.

According to IAS 39 there are two methods for calculating impairment losses:

(i) individual assessment and (ii) collective assessment.

(i) Individual assessment

Assessment of the existence of impairment losses in individual terms is determined by an analysis of total exposure of each loan case by case. For each loan considered individually significant, on each balance sheet date, the Bank assesses the existence of evidence of impairment.

The following factors are considered when determining individual impairment losses:

- total exposure of each customer at the Bank and the existence of overdue loans;
- the economic and financial viability of the customer's business and his ability to generate sufficient cash flows when comparing to their debt in the future;
- the existence, nature and estimated value of the collateral of each loan;
- any significant deterioration in the customer's rating;
- the customer's assets in the event of liquidation or insolvency;
- the existence of preferential creditors;
- the estimated amount and timing of recovery;
- other factors.

Impairment losses are calculated by comparing the current value of expected future cash flows discounted at the original effective interest rate of each contract and the book value of each loan.

Losses are recorded against profit/loss. The book value of impaired loans is recorded in the balance sheet net of impairment losses. For loans at a variable interest rate, the discount rate used is the effective annual interest rate in force in the period in which impairment was determined.

(ii) Collective assessment

Loans and advances that have shown no objective evidence of impairment are grouped together in order to determine impairment losses in collective terms. This analysis enables the Bank to recognise losses that, in individual terms, will only be identified in future periods.

Impairment losses based on a collective analysis are calculated from two perspectives:

- For homogeneous groups of loans not considered individually significant; or
- In relation to losses incurred but not identified (IBNR) in loans for which there is no objective evidence of impairment.

Impairment losses in collective terms are determined on the basis of the following aspects:

- Historic experience of losses in portfolios with a similar risk;
- Knowledge of current economic and credit situations and their influence on historical losses; and
- The estimated period between the occurrence of the loss and its detection.

Segmentation of loan portfolios for collective analysis

According to IAS 39, non-significant customers are included in homogeneous segments with a similar credit risk, taking account of the Bank’s management model and the determination of impairment on a collective basis. The aim is to ensure that, for the purpose of analysing these exposures and determining risk parameters, they have similar risk characteristics.

The Bank decided to segment exposure for calculating risk parameters on the basis of two aspects: i) segmentation based on type of customer and products (homogeneous populations) and ii) on risk buckets. Customers and/or operations are classified at each moment in time on the basis of these two aspects, which are later used as the basis for estimating risk parameters by segment.

Some characteristics of loan operations, such as type of customer and type of product were considered as relevant segmentation factors when estimating risk parameters for the purpose of defining homogeneous populations.

In order to ensure that the portfolio was segmented in accordance with regulatory requirements and the necessary statistical relevance for determining solid risk parameters, was defined the following segmentation:

Type of customer	Segment
Individual	Loans to employees
	Consumer credit
	Mortgages
	Overdrafts – private customers
	Bank guarantees, CDIs and SBLCs
	Loans - private customers
	Leasing - private customers
Companies	Current accounts
	Overdrafts – companies
	Loans – companies
Public sector	Bank guarantees, CDIs and SBLCs
	Leasing – companies Public sector

Signs of impairment

According to the IFRS, a financial asset or a group of financial assets is impaired and at risk of impairment losses if, and only if, there is objective proof of impairment as a result of one or more events that occurred after initial recognition of the asset and if this loss event has an impact on estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

Institutions must ensure timely detection of losses incurred and recognition in their accounts of the associated impairment. They must abide by conservative signs of impairment appropriate to each credit segment. The Bank therefore conducted an analysis of the profile of its loan portfolio in order to detect the most important factors for identifying deterioration of their customers’ credit situation.

Primary signs of impairment

When identifying signs of impairment that are relevant to its portfolio, the Bank defined a number of factors based on information that is stored in its information system and could therefore be detected in automatic processes.

The bank considered, in accordance with its capacity to extract information, that the following were primary signs of impairment:

Sign	#	Segment	Responsibility	Support application	Inclusion criteria	Exclusion criteria
Overdue	T1	All segments	DRCC	Flexcube	Existence of one operation, at least, with overdue instalment or interests, i.e. one instalment or coupon overdue more than 30 days.	1 year
Restructured operations	T2	Segments	DRCC	Flexcube	Restructured operations resulting from clients financial difficulties, which was marked in system.	2 years
Internal information on rejected cheques	T4	All segments	DOP	Flexcube	Clients with rejected cheques.	Not applicable
Non-authorised overdrafts	T6	All segments	DRCC	KIWI	Non-authorised overdrafts more than 30 days	1 year
Material decrease on real guarantee's value	T8	All segments	DRCC	KIWI	Material decrease on real guarantee's value	Not applicable
Operation in litigation on the last 5 years	T9	All segments	DRCC	KIWI	Operation in litigation on the last 5 years	Not applicable
Internal risk rating below x (to be defined)	T11	All segments	DRCC	KIWI	Internal risk rating below x (to be defined)	Not applicable

Identification of primary signs of impairment is performed by the Bank's collateral management system during the process of integration with the Bank's core system.

Additional signs of impairment

In order to identify a broader set of signs of impairment, the Bank devised a process to regularly identify factors for significant customers that show no primary signs of impairment. These signs are as follows:

Sign	#	Segment	Responsibility	Support application	Inclusion criteria	Exclusion criteria
CIRC Information	T3	All segments	DRCC	Kiwi (1)	Client has least one credit operation which is overdue over 90 days in CIRC (risk grade D). As long as it is representative of 2% of the client's responsibilities in the financial system.	Not Applicable
Excessive use of limits	T5	All segments	DRCC	Kiwi (2)	Use of renewable credit operations, namely current accounts and overdrafts, used permanently in minimum of 95% of the initial contract limit.	Not Applicable
External Information regarding returned bank checks	T7	All segments	DRCC	Kiwi (1)	Clients whose bank checks have been returned to other OIC's.	Not Applicable
Insolvency expectation	T10	All segments	DRCC	Kiwi	Client with insolvency expectations or part of a financial/Operational recuperation/process.	Not Applicable
Existence of fiscal debt and/or Social Security	T12	All segments	DRCC	Kiwi	Identifying the existence of fiscal debts and/ or debt to Social Security.	Not Applicable
Client status unemployed or prolonged illness	T13	All segments	DRCC	Kiwi	Identifying the existence of an unemployment or prolonged illness situation.	Not Applicable
Attachment of bank accounts	T14	All segments	DRCC	Kiwi	Identifying the existence of attachments regarding the client's bank accounts.	Not Applicable

(1): Signal verified in client's risk review, as long as it not an automatic signal.

(2): Signal verified in client's risk review.

Materiality criteria

According to the requirements set out in IAS 39, an entity must first assess whether objective proof of impairment exists for financial assets that are individually significant. Exposures that are significant to the profile and size of the loan portfolio must be analysed separately.

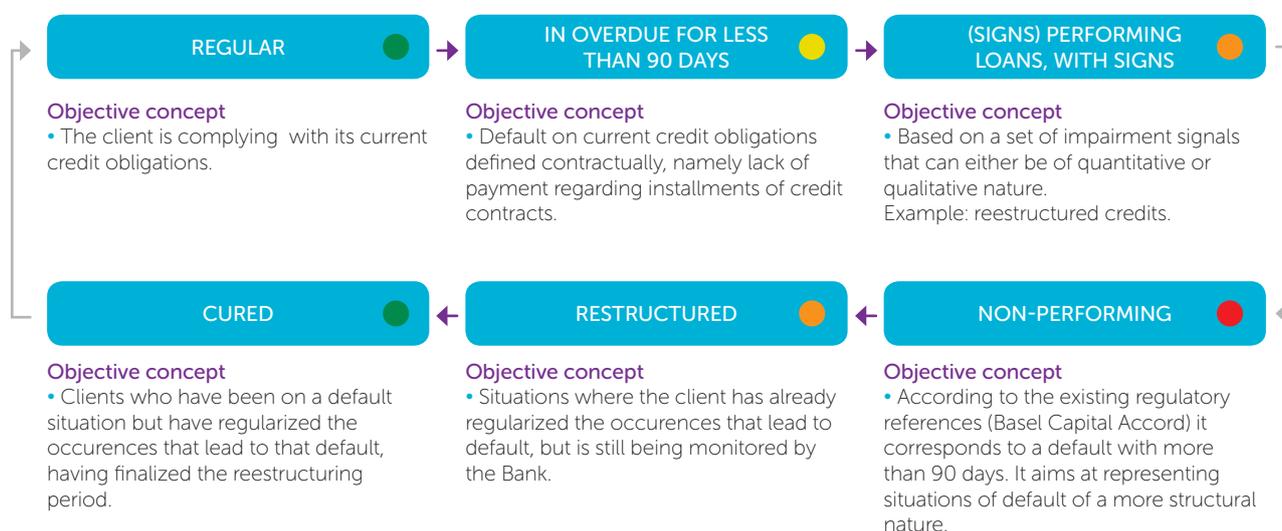
In order to identify individually significant exposures, the Bank has defined the institution's own funds as a benchmark for identifying significant exposures. The Bank's criteria for identifying individually significant customers or economic groups were as follows¹:

(i) Segment	Criterion
Customers or economic groups with signs of impairment	0.25% of the institution's own funds
Customers or economic groups without signs of impairment	1% of the institution's own funds

The overall amount of exposure of each customer or economic group does not consider conversion factors applied for off-balance-sheet exposures.

Defining risk class

When determining impairment losses for loans analysed on a collective basis, in line with regulatory requirements, the Bank classifies exposures to the following classes of risk:



¹ The threshold of 0.25% is higher than the 0.1% set in Annex III of the draft BNA Instruction (part 3 (2)). The reason for this decision is the need to guarantee that the number of individual assessments performed by DRCC specialists is within an acceptable limit considering the Bank's installed capacity (number of resources and average analysis time in the implementation phase of the model). The combination of the two criteria used actually helps categorise customers as individually significant in a highly substantial percentage of the loan portfolio (over 80%).

The criteria for inclusion in and exclusion from each risk bucket are as follows:

Risk bucket	Inclusion criteria	Exclusion criteria
(D) Non-performing	<ul style="list-style-type: none"> - Overdue operations for more than 90 days - Unauthorised overdrafts or use of lines of credit above the approved limit for more than 90 days - Customers that are insolvent or in liquidation. <p>The client's entire exposure must be considered in default whenever exposures in overdue for over 90 days exceed 20% of the client's total exposure.</p>	<p>A loan may be moved from default to quarantine when it is less than 30 days overdue and the amount owed has been reduced.</p> <p>Period of quarantine of one year (12 months) during which the operation must always be overdue for less than 30 days (the count restarts whenever this delay is exceeded).</p>
(V) In overdue for less than 90 days	Operations overdue for 30 to 90 days	Move to regular loan and with no signs of: i) a reduction in overdue to less than 30 days, or ii) no signs of impairment for operations overdue for less than 30 days.
(Signs) Performing loans, with signs	operations in overdue for less than 30 days with signs of impairment	Move to regular loan and with no signs of: i) a reduction in overdue to less than 30 days, or ii) no signs of impairment for operations overdue for less than 30 days.
(R) Restructured	loans restructured due to financial difficulties	<p>De-flagging after a minimum of two years from the date of restructuring until all the following conditions have been met:</p> <ul style="list-style-type: none"> a) regular repayment of principal during this period to a cumulative amount equivalent to at least half the amount of principal that would be owed if a payment plan of constant instalments had been set up b) no overdue repayments of principal or interest for a period of more than thirty days for any of the customer's loan operations c) no use of debt restructuring mechanisms by the customer in this period
Cured	operations that are no longer in overdue, with a simultaneous improvement in the situation of the debtor, who has no overdue amounts and has been in quarantine for one year	Move to regular loan after 12 months
Regular	operations in overdue for less than 30 days with no signs of impairment	N/A

Emergency Period

The process for calculating the risk parameter probability of default (PD) is based on segmentation defined by the Bank. Each segment represents a homogeneous group of customers or operations.

It is necessary to ensure that each PD segment is homogeneous in terms of customers and that they are heterogeneous from each other. This makes it possible to ensure that the risk is managed homogeneously in the different segments of the portfolio, so that two customers with similar risk profiles will have the same probability of default.

Calculation of impairment for losses incurred but not reported depends on the definition of the emergency period, which is the period of time between default and its' detection by the Bank.

The Bank's assumed that emergency period was 12 months.

COLLATERAL ASSESSMENT PROCESS

Guarantees are assessed regularly ensuring that the Bank has updated information on the value of these instruments and consequently of their capacity to mitigate the risk of loan operations.

The KIWI system automatically generates red flags for reassessment of collateral.

Loan granting phase

When approval of loans is being assessed, whenever it is necessary for the customer to provide a guarantee and if the type of guarantee or collateral requires an assessment and validation of its value, in the case of property the Department of Assets, Maintenance and Imports (DPL) is asked to handle this assessment, initiating the assessment process with certified external appraisal firms for the purpose. For other types of collateral, a request is sent to the DRCC.

Monitoring of loans

Regarding the periodic reassessment of collateral on the basis of Notice 10/2014 for new evaluation of mortgage collaterals, it was decided that the Commercial Department would be responsible for identifying guarantees requiring reassessment (based on the collateral management system). It would then contact the DPMI which initiate the process of hiring external appraisers.

Loan recovery phase

Whenever necessary in the loan recovery phase, in order to determine the recoverable amount by guarantees execution or to support a loan restructuring process, the Risk and Credit Control Department (DRCC) can request reassessment of guarantees associated with operations under its management.

The value of the assessment of each type of guarantee is determined on the basis of the specificities of each instrument, considering the following criteria:

(ii) Property

The guaranteed appraised value is considered to be the minimum of the appraised value and the maximum mortgage amount, after the amounts of other mortgages not held by the bank and having priority over it have been subtracted, whenever this information is available.

According to Notice 10/2014 of December 2014 on guarantees accepted for prudential purposes, property rights must be reassessed at least every two years, whenever the position at risk represents:

- 1% or more of the Bank's total loan portfolio or more AOA 100,000,000, or
- Loans overdue for more than 90 days and/or other material signs of impairment since that the last assessment date was more than 6 months ago, or
- Other types of changes in market conditions with an important potential impact on the value of properties and/or in one or more groups of properties with similar characteristics.

The values and dates of assessment of guarantee are recorded in the collateral management system, which issue flags for reassessment dates.

(iii) Pledge of term deposits

The value of the guarantee will be the nominal value of the deposit and its interests (if they are also pledged).

OTHER GUARANTEES

For other guarantees, such as equipment, brands and works of art, we consider the market value based on an appraisal made less than one year previously by a trustworthy entity with specific competence for the particular nature of each guarantee. For these types of guarantees to be assessed, ownership, custody and operating conditions of the assets must be verified.

Any exceptions to this rule are subject to professional judgement and adjustments should be applied considering the specific nature of the assets.

If the guarantee has not been appraised, or it is not possible to verify ownership or custody of the assets, the value of the guarantee will not be considered for the purpose of calculating impairment losses.

In view of the difficulties involved in a careful, accurate assessment of this type of guarantee, the Bank has chosen to take a conservative approach and not consider them mitigating factors of the credit risk.

OTHER FINANCIAL ASSETS PLEDGED

In the case of quoted shares and securities, the value considered is the market value on the date of reference of the report. In the case of unquoted shares and securities, assessments made by the discounted cash-flow method or another method that may be deemed more appropriate are considered. Assessments made by the discounted cash-flow method use appropriate entities on the basis of the last accounts audited no more than 18 months previously. Any exceptions to this rule are subject to professional judgement in accordance with the specific circumstances of their evaluation and the characteristics of each type of financial asset considered.

The methods used by the Bank as alternatives to the assessment of unquoted shares or securities are (i) the market multiples method or (ii) the adjusted asset value method. The choice of method depends on the available information and specific characteristics of each instrument at the time of the assessment. The bank may decide at any time on which method is the most appropriate.

In order to take a conservative approach in the incorporation of guarantees into the loan portfolio, the Bank has set out a series of haircuts that are intended to reflect the risk of using the guarantees. It can be divided into two aspects: i) legal and procedural obstacles and ii) the volatility of their market value.

REVERSAL OF IMPAIRMENT

If in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event that occurred after recognition of the impairment, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the profit/loss for the year.

WRITTEN-OFF LOANS

Loans are written-off when there are no realistic prospects of recovery from an economic point of view and, in case of collateralised operation, the funds from the collateral have already been received, using impairment losses when they correspond to 100% of the non-recoverable loans.

2.4 FINANCIAL INSTRUMENTS

(I) CLASSIFICATION, INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The Bank recognises receivables accounts and payable accounts, deposits, debt securities and subordinated borrowings on the date on the date of origination. All other financial instruments are recognised on the date of the transaction, which is the moment at which the Bank becomes a party to the agreement, and are classified on the basis of their underlying intention in accordance with the following categories:

- Financial assets at fair value through profit or loss and within this category as:
 - Held for trading;
 - Designated at fair value through profit or loss (Fair value option);
- Investments held to maturity;
- Financial assets available for sale; and
- Financial liabilities.

A financial asset or liability is initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance, unless they are items recorded at fair value through profit or loss in which the transaction costs are immediately recognised as costs in the financial year.

1) Financial assets at fair value through profit or loss

1a) Held for trading financial assets

Held for trading financial assets, are those acquired for the main purpose of short-term trading or are held as an integral part of a portfolio of assets, normally securities or derivatives, for which there is evidence of recent activities that will lead to short-term gains.

Held for trading derivatives

Derivatives that are not considered for hedging purposes are considered as other financial instruments at fair value through profit or loss. When the fair value of instruments is positive, they are carried as assets. If their fair value is negative they are classified as liabilities. In either case they are recognised under held for trading derivatives.

Embedded derivatives

Derivatives embedded in financial instruments are carried separately, whenever:

- the economic risk and benefits of the derivative are not related to the host contract, and
- the hybrid instrument is not immediately recognised at fair value through profit or loss.

Embedded derivatives are carried in the trading derivatives account, recorded at fair value with variations reflected in the profit/loss for the period.

1b) Designated at fair value through profit or loss

Financial assets or liabilities may be designated at fair value through profit or loss (fair value option) provided that at least one of the following requirements is met:

- the financial assets or liabilities are generated, valued and reported internally at their fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the financial assets or liabilities contain embedded derivatives that significantly change the cash flows from the host contract.

Financial assets and liabilities at fair value through profit or loss are initially recognised at their fair value, with the costs or earnings associated with the transactions recognised under profit/loss at the beginning and subsequent variations in fair value recognised under profit/loss.

The accrued interest and the premium or discount (if applicable) is recognised in the net interest income on the basis of the effective interest rate of each transaction. The same applies to the accrued interests of derivatives associated with financial instruments classified in this category.

2) Investments held to maturity

Non-derivative-financial assets with fixed or determinable payments and maturity are recognised in this category when the Bank has the intention and ability to hold them to maturity and they have not been assigned to any other category of financial assets. These financial assets are recognised at amortised cost on initial recognition and subsequently measured at amortised cost using the effective interest rate method. The interest is calculated with the effective interest rate method and recognised in net interest income. Impairment losses are recognised in profit/loss when identified.

Any reclassification or disposal of financial assets recognised in this category that is not performed close to maturity will oblige the Bank to reclassify

the entire portfolio to available for sale financial assets and it will not be allowed to classify any financial asset in this category for the following

3) Available for sale financial assets

These are non-derivative financial assets that: (i) the Bank intends to hold for an indeterminate period, (ii) are designated as available for sale when they are initially recognised or (iii) do not fit in any of the other mentioned categories. This category may include debt or equity securities. Available for sale financial assets are initially recognised at fair value, including costs or earnings associated with the transaction and later measured at fair value. Changes in fair value are recorded against fair value reserves until they are sold or until recognition of impairment losses, in which case they are recognised in profit/loss. Capital instruments that are not quoted and whose fair value cannot be reliably calculated are recorded at cost.

In the sale of available for sale financial assets, accumulated gains or losses recognised at fair value reserves are recognised in "Profit/loss from available for sale financial assets" in the income statement.

Exchange fluctuations of debt securities in foreign currency are recorded in the income statement.

As equity instruments are non-monetary assets, exchange fluctuations are recognised in the fair value reserve (equity), as an integral part of its fair value.

Interest on debt instruments is recognised on the basis of the effective interest rate in net interest income, including a premium or discount, when applicable. Dividends are recognised in profit/loss when the right to receive them is assigned.

4) Financial liabilities

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

Non-derivative financial liabilities include loans and advances from credit institutions and customers, loans, debt securities issued, other subordinated borrowings and short selling transactions.

Financial liabilities are initially recognised at fair value and then at amortised cost. Associated transaction costs are part of the effective interest rate. Interest recognised by the effective interest rate method is recorded under net interest income.

Capital gains and losses calculated at the time of repurchase of other financial liabilities are recognised under profit/loss on assets and liabilities evaluated at fair value through profit or loss at the time they occur.

The Bank classifies its financial liabilities other than guarantees and commitments at amortised cost using the effective interest rate method or at fair value through profit or loss.

(II) AMORTISED COST

The amortised cost of a financial asset or liability is the amount for which it is initially recognised reduced by inflows of capital, and improved or reduced by accumulated amortisations using the effective interest rate method arising from the difference between the initially recognised value and the amount at maturity, which is also reduced by impairment losses.

(III) MEASUREMENT AT FAIR VALUE

Fair value is the price that would be received from the sale of an asset or paid for the transfer of a liability in a current transaction between market traders on the date of measurement or, if there is none, the most advantageous market to which the Bank has access to perform the transaction on that date. The fair value of a liability reflects the Bank's own credit risk.

When available, the fair value of an investment is measured by its quoted market price in an active market for this instrument. A market is considered active if transactions are sufficient in terms of frequency and volume presenting constantly quoted prices.

If there is no quotation on an active market, the Bank uses valuation techniques that maximise the use of observable market information and minimise the use of data that cannot be observed in a market.

The chosen valuation technique incorporates all the factors that a trader in the market would take into account to calculate the price for the transaction.

Fair value hierarchy

Level 1 - quoted on an active market - valued on the basis of observable prices on active markets published by providers of financial content such as Reuters and Bloomberg

Level 2 - observable market information - valuation of financial instruments that do not have an active market, being measured with valuation techniques based on market data for instruments

with identical or similar characteristics, including observable prices on the market for instruments in which there have been substantial reductions in the number of transactions. In this level financial instruments are measured on the basis of internal models that mostly use observable market data and instruments measured by bids based on observable market data.

Level 3 - other valuation techniques - includes (i) unquoted securities values with internal models when there is no generally accepted consensus in the market regarding the parameters to be used and (ii) securities valued on the basis of indicative purchase prices based on theoretic models published by third parties and considered reliable.

(IV) IDENTIFYING AND MEASURING IMPAIRMENT

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

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

A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment resulting from one or more events occurring after its initial recognition, such as (i) for shares and other equity instruments, a constant devaluation or with a significant impact in its market value being lower than the purchase cost and (ii) for debt securities, if this event or events have an impact on the estimated value of future cash flows from the financial asset or group of financial assets that can be reasonably estimated.

For investments held to maturity, impairment losses are the difference between the book value of the asset and the real value of estimated cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recorded against profit/losses. These assets are carried on the balance sheet net of impairment. For an asset with a variable interest rate, the discount rate used to determine its impairment loss is the current effective interest rate determined by the rules of each contract. For investments held to maturity, if in a subsequent period the impairment loss decreases and this decrease can be objectively related to an event that occurred after recognition of the

impairment, it is reversed against profit/loss for the year.

If there is evidence of impairment in available for sale financial assets, the potential loss accumulated in reserves, which is the difference between the purchase cost and current fair value, reduced by any impairment loss in the asset recognised previously in profit/loss, is transferred to profit/loss. If the amount of the impairment loss decreases in the subsequent period, the previously recognised impairment loss is reversed against profit/loss of the financial year until the return to the purchase cost if the increase is objectively related to an event occurring after recognition of the impairment loss, except with regard to shares or other equity instruments, in which subsequent capital gains are recognised in reserves.

(V) RECLASSIFICATION BETWEEN CATEGORIES

The Bank only reclassifies non-derivative financial assets with fixed or determinable payments and defined maturities from the category of financial assets available for sale to financial assets held to maturity if it intends and is able to hold these financial assets to maturity.

These transfers are made on the basis of fair value of the assets transferred as determined on the date of transfer. The difference between this fair value and the face value is recognised under profit/loss until the asset maturity date, based on the effective interest rate method. The fair value reserve existing on the date of transfer is also recognised under profit/loss based on the effective interest rate method.

(VI) DERECOGNITION

The Bank derecognises its financial assets when all rights to future cash flows expired. In a transfer of assets, derecognition can only occur when all the risks and benefits of the financial assets have been substantially transferred or when the Bank does not retain control of the financial assets.

The Bank derecognises financial liabilities when they are cancelled or expire.

(VII) OFFSET OF FINANCIAL INSTRUMENTS

The Bank offsets financial assets and liabilities and carries a net amount on the balance sheet if, and only, if, the Bank has the irrevocable right to offset them on a net basis and intends to settle them on a net basis or simultaneously receive the value of the asset and settle the liability.

Gains and losses are only offset when this is allowed by the IFRS or for gains and losses resulting from a group of transactions of a similar nature.

2.5 HEDGE ACCOUNTING

The Bank designates derivatives and other financial instruments for hedging of the interest rate risk and exchange rate risk resulting from its business. Derivatives that do not qualify for hedge accounting are recorded as held for trading.

Hedging derivatives are recorded at fair value and the gains or losses resulting from revaluation are recognised in accordance with the hedge accounting model in place. A hedging relationship exists when:

- there is formal hedging documentation on the starting date of the relationship;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is evaluated on a continuous basis that is effectively determined as being highly effective over the financial reporting period, and
- the hedge expected transaction is highly probable and is exposed to variations in cash flows that could very likely affect its results.

When a derivative is used to hedge exchange variations of monetary assets or liabilities, no hedge accounting model is used. Any gain or loss from a derivative is recognised in profit/loss for the period, along with variations in the exchange risk of the underlying monetary elements.

I. HEDGING OF FAIR VALUE

Variations in fair value of derivatives that are designated and qualify as fair value hedging are recorded against profit/loss together with variations in fair value of the asset, liability or group of assets and liabilities to be hedged with regard to the risk being hedged. If a hedging relationship ceases to meet hedge accounting requirements, the gains and losses accumulated due to variations in the interest rate risk associated with the hedging item until discontinuation date of the hedging relationship are amortised through profit or loss for the remaining life of the hedged item.

II. HEDGING CASH FLOWS

Variations in fair value of derivatives that qualify for cash flow hedging are recognised in equity - cash flow reserves in the effective part of hedging relationships. Variations in fair value of the ineffective part of hedging relationships are recognised against profit/loss when they occur.

The accumulated values in equity are reclassified to profit/loss of the period in the periods in which the hedged item affects profit/loss.

When the hedge instrument is derecognised or when the hedging relationship ceases to meet the hedge accounting requirements or is revoked, the hedging relationship is prospectively discontinued.

Accumulated variations in fair value in equity until the date of discontinuation of the hedge could be:

- deferred for the remaining life of the hedged instrument, or
- recognised immediately in profit/loss for the financial year if the hedged instrument has been cancelled.

If a hedging relationship of a future transaction is discontinued, the variations in fair value of the derivative recorded under equity continue to be recognised there until the future transaction is recognised in profit/loss. If the transaction is no longer expected to occur, the accumulated gains or losses recorded against equity are recognised immediately in profit/loss.

III. EFFECTIVENESS OF HEDGING

The Bank conducts prospective tests on the starting date of the hedging relationship, if applicable, and retrospective tests in order to demonstrate on each balance sheet date the effectiveness of the hedging relationships and show that the changes in fair value of the hedging instrument are hedged by changes in the hedged item regarding the hedged risk. Any ineffectiveness detected is recognised in profit/loss when it occurs. The IAS 39 established that is mandatory to demonstrate the prospective and retrospective effectiveness of the hedging relationship.

2.6 EQUITY INSTRUMENTS

A financial instrument is classified as an equity instrument when there is no contractual obligation to deliver cash or another financial asset to third parties, independently from its legal form, demonstrating a residual interest in the entity's assets after deduction of all its liabilities.

The transaction costs directly attributable to the issue of equity instruments are recorded against equity as a deduction from the issue value. The amounts paid and received in purchases and sales of equity instruments are recorded under equity, net of transaction costs.

Income (dividends) from equity instruments is recognised when the right to receive it is established, and it is deducted from equity.

2.7 OTHER TANGIBLE ASSETS

I. RECOGNITION AND MEASUREMENT

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

II. SUBSEQUENT COSTS

Subsequent costs are recognised as separate assets only if they are likely to result in future economic benefits for the Bank. Repair and maintenance expenses are recognised as costs as they are incurred in accordance with the accruals principle.

III. DEPRECIATION

Land is not depreciated. Depreciation is calculated by the straight-line method, in accordance with following periods of expected useful life:

	Years
Buildings	8 to 50
Transportation	3 to 5
Material and furniture	4 to 8
Machinery and tools	4 to 5
Equipment	4 to 8
Installations	1 to 10
Safety equipment	1 to 8
Improvements to leasehold properties	5 to 8

Despite the publication of Presidential Decree n° 207/15, on the depreciation and reincorporation regime, the Bank is using the rates arising from the implementation of the IAS/IFRS criteria.

If there is an indication that asset may be impaired, IAS 36 – Impairment of assets requires its recoverable value to be estimated and an impairment loss must be recognised whenever the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement.

The recoverable value is determined as the greater value between its net selling price or its value in use. Value in use is calculated on the basis of the current estimated future cash flows expected from the ongoing use of the asset and its sale at the end of its useful life.

2.8 INTANGIBLE ASSETS

SOFTWARE

The costs of purchasing software from third parties are capitalised as well as additional expenses paid by the Bank to implement it. These costs are depreciated on a linear basis over the estimated useful life, which is normally 5 to 10 years

Despite the publication of Presidential Decree n° 207/15, on the depreciation and reincorporation regime, the Bank is using the rates arising from the implementation of the IAS/IFRS criteria.

COSTS OF RESEARCH AND DEVELOPMENT PROJECTS

Costs directly related to the development of computer software which are expected to generate future economic benefits longer than one year are recognised and recorded as intangible assets.

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

2.9 INVESTMENT PROPERTY

The Bank classifies real estate held for renting or capital gains or both as investment property.

Investment property is initially recognised at cost, including directly related transaction costs, and subsequently at fair value. Variations in fair value determined on each balance sheet date are recognised in profit/loss. Investment property is not depreciated.

Subsequent related costs are capitalised when it is likely that the Group will obtain future economic benefits higher than the initially estimated performance level.

2.10 LOAN OF SECURITIES AND TRANSACTIONS WITH REPO AGREEMENTS

Securities sold with a repurchase agreement (repos) at a fixed price or for a price equivalent to the selling price plus interest inherent in the maturity of the operation are not derecognised from the balance sheet. The corresponding liability is accounted for as loans from other credit institutions or to customers, as appropriate. The difference between the selling price and the repurchase price is treated as interest and is deferred for the life of the agreement, using the effective interest rate method.

Reverse repos purchased for a fixed price or for a price that is equal to the purchase price plus interest inherent until the operation's maturity are not recognised on the balance sheet. The purchase price is recorded as loans to other credit institutions or customers, as appropriate. The difference between the purchase price and repo price is treated as interest and is deferred for the life of the agreement, using the effective interest rate method.

Securities transferred under loan agreements are not derecognised on the balance sheet and are classified and measured in accordance with the accounting policy referred to in Note 2.4. Securities received under loan agreements are not recognised on the balance sheet.

2.11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associated are accounted for in the Bank's separate financial statements at their historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitisation vehicles) controlled by the Bank. The Bank controls an entity when it is exposed or has rights to the variability of returns from its involvement with this entity and can take possession of them through the power that it has over the entity's business activities (de facto control).

Associated companies are entities over which the Bank has significant influence but does not control its financial and operational policy. The Bank is presumed to exercise significant influence if it has the power to exercise more than 20% of the investee's voting rights. If the bank directly or indirectly holds less than 20% of the voting rights, the Bank is presumed not to have a significant influence, except when this influence can be clearly demonstrated.

The existence of significant influence of the Bank is normally demonstrated in one of the following ways:

- representation on the Board of Directors or equivalent management body of the investee;
- participation in the definition of policies, including decisions on dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of management personnel, and
- supplying essential technical information.

IMPAIRMENT

The recoverable value of investments in subsidiaries and associates is assessed whenever there is evidence of impairment. Impairment losses are calculated on the basis of the difference between the recoverable value of investments in subsidiaries or associates and their book value. The impairment losses identified are recorded against profit/loss and then reversed through profit/loss if there is a reduction in the estimated loss in a later period. Recoverable value is determined based on the higher between the value in use of the assets and fair value less selling costs. It is calculated using valuation methods supported by discounted cash flow techniques, considering market conditions, the time and the business risks.

2.12 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

Non-current assets, groups of non-current assets held for sale (groups of assets with their respective liabilities that include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell these assets and liabilities and assets or groups of assets are available for immediate sale and their sale is highly probable.

The Bank also classifies as non-current assets held for sale or groups of assets acquired with the purpose of a subsequent disposal which are available for immediate sale and their sale is highly probable.

Immediately before their classification as non-current assets held for sale, all non-current assets and all assets and liabilities included in a group of assets for sale are measured in accordance with the applicable IFRS. After their reclassification, these assets or groups of assets are measured at the lower of their cost and their fair value less costs to sell.

Discontinued operations and subsidiaries acquired exclusively for the purpose of a short-term sale are consolidated until they are sold.

The Bank also classifies as non-current assets held for sale, the property held for the loans recovery. They are initially measured at the lower of their fair value net of selling costs and the book value of the loan on the date on which the transfer or legal auction of the good took place.

Fair value is based on the market value, which is determined on the basis of the expectable selling price obtained after periodic assessments by the bank.

Subsequent measurement of these assets is determined on the lower of their book value and their fair value net of selling costs, not subjected to depreciation. In case of unrealised losses, they are recorded as impairment losses against profit/loss for the year.

2.13 LEASING

The Bank classifies leasing operations as financial or operational leasing on the basis of its substance and not its legal form.

Operations in which the risks and benefits of ownership of an asset are transferred to the lessee are classified as financial leasing. All other leasing operations are classified at operational leasing.

From the lessee's perspective, financial leasing agreements are recorded on the starting date as an asset and liability at fair value of leased asset, which is equivalent to the present value of the future lease payments. The rents consist of the financial costs and the amortization of the capital outstanding. The financial expenses are assigned to the periods during the leasing period in order to produce a constant periodical interest rate on the remaining balance of the liability for each period.

From the lessor's perspective, assets held under financial leasing are recorded on the balance sheet as leased capital for the value equivalent to the net investment of financial leasing. The rents consist of the financial income and financial amortisation of the capital outstanding. Recognition of the financial profit/loss reflects a constant periodic rate of return on the remaining net investment of the lessor.

2.14 INCOME TAXES

The current income tax recorded in profit/loss includes the effect of current tax and deferred tax. Tax is recognised in the income statement, except when related to items that are directly recorded in equity, which implies their recognition in equity. Deferred tax recognised in equity as a result of revaluation of available for sale financial assets and cash flows hedging derivatives in profit/loss are later recognised under profit/loss when the gains and losses that originated the deferred taxes are recognised.

I. CURRENT TAX

Current tax is the amount calculated for taxable income for the period using the taxation rate in effect or substantially approved by the authorities on the balance sheet date and any tax adjustments from previous years.

Considering the Law 19/14, which came into effect on 1 January 2015, industrial tax is provisionally paid in a single instalment in August. It is calculated at a rate of 2% of the profit on financial intermediation operations based on the first six months of the previous taxation period, excluding the earnings subjected to capital gains tax, independently of the existence of a basic taxable amount in the year.

II. DEFERRED TAX

Deferred tax is calculated in accordance with the liabilities method on the basis of the balance sheet and its tax base, using approved taxation rates or rates that are substantially approved on the date of the balance sheet that are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all the temporary taxable differences except for goodwill, which is not deductible for tax purpose, of the differences resulting from the initial recognition of assets and liabilities that do not affect the accounting nor tax profit and differences related to investments in subsidiaries since it is not likely that they will be reversed in the future.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the temporary tax-deductible differences (including reportable tax losses).

As established in paragraph 74 of IAS 12 – Income Tax, the Bank offsets deferred tax assets and liabilities whenever: (i) it has the legal right to offset current tax assets and liabilities and (ii) the deferred tax assets and liabilities are related to income tax levied by the same tax authority on the same taxable entity or different taxable entities that intend to settle current tax assets and liabilities on a net basis or realise the assets and settle the liabilities simultaneously in each future period in which the deferred tax liabilities or assets are expected to be settled or recovered.

2.15 EMPLOYEE BENEFITS

RESPONSIBILITIES WITH RETIREMENT BENEFITS PLAN

The Law 07/04 issued in 15 October, revoked the law 18/90 issued in 27 October, which regulates the Angolan Social Security System, which establishes the existence of a retirement pension for all Angolan employees enrolled in the Social Security system. The amount of these pensions is based on a scale proportional to the number of years of work, applied to the average monthly gross salary earned in the previous period of the retirement date.

According to the Decree Law 7/99 from 28 of May, the contribution rates to this system are 8% for the employer and 3% for employees.

After a deliberation in Bank's Board of Directors meeting of 01 February 2010, the Bank joined "BESA Opções de Reforma" a retirement defined contribution plan, which represents the Bank's current employees.

Following this decision, the Bank's current Employees who are 60 years old and have, at least, 5 years of service, will benefit from a retirement complement from National Institute of Social Security (INSS), which could be paid in one instalment or through a pension. The invalidity cases are excluded. The retirement benefit plan does not cover health benefits. The BE starts contributing with a fixed proportion of the wages of its employees,

which could be increased by 50% of the employees voluntary contribution of a maximum of 5% of each employee's wages.

Liabilities for contributions to be made by BE, as an associate are not retroactive to the accession date. As a result, the cost of this contribution will be the value of the effective contribution made during the year, which will be accounted for as Personnel expenses in Administrative and commercialization costs.

I. DEFINED CONTRIBUTION PLANS

For defined contribution plans, the responsibilities for the Bank's employee benefits are recognised as a cost of the year to which they relate. Contributions paid in advance are recognised as an asset if a repayment or reduction of future payments is available.

II. DEFINED BENEFIT PLANS

The Bank's net liability for the defined benefit pension plan is calculated separately for each plan by estimating the value of future benefits that each employee should receive in exchange for his/her service in the current and past periods. The benefit is discounted in order to determine its actual value. The discount rate used is the interest rate on companies' best rated bonds with a similar maturity of the plan's obligations. Net responsibility is determined after the deduction of the fair value of the plan's assets.

The Bank's responsibilities for defined benefit pension plans are calculated annually on the basis of the projected unit credit method.

The Bank calculates the income from or cost of interest from the pension plan by multiplying the net asset or obligation from retirement pensions (obligations less fair value of the fund's assets) at the discount rate used to determine the obligation for retirement pensions. On this basis, the net income or cost of interest includes the cost of interest associated with the retirement obligation and the expected income from the fund, both measured on the basis of the discount rate used to calculate the obligation.

Remeasurement gains and losses, such as (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the actual amounts (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected income from the fund's assets and amounts actually obtained, are recognised against equity in other comprehensive income.

III. LONG-TERM EMPLOYEE BENEFITS

The Group's net obligation for long-term employee benefits is the amount of the future benefit that the employees are estimated to benefit in exchange for their service in the current period and past periods. This benefit is discounted to determine its present value. Any re-measurement is recognised in profit/loss for the year.

IV. TERMINATION BENEFITS

Termination benefits are recognised as costs the early moment between the time when the Bank can no longer withdraw the offer of these benefits and when the group recognises costs associated with a restructuring. If the benefits are not expected to be settled within 12 months, then they are discounted.

V. SHORT-TERM EMPLOYEE BENEFITS

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

2.16 PROVISIONS

Provisions are recognised when (i) the Bank has a present obligation (legal or arising from past practices or published policies that entail recognition of certain responsibilities), (ii) payment is probable to be required and (iii) when a reliable estimate of the amount of this obligation can be made.

Measurement of provisions takes account of the principles set out in IAS 37 regarding to the best estimate of the expectable cost, the most probable result of current actions and taking account of the risks and uncertainties inherent in the process.

In cases in which the effect of the discount is material, provisions corresponding to the current value of expected future payments discounted at a rate that considers the associated risks of the obligation.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate. They are reversed against profit/loss in proportion to payments that are not probable to occur.

Provisions are derecognised through their use for obligations for which they were initially accounted or for the cases that the situations were not already observed.

2.17 INTEREST RECOGNITION

The income or expenses from interest on financial assets and liabilities measured at amortised cost is recognised under interest and similar income or interest and similar costs (net interest income) by the effective interest rate method. Interest at the effective rate of available for sale financial assets is recognised in net interest income along with that from financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate for discounting estimated future payments or inflows during the expected life of the financial instrument (or, when appropriate, for a shorter period) to the actual net balance-sheet value of the financial asset or liability.

In order to determine the effective interest, the Bank estimates future cash flows considering all the contractual terms of the financial instrument (e.g. early payment options), not considering any impairment losses. The calculation includes commissions paid or received, which are considered an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except for financial assets and liabilities at fair value through profit or loss.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognised, the interest recorded in profit/loss is determined on the basis of the interest rate used to discount future cash flows in the measurement of the impairment loss.

The following aspects are considered specifically for policy on recording interest on overdue loans:

- Interest on overdue loans with real guarantees until the prudently evaluated limit of coverage has been reached is recorded against profit/loss in accordance with IAS 18 – Revenue, on the assumption that there is a reasonable probability of recovery, and
- Interest that has been recognised but not paid on loans overdue for more than 90 days and is not covered by a real guarantee is written-off and is only recognised when received, as the likelihood of its recovery is considered remote considering the IAS 18 – Revenue.

For financial derivatives, with the exception of those that are classified as hedging instruments of interest rate risk, the interest component is not separated from changes in its fair value and is classified as profit/loss on assets and liabilities assessed at fair value through profit or loss. For hedging derivatives of the interest rate risk associated with financial assets or financial liabilities recognised in the Fair

Value Option category, the interest component is recognised in interest and similar income or interest and similar costs (net interest income).

2.18 RECOGNITION OF DIVIDENDS

Dividends (income from equity instruments) are recognised in profit/loss when a right to receive them is allocated. Dividends are presented in profit/loss on financial operations, net profit/loss on other financial instruments at fair value through profit or loss or other income, depending on the classification of the equity instrument.

2.19 RECOGNITION OF INCOME FROM SERVICES AND FEES

Income from services and fees is recognised in accordance with the following criteria:

- When it is obtained as the services are provided, it is recognised in profit/loss in the period to which it refers;
- When it is the result of provision of services, it is recognised when the service has been completed.

When they are an integral part of the effective interest rate of a financial instrument, the resulting earnings from services and fees are recorded in net interest income.

2.20 FIDUCIARY ACTIVITIES

Assets held as part of fiduciary activities are not recognised in the Bank's financial statements. The profit/loss obtained from fiduciary services and fees is recognised in the income statement in the period in which it occurs.

2.21 PROFIT/LOSS ON FINANCIAL OPERATIONS

Profit/loss on financial operations includes gains and losses generated by financial assets and liabilities at fair value through profit or loss, in trading portfolios and other assets and liabilities at fair value through profit or loss, including embedded derivatives and dividends associated with these portfolios.

This profit/loss also includes capital gains or losses on the sale of available for sale financial assets and financial assets held to maturity. Variations in fair value of hedging derivatives and the instruments hedged, when applicable to fair value hedging relationships, are also recognised here.

2.22 CASH AND CASH EQUIVALENTS

For the purpose of the cash-flow statement, cash and cash equivalents include amounts recorded in the balance sheet with a maturity of less than three months from the balance sheet date. These include cash and loans and advances to other credit institutions.

Cash and cash equivalents exclude mandatory deposits at central banks.

2.23 FINANCIAL GUARANTEES AND COMMITMENTS

Financial guarantees are contracts that oblige the Bank to make specific payments to reimburse the beneficiary for a loss suffered as a result of a debtor failing to make a payment. Commitments are firm commitments to provide credit on certain pre-established conditions.

Liabilities resulting from financial guarantees or commitments made to provide a loan at an interest rate below the market value are initially recognised at fair value and the initial fair value is amortised during the useful life of the guarantee or commitment. Subsequently, the liability is recorded at the greatest between the amortised value and the present value of any expectable payment.

2.24 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit/loss to be allocated to the Bank's shareholders by the weighted average number of ordinary shares in circulation, excluding the average number of its own shares held by the Bank.

For the diluted earnings per share, the weighted

average number of ordinary shares in circulation is adjusted to reflect the effect of all the potential ordinary shares treated as diluting.

Contingent or potential issues are treated as diluting when their conversion to shares reduces earnings per share.

If earnings per share are changed as a result of an issue with a premium or discount that changes the potential number of ordinary shares or changes in accounting policies, the calculation of earnings per share for the periods presented is adjusted retrospectively.

NOTE 3 MAIN ESTIMATES AND JUDGEMENTS IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The IFRS establish a series of accounting treatments and require the Board of Directors to make judgements and estimates that are needed to decide on the appropriate accounting treatment. The main accounting estimates and judgements used when the Bank follows the accounting principles are described in this note in order to make it clear how their application affects the Bank's reported profit/loss and its disclosure. A more detailed description of the main accounting policies used by the Bank is set out in Note 2 of the financial statements.

Considering that, in many situations, there are alternatives to the accounting treatment chosen by the Board of Directors, the profit/loss reported by the Bank might be different if a different treatment were chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements give a true, appropriate picture of the Bank's financial position and the result of its operations in all materially relevant aspects.

3.1 IMPAIRMENT OF AVAILABLE FOR SALE FINANCIAL ASSETS

The Bank determines that its available for sale financial assets are impaired when there is an on-going or substantial devaluation in their fair value or if it expects an impact on future cash flows from the assets. This determination requires judgement, in which the Bank gathers and assesses all the information relevant to the decision, such as the normal volatility of the prices of financial instruments. Therefore, as a result of the high volatility of the markets, the following parameters are considered indicators of impairment:

I) Equity securities: on-going or substantial devaluation in their market value comparing to their purchase price.

II) Debt securities: whenever there is objective evidence of events with an impact on the recoverable value of the cash flows from these assets.

In addition, assessments are obtained from mark to market or mark to model prices, which require the use of certain assumptions or judgements when making estimates of its fair value.

The use of alternative methods and different assumptions and estimates might result in a different level of impairment losses recognised, with the consequent impact on the Bank's profit/loss.

3.2 FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

Fair value is based on market prices, when available. If they are not, it is based on the prices of recent similar transactions conducted under market conditions or on the basis of assessment methods using future discounted cash-flow techniques considering the market conditions, the time, yield curve and volatility factors. These methods may require the use of assumptions or judgements in estimating fair value.

As a result, the use of different methods or different assumptions or judgements when following a particular model may result in a different financial profit/loss from that reported.

3.3 IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

The Bank carries out a periodic review of its loan portfolio to check for impairment losses, as mentioned in the accounting policy described in Note 2.3.

The assessment of our loan portfolio in order to determine whether an impairment loss must be recognised is subject to a number of estimates and judgements. This process includes factors such as the likelihood of default, risk ratings, the value of collateral associated with each operation, recovery rates and estimates of future cash flows and when they will be received.

The use of alternative methods and different assumptions and estimates might result in a different level of impairment losses recognised, with the consequent impact on the Bank's profit/loss.

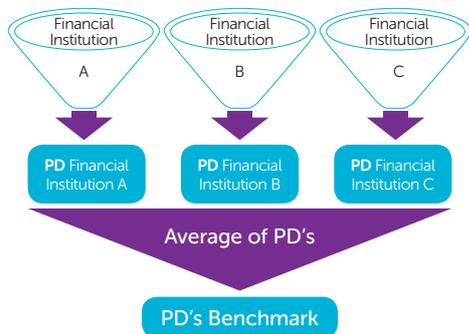
In the absence of historical data, the Probability of Default (PD's) and the Loss Given Default (LGD's), the Bank used the information provided by an external consultant, and had the following assumptions:

The PD's calculation resulted from the average of PD's for a group of Banks.

(i) For each Bank considered as benchmark, PD's were calculated based on the historical data of the Loans portfolio, considering the following methodology:

- PD's by segment (e.g. Mortgage loans, Consumption loans, current accounts);
- PD's by risk bucket (Regular, Cured, With signs – 30 to 60 days of overdue, with signs – 60 to 90 days of overdue, Default e Quarantine);
- Emergency period of 12 months.

Based on the estimated historical PD's for each Bank, the benchmark was calculated:



Mortgage Loan Segment					
	R	C	I1	I2	D/Q
Bank A	5.21%	7.64%	43.97%	63.10%	100%
Bank B	2.06%	8.67%	8.67%	35.00%	100%
Bank C	0.30%	0.30%	34.30%	70.90%	100%
Bank D	3.10%	30.00%	56.90%	76.40%	100%
Bank E	-	-	-	-	-
Bank F	-	-	-	-	-
Benchmark DEC 2015	1,86%	10,80%	17,07%	46,60%	100%

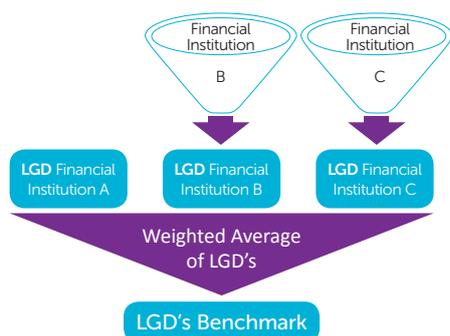
PD benchmark 2017 and 2016:

Benchmark segment	Regular	Overdue from 30 to 60 days	Overdue from 60 to 90 days	Cured	Performing (with signs)	Restructured	Default
Employee Loans	2.8%	62.7%	85.3%	21.1%	37.1%	37.1%	100.0%
Particular loans	3.9%	49.5%	80.5%	8.6%	29.1%	29.1%	100.0%
Mortgage Loans	3.8%	49.7%	73.4%	19.9%	27.0%	27.0%	100.0%
Consumption loans	8.8%	56.4%	84.2%	13.8%	35.1%	35.1%	100.0%
Overdrafts - particular	3.9%	45.8%	69.8%	13.5%	29.6%	29.6%	100.0%
Guarantees issued and documentary loans - particular	0.0%	35.8%	65.5%	14.3%	25.0%	25.0%	100.0%
Guarantees issued and documentary loans - Companies	4.4%	54.7%	66.8%	21.3%	29.7%	29.7%	100.0%
Current accounts	9.9%	58.5%	81.4%	30.0%	44.3%	44.3%	100.0%
Term Loans - Companies	5.8%	44.9%	74.8%	20.4%	32.6%	32.6%	100.0%
Overdrafts - Companies	15.3%	49.8%	71.2%	32.5%	41.2%	41.2%	100.0%
Leasing - Particular	3.8%	50.0%	76.5%	15.2%	30.5%	30.5%	100.0%
Leasing - Companies	8.8%	52.0%	73.6%	26.1%	36.9%	36.9%	100.0%

(ii) The market LGD (Loss Given Default) calculation resulted from the weighted average of the estimated LGD's for each Bank.

For each Bank considered in the Benchmark the LGD's were calculated for each type of client (Individual, Company) based on the Loans portfolio historical data.

Considering the estimated historical LGD's for each Bank the Benchmark was calculated (LGD average of all Banks, weighted by total loan portfolio exposure as at December 2017 and 2016):



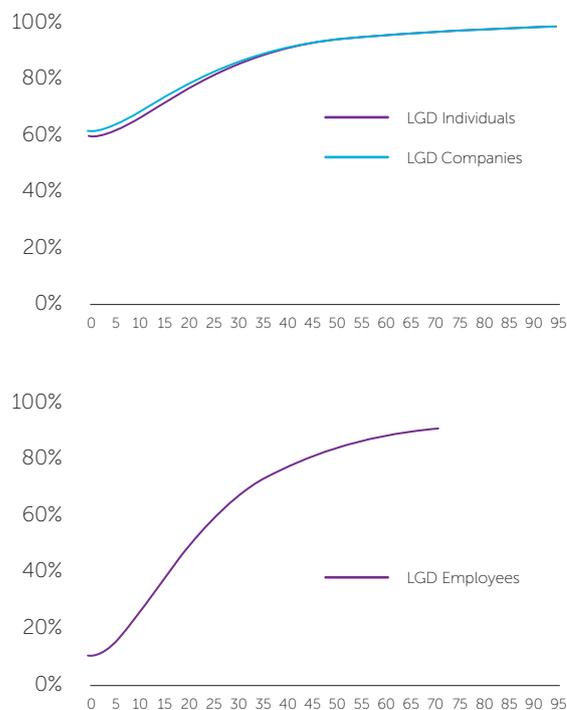
	LGD		
	Particular	Companies	Employees
Bank A	54.90%	65.98%	10.00%
Bank B	68.41%	55.56%	10.00%
Bank C	50.74%	52.72%	10.00%
Bank D	-	-	-
Bank E	-	-	-
Bank F	-	-	-
Benchmark DEC 2015	58.84%	60.87%	10.00%

Theoretical Parameter for LGD of employee at moment 0 was 10%.

Based on estimated parameters of LGD for moment 0, and considering 1) the reduced number of defaults and ii) the absence of materiality to estimate the LGD for the other moments in time, the LGD curve was estimated according to the following assumptions:

- The recovery process ends (LGD=100%) after 6 and 8 years for individuals/employees and companies, respectively;
- Half of adjustment is made in the first 2 years.

	Individuals	Companies	Employees
0m	58.84%	60.87%	10.00%
(0-3m)	59.17%	61.18%	10.72%
(3-6m)	60.59%	62.53%	13.82%
(6-9m)	62.98%	64.80%	19.05%
(9-12m)	66.00%	67.67%	25.65%
(12-18m)	70.94%	72.37%	36.45%
(18-24m)	77.12%	78.24%	49.96%
(24-36m)	84.08%	84.86%	65.18%
(36-48m)	89.95%	90.44%	78.02%
(48-60m)	93.26%	93.59%	85.27%
(60-72m)	95.23%	95.46%	89.56%
(72-84m)	100%	96.64%	100%
(84-96m)	100%	97.42%	100%



For 2016 and 2017 the LGD's were as follows:

Description	LGD Particular (buckets average)	LGD Companies (buckets average)	LGD Employees (buckets average)
0m	62.16%	60.77%	10.00%
]0-3m]	62.47%	61.09%	10.72%
]3-6m]	63.79%	62.45%	13.82%
]6-9m]	65.99%	64.74%	19.05%
]9-12m]	68.76%	67.61%	25.65%
]12-18m]	73.30%	72.31%	36.45%
]18-24m]	78.96%	78.19%	49.96%
]24-36m]	85.35%	84.82%	65.18%
]36-48m]	90.75%	90.40%	78.02%
]48-60m]	93.79%	93.57%	85.27%
]60-72m]	100.00%	95.44%	89.56%
]72-84m]	100.00%	96.62%	100.00%
]84-96m]	100.00%	100.00%	100.00%

3.4 OTHER ASSETS

The caption other receivables and assets includes amounts to be received as a result of the transfer of economic rights of a loan portfolio, Funds' participation units and other receivables from sale of assets, which was performed by Banco Económico to a non-related party state-owned entity (see note 35).

Considering that (i) the above mentioned operations were approved by the Banco Nacional de Angola, within the scope of reorganization measures over Banco Espírito Santo Angola; (ii) by Presidential decree 196/15, complemented by Presidential decree 123/16, the Ministry of finance authorized the issuance of public debt securities in order to make the initial payment of this assets sale operation; (iii) the Ministry of finance, through an order from the Minister of Finance from 8 of October, instructed to extend the operations' payment date, with the purpose of reducing the probability of new debt securities issuance to comply with the contractual payment schedule. The Bank believes that the amounts to be received do not present a risk of default.

3.5 INVESTMENTS HELD TO MATURITY

The Bank classifies its non-derivative financial assets with fixed or determinable payments and defined maturities as investments held to maturity, in accordance with the requirements of IAS 39. This classification requires a significant degree of judgement.

In making this judgement, the Bank assesses its intention and ability to hold these investments until maturity. If the Bank does not hold them until maturity (except in specific circumstances - for example selling an insignificant part close to maturity) the entire portfolio must be reclassified as available for sale financial assets, with the resulting measurement at fair value and not at amortised cost.

Assets held to maturity are subject to impairment tests, followed by an analysis and decision by the Group. The use of different methods and assumptions from those used in these calculations may have had a different impact on profit/loss.

3.6 INCOME TAXES

To determine the overall amount of income taxes, it was necessary to make certain interpretations and estimates. There are a number of transactions and calculations for which the determination of the amount of tax payable is uncertain during the normal business cycle.

Other interpretations and estimates may result in a different amount of current and deferred tax on profit recognised in the year.

The calculation of taxable income made by the Bank is open for review by the tax authorities for a period of five years. It is therefore possible that there may be corrections to the taxable income resulting mainly from differences in the interpretation of tax legislation. The Board of Directors does not believe that this will have any material effect on the financial statements.

3.7 PENSIONS AND OTHER EMPLOYEE BENEFITS

Determination of obligations for retirement pensions requires the use of assumptions and estimates, including use of actuarial projections, estimated yield on investments and other factors that may impact costs and obligations of the pension plan.

Changes in these assumptions may have a significant impact on the amounts calculated.

NOTE 4 NET INTEREST INCOME

The amount of this account, in separate terms, is comprised of:

(Thousands of kwanzas)

	31.12.2017			31.12.2016		
	Assets / liabilities at amortised cost and available for sale assets	Assets / liabilities at fair value through profit or loss	Total	Assets / liabilities at amortised cost and available for sale assets	Assets / liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest on loans and advances	20 442 631	-	20 442 631	14 768 353	-	14 768 353
Results of financial assets and liabilities carried at fair value through profit or loss	-	-	-	-	-	-
Interest on deposits and loans to credit institutions	1 010 737	-	1 010 737	309 601	-	309 601
Interest on available for sale financial assets	5 945 967	-	5 945 967	5 774 880	-	5 774 880
Interest on investments held to maturity	4 485 581	-	4 485 581	-	-	-
Interest on derivatives for risk management	-	-	-	-	-	-
Other interest and similar income	19 838 135	-	19 838 135	33 453 315	-	33 453 315
	51 723 050	-	51 723 050	54 306 149	-	54 306 149
Interest expenses and similar charges						
Interest on deposits from central banks	9 535 580	-	9 535 580	27 079 077	-	27 079 077
Interest for other credit institutions	1 580 408	-	1 580 408	2 416 387	-	2 416 387
Interest on liabilities represented by securities	-	-	-	-	-	-
Interest on customer deposits	24 222 241	-	24 222 241	22 411 816	-	22 411 816
Interest on subordinated liabilities	3 573 514	-	3 573 514	3 531 541	-	3 531 541
Interest on derivatives for risk management	-	-	-	-	-	-
Other interests and similar charges	1 339 373	-	1 339 373	1 344 859	-	1 344 859
	40 251 116	-	40 251 116	56 783 680	-	56 783 680
Net Interest Income	11 471 934	-	11 471 934	(2 477 531)	-	(2 477 531)

And in consolidated terms is:

(Thousands of kwanzas)

	31.12.2017			31.12.2016		
	Assets / liabilities at amortised cost and available for sale assets	Assets / liabilities at fair value through profit or loss	Total	Assets / liabilities at amortised cost and available for sale assets	Assets / liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest on loans and advances	20 442 631	-	20 442 631	14 766 017	-	14 766 017
Results of financial assets and liabilities carried at fair value through profit or loss	-	-	-	-	-	-
Interest on deposits and loans to credit institutions	1 024 692	-	1 024 692	309 601	-	309 601
Interest on available for sale financial assets	5 945 967	-	5 945 967	5 774 880	-	5 774 880
Other interest and similar income	19 838 135	-	19 838 135	33 453 315	-	33 453 315
	51 737 005	-	51 737 005	54 303 813	-	54 303 813
Interest expenses and similar charges						
Interest on deposits from central banks	9 535 580	-	9 535 580	27 074 704	-	27 074 704
Interest for other credit institutions	1 580 408	-	1 580 408	2 371 914	-	2 371 914
Interest on customer deposits	24 222 241	-	24 222 241	22 411 817	-	22 411 817
Interest on subordinated liabilities	3 573 514	-	3 573 514	3 531 541	-	3 531 541
Other interests and similar charges	1 339 373	-	1 339 373	1 344 860	-	1 344 860
	40 251 116	-	40 251 116	56 734 835	-	56 734 835
Net Interest Income	11 485 889	-	11 485 889	(2 431 022)	-	(2 431 022)

The Bank's margin in 2017 was positive, mainly due to the repayment of the liquidity loan provided by National Bank of Angola, in March of this year.

The Bank's margin in 2016 was negative, mainly due to significant increase of expenses incurred with the liquidity loan obtained from the National Bank of Angola because of the increase in the Central Bank lending interest rate in the year from 13% to 20%.

The lending interest heading includes AOA 7,211,738,000 (2016: AOA 3,556,688,000) concerning loan income with signs of impairment (individual and collective analysis). Additionally, the loan interest heading also includes AOA 3,274,627,000 concerning contracts subject to restructuring.

These amounts primarily relate to contracts that, although they show certain impairment indicators, are not yet due. The recoverability of these amounts is analysed within the context of the impairment process, the analysis focusing on the likelihood of recovery of overdue amounts.

The interest on loans and advances to customer's headings include the positive amount of AOA 236,411,000 relating to commissions and other income recorded based on the effective interest rate. In 2016 this amount was AOA 437,829,000.

The Other interest and similar income heading relates essentially to the amount of the assets receivable from the ENSA Group related to the transfer of economic rights to Assets mentioned in Note 38.

The Other interest and similar costs heading primarily concerns the amounts payable to the ENSA Group, on account of the amounts recovered in respect of the assets involved in the above operation.

NOTE 5 INCOME FROM SERVICES AND FEES

The amount of this account, in separate terms, is comprised of:

	31.12.2017	31.12.2016
	(Thousands of kwanzas)	
Fees and Commissions income	8 506 130	5 369 879
Collection of amounts	4 422	16 069
Securities operations	25 324	20 348
Guarantees provided	265 394	81 981
Management of Instruments of payment	1 230 925	654 076
Fee and Loans and similar operations	1 023 437	101 819
Documentary credits	2 887 959	1 223 605
Cards	1 708 742	1 374 339
Bancassurance	53 220	27 888
Earnings from services provided to the state	558 000	506 299
Other services	748 706	1 363 455
Fees and commissions expenses	(411 140)	(562 676)
Management of Instruments of payment	(1 638)	(4 838)
Cards	(403 214)	(357 660)
Other services	(6 288)	(200 178)
	8 094 990	4 807 203

And, in consolidated terms:

	31.12.2017	31.12.2016
	(Thousands of kwanzas)	
Fees and Commissions income	9 217 675	6 177 610
Collection of amounts	4 422	16 069
Securities operations	25 324	20 348
Guarantees provided	265 394	81 981
Management of Instruments of payment	1 230 925	654 076
Fee and Loans and similar operations	1 023 437	101 819
Documentary credits	2 887 959	1 223 605
Cards	1 708 742	1 374 339
Bancassurance	53 220	27 888
Earnings from services provided to the state	558 000	506 299
Other services	808 591	808 591
Fees and commissions expenses	651 660	1 362 595
Management of Instruments of payment	(444 963)	(599 232)
Cards	(1 638)	(4 838)
Other services	(403 214)	(357 660)
	(40 111)	(236 734)
	8 772 712	5 578 378

During 2017, there was a growth of commission income, mainly the result of an increase in the Bank's lending operations, both direct and in the form of, documentary credit for imports.

In 2016, there was a growth in fees that is mainly explained by an increase in documentary credit operations for imports.

NOTE 6 FOREIGN EXCHANGE GAINS AND LOSSES

This account, in separate terms, is comprised as follows:

	(Thousands of kwanzas)	
	2017	2016
Foreign Exchange Balances Revaluation	479 248	10 666 707
Foreign Exchange Operations	3 309 923	300 574
	3 789 171	10 967 281

And, in consolidated terms:

	(Thousands of kwanzas)	
	2017	2016
Foreign Exchange Balances Revaluation	477 580	10 884 334
Foreign Exchange Operations	3 309 923	300 574
	3 787 503	11 184 908

This account includes profits and losses from the exchange revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 2.2. Foreign exchange results in 2017 mainly represented gains obtained by the Bank in transactions with customers, ranging from transfers to deals with letters of credit.

The exchange revaluation results mainly from the assignment operation described in Note 37.

Foreign Exchange gains/(losses) relates to the exchange revaluation of assets and liabilities denominated in foreign currencies as a result of AOA devaluation compared to other currencies, especially the EUR and USD.

The above account includes the results arising from the revaluation of receivables assets included in the transfer operation of economic rights over assets (see Note 35) is AOA 58,867,427,000 in terms of principal and AOA 4,458,407,000 in terms of interest receivable, totalling AOA 63,325,834,000, and in 2017, in terms of Capital AOA 41,452,000 and AOA 6,234,000 in terms of interest receivable, totalling AOA 47,686,000.

NOTE 7 RESULTS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The amount of this heading for the separate and consolidated accounts comprises:

	31.12.2017			31.12.2016		
	Income	Costs	Total	Income	Costs	Total
Bonds and other fixed-income securities						
From public issuers	477 272	43 966	433 306	-	-	-
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	-	-
Other floating-rate securities	-	-	-	-	-	-
	477 272	43 966	433 306	-	-	-

The result recorded in 2017 relates to the sale of securities on the secondary market. The costs incurred concern the repayment of the Loan by the BNA, discussed in Note 37.

NOTE 8 RESULTS OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount of this account (consolidated and individual accounts), is comprised of:

(Thousands of kwanzas)

	31.12.2017			31.12.2016		
	Income	Costs	Total	Income	Costs	Total
Securities held for trading						
Bonds and other fixed-income securities						
• From public issuers	551	-	551	-	-	-
• From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	-	-
Other floating-rate securities	-	-	-	-	-	-
	551	-	551	-	-	-
Derivative financial instruments						
contracts concerning gold	1 102	1 676	(573)	-	-	-
	1 102	1 676	(573)	-	-	-
Total	1 653	1 676	(23)	-	-	-

NOTE 9 OTHER OPERATING INCOME

The amount of this account comprises
in the individual accounts:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Other operating income (expenses)		
Direct and Indirect taxes	(458 758)	(308 531)
Membership fees and donations	(22 963)	(21 094)
Other	4 616 156	(153 858)
	4 134 436	(483 484)

And, in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Other operating income (expenses)		
Direct and Indirect taxes	(477 306)	(329 816)
Membership fees and donations	(37 605)	(21 094)
Other	4 614 420	(169 212)
	4 099 510	(520 123)

Other operating income in 2017 reflected the income received as payment in kind, within the scope off the settlement of loan agreement of AOA 4,718,989,000.

NOTE 10 STAFF COSTS

The value of this item, in separate terms, is composed of:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Salaries and remunerations	7 582 667	5 953 057
Remunerations	4 866 712	4 905 914
Holiday allowance	468 309	458 178
Christmas allowance	424 569	400 368
Food allowance	144 008	151 434
Variable remuneration	1 679 068	37 162
Mandatory social contributions	354 419	339 330
Others costs	1 209 190	1 141 204
	9 146 276	7 433 592

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Salaries and remunerations	7 864 550	5 993 095
Remunerations	5 060 199	4 945 953
Holiday allowance	486 494	458 178
Christmas allowance	440 280	400 368
Food allowance	147 108	151 434
Variable remuneration	1 730 468	37 162
Mandatory social contributions	369 457	343 164
Others costs	1 235 973	1 182 972
	9 469 980	7 519 232

The significant increase of staff costs is largely due to a significant increase in Variable Remuneration.

Other costs include contributions made by the Group to the defined-contribution pension fund of AOA 221,375,000 for 2017 and AOA 155,884,000 for 2016, as described in note 11.

Employees with permanent and fixed-term contracts within the Bank itself, by category are as follows:

Separate	31.12.2017	31.12.2016
Directors	86	85
Supervisors	158	150
Specialists	313	295
Administrative and other positions	452	491
	1 009	1 021

Consolidated	31.12.2017	31.12.2016
Directors	95	88
Supervisors	158	152
Specialists	324	302
Administrative and other positions	459	492
	1 036	1 034

According to IAS 39 – Financial Instruments, all financial instruments must be carried at fair value when they are recognised in the balance sheet.

Loans to employees are carried at their nominal value, which is higher than the market value because they are remunerated at a rate lower than loans to banking customers that have no connection with the Bank.

The Bank calculates the fair value on loans to employees, and to this end determines the market interest rate that the Banks charges when the loan was granted to the employee. Since the market interest rate is higher than the rate for employees, the fair value of their loan will be less than its nominal value, and therefore its book value is adjusted to reflect fair value (on the date it is granted).

In accordance with IAS 39, at the time of initial recognition of a financial instrument if its fair value is different from the amount paid/received, the difference must be recorded immediately in net income for the year.

However IAS 19 – Employee Benefits, provides for a different treatment, as it assumes that this benefit (lower-than-market interest rate) is part of the employee's remuneration. Consequently, the amount that results from the difference between the nominal value (amount disbursed) and the fair value of the loan is recognised under other assets (with a corresponding reduction in the value of the loan granted) and is then recognised in profit or loss under staff costs during the shorter of (i) the duration of the loan or (ii) the number of years between the date the loan was granted and the legal date on which the employee retires.

The fair value of the loans in 2017 amounts to AOS 2,054,815,000, and the adjustment made in the current year, between financial margin and staff costs amounted to AOA 168,720,000.

As mentioned in note 2.15, the Bank has a defined-contribution plan as it assigns a percentage or a fixed amount to all participants included in the plan, which will be monetised up until the time of legal reimbursement. This cost is recognised as a staff cost.

It does not require an actuarial study unlike the defined-benefit plan.

Participants in the Banco Económico pension plan are broken down as follows:

	31.12.2017	31.12.2016
Active	799	901
Pensioners and survivors	2	1
	801	902

The breakdown of the assets of the pension fund that are used by the Bank or represent securities issued by parties related with the Bank, is as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Bonds		
Other variable income securities		
Loans and advances to credit institutions	1 013 491	644 596
Shares		
Properties	314 701	305 468
	1 328 192	950 064

The total number of participants in the Fund at December 31, 2017, is 907 and in 2016 1,008.

The evolution of the value of the pension fund as at December 31, 2017 and 2016, is as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Fund balances at start of year	957 023	790 334
Real fund's income	59 285	62 483
Group contributions	221 375	155 884
Participant's contributions	108 220	20 501
Pensions paid by the fund	(19 509)	(74 489)
Other		2 310
Balances at end of year	1 326 393	957 023

The above amounts relate to the portfolio of the Overall Assets of the Fund, which includes participants who are not employees of the Bank.

As at December 31, 2017, the assets of the pension fund, both with and without market prices are broken down as follows:

	Fund's Assets	With quotation on the market	No market quotation
Variable Income security			
Shares			
Shares investment funds			
Participation units			
Bonds			
Properties	314 701	-	314 701
Property investment funds			
Securities investment funds			
Venture Capital Funds			
Hedge-Funds – non- correlated Inv.			
Loans to banks and other credit institutions	1 013 491	-	1 013 491
Total	1 328 192	-	1 328 192

(Thousands of kwanzas)

NOTA 11 THIRD-PARTY SUPPLIES & SERVICES

The analysis of this caption in the individual accounts is as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Rental and Leases	924 035	1 110 041
Advertising and publications	473 857	210 227
Communications and postage	600 070	577 594
Maintenance and repairs	350 970	432 081
Travel and representation expenses	497 751	369 064
Water, power and fuel	277 343	300 518
Cash transportation	719 366	483 289
Current Consumables	255 025	292 397
IT services	372 507	349 690
Cleaning services	106 224	149 937
Insurance	1 177 287	717 500
Legal, Litigation and notaries	87 925	162 159
Consultancy and audit	799 954	492 944
Security and surveillance	678 862	795 930
Other expenses	465 707	448 078
	7 786 884	6 891 448

During 2017, Third-party supplies & services grew 8% compared to the previous year, essentially due to an adjustment in prices, however within the Bank's cost containment policy

The most significant increases were Advertising and publications, Consultancy and audit and Cash

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Rental and Leases	950 113	1 110 041
Advertising and publications	473 977	210 317
Communications and postage	603 507	579 043
Maintenance and repairs	356 940	434 359
Travel and representation expenses	501 392	391 445
Water, power and fuel	280 085	301 018
Cash transportation	756 922	483 289
Current Consumables	260 049	293 969
IT services	372 507	349 690
Cleaning services	106 570	149 937
Insurance	1 179 221	719 057
Legal, Litigation and notaries	105 844	162 159
Consultancy and audit	838 748	633 252
Security and surveillance	678 862	795 930
Other expenses	498 606	448 078
	7 963 341	7 061 584

transportation expenses.

During 2016, the account Third-party supplies & services grew 4% comparing to the previous year, essentially due to an adjustment in prices, however within the Bank's cost containment policy.

The items that presented a more significant increase most were legal, notary, consultancy and auditing services.

In this last item, the increase was essentially due to the Bank's need to use an external service to assist in the adoption of the IAS/IFRS for the preparation of the financial statements in accordance with Banco Nacional de Angola Notice 6/2016 of 22 June.

NOTE 12 EARNINGS PER SHARE

Following the policy in Note 2.24, basic earnings per share are calculated by dividing the net profit/(loss) to be allocated to the Bank's shareholders by the weighted average number of ordinary shares in circulation during the year, thereby excluding its own shares held by the Bank itself.

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Net profit attributable to Bank's shareholders	6 012 325	(4 329 024)
(-) Remuneration of perpetual Bonds	-	-
(+) Gains and losses recorded in reserves	-	-
Adjusted net consolidated profits attributable to Bank's shareholders	6 012 325	(4 329 024)
Weighted average number of ordinary shares issued ('000)	72 000 000	72 000 000
Weighted average number of own shares issued ('000)		
Average number of ordinary shares in circulation ('000)	72 000 000	72 000 000
Basic Earnings per share attributable to Bank's shareholders ('000)	0,08	-0,06

NOTE 13 TAXES

The Bank is subject to industrial tax and is considered as Group A taxpayer.

Current or deferred income taxes are reflected in the profit/(loss) for the financial year, except when the related transaction has been recorded in other comprehensive income. In these situations, the corresponding tax is also recorded in Other comprehensive income and does not affect profit/(loss) for the year.

Current tax for the years ending 31 December 2016 and 2015 was calculated in accordance with Article 4 (1) and (2) of Law 19/14 of 22 October. The applicable tax rate is 30%.

Tax returns are subject to examination and correction by the tax authorities for a period of five years, which may result in corrections to taxable profit from 2012 to 2016, due to different interpretations of tax legislation.

Nevertheless, no corrections to these financial years are expected to occur and, if they do occur, they are not expected to have a significant impact on the financial statements.

As set out in Article 46 of the Industrial Tax Code tax losses calculated in a particular year can be deducted from the taxable profits in the following three years.

Deferred taxes are calculated on the basis of the taxation rates that are expected to be in effect on the date of reversal of the temporary differences, at rates approved or substantially approved on the balance sheet date. Regardless, for 2017 and 2016, the Bank did not record any deferred taxes.

The reconciliation of taxes costs recognised in profit/(loss), in separate terms, is as follows for the Bank itself:

(Thousands of kwanzas)

	31.12.2017		31.12.2016	
	%	Amount	%	Amount
Profit/(Loss) Before Taxation		6 012 325		(4 329 024)
Non –taxable Income	(177.3)	(10 662 792)	139.3	(6 032 458)
Tax and accounting differences regarding (gains)/losses	-	-	-	-
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplementary capital)	59.4	3 573 514	(81.6)	3 531 541
Unforeseen provisions	-	-	-	-
Non-deductible (income/costs)	5.3	320 379	(4.8)	207 097
Changes in estimates	-	-	-	-
Changes in rates and taxable base arising from reform of Industrial tax	-	-	-	-
Other	-	-	-	-
Taxable income		-		-
Tax loss	-	-	-	-
Previous years' tax loss (2014-2016)		515 426 921		
Tax Rate	30.0	-	30.0	-
Tax determined on the basis of the legal tax rate		-		(1 298 707)
Tax calculated	-	-	53.0	(2 293 821)
Tax for the year	-	-	-	-

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017		31.12.2016	
	%	Amount	%	Amount
Profit/(Loss) Before Taxation		6,008,847		(4,326, 888)
Non –taxable Income	30.0	-	30.0	-
Tax and accounting differences regarding (gains)/losses	-	1,802,654	-	(1,298,066)
Tax benefits on income from public debt securities	-	-	139.3	(6,032,458)
Interest on loans (holders of capital or supplementary capital)	-	-	-	-
Unforeseen provisions	-	-	-	-
Non-deductible (income/costs)	59.4	3,573,514	(81.6)	3,531,541
Changes in estimates	-	-	-	-
Changes in rates and taxable base arising from reform of Industrial tax	-	-	(4.8)	207,097
Other	-	-	-	-
Taxable income	-	9,582,361	-	-
Tax loss	-	-	-	-
Previous years' tax loss (2014-2016)	-	515,426,921	-	-
Tax Rate	30.0	-	30.0	-
Tax determined on the basis of the legal tax rate	-	-		
Tax calculated	-	-	83.0	(3,591,887)
Tax for the year	-	-	-	-

The Bank chose not to record any deferred tax assets considering the losses reported in 2014 and 2016.

Earnings from public debt securities relating to Treasury Bonds and Treasury Bills issued by the Angolan Republic until 31 December 2012, whose issuance was regulated by Framework Law on Direct Public Debt (Law 16/02 of 5 December) and by Regulatory Decrees 51/03 and 52/03 of 8 July, are exempt from all taxes. This is complemented by Article 23 (1) (c) of the Industrial Tax Code (Law 18/92 of 3 July) in force until 31 December 2014, which expressly states that income from any Angolan public debt securities are not considered earnings for the purpose of calculating Industrial Tax..

Earnings from public debt securities relating to Treasury Bonds and Treasury Bills issued by the Angolan State after 31 December 2012 are subject to Capital Investment Tax, as defined in Article 9 (1) (k) of Presidential Legislative Decree 2/2014 of 20 October. Income taxation under Capital Investment Tax is not subject to Industrial Tax, as set out in Article 47 of the Industrial Tax Code (Law 19/14 of 12 October).

Therefore, when determining taxable profit for the financial years ended 31 December 2017 and 2016, these earnings were deducted from taxable profit.

Equally the costs related to Capital Investment Tax are not considered to be deductible in calculating the tax liability, as set out in Article 18 (1) (a) of the Industrial Tax Code.

NOTE 14 CASH AND DEPOSITS AT CENTRAL BANKS

The amount of this account, in in the Bank's separate terms, is comprised of:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Cash	7 256 158	5 549 516
Deposits at Central Banks	131 293 009	66 794 875
Banco Nacional de Angola	131 293 009	66 794 875
Other Central Bank	-	-
	138 549 166	72 344 391

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Cash	7 256 158	5 549 518
Deposits at Central Banks	131 293 009	66 794 875
Banco Nacional de Angola	131 293 009	66 794 875
Other Central Bank	-	-
	138 549 167	72 344 393

The caption Deposits at central banks represents the balances from the mandatory minimum reserves system in effect in Angola at the date of the balance sheet. It consists of non-interest-bearing deposits at the BNA. These deposits are made in order to comply with mandatory reserves defined by BNA through Instructions 6/2017 of December, 1, 2017, establishing that the mandatory reserves should be made in Angolan and foreign currency based on the denomination of the liabilities that constitute their basis of assessment. They must be maintained for the entire period to which they refer. According to this instruction, the reserve requirement for the basis of assessment in Angolan and foreign currency is 21% and 15%, respectively, with the exception of local government deposits, which are subject to a reserve requirement of 50 % for Angolan currency, and the central government, which are subject to 75% for Angolan currency and 100% for foreign currency. This instruction also allows the Bank to use up to 80% of the current value of its loan portfolio, granted to the agriculture, fisheries, forestry and livestock sectors as a deduction from the amount of compulsory reserves in national currency.

		National Currency	Foreign Currency
Reserves over basis assessment			
Central, Local Government	Daily assessment	50%/75%	100%
Other sectors	Weekly assessment	21%	15%

The exemption from compliance with the compulsory reserves made available to Banco Económico during the period of adoption of the remedial measures implemented by Banco Nacional de Angola in August 2014 extended to the entire period of restructuring and consequent recovery of Banco Económico, the decisions of which and practical consequences lasted until 2017. As a result, the effort to fully comply with the legal level of mandatory reserves took place in stages, based on the positive results of the recovery process and the evolution of the cash situation. In view of this process, the cash situation and the plan for the repayment of loans submitted to the BNA in March 2017 Banco Económico achieved compliance with the level of compulsory reserves, in national currency, required by the regulations. For the full compliance with the mandatory reserves in foreign currency a proposal was also submitted to the BNA, which awaits approval by the regulator.

As at December 31, 2017, Banco Económico had a shortfall in meeting the mandatory reserves in foreign currency of USD 60,840,000, a transitional situation that the Bank expects to rectify after approval of the settlement proposal.

NOTE 15

CASH AND DEPOSITS AT OTHER CREDIT INSTITUTIONS

The amount of this account, in the Bank's separate accounts, is comprised of:

		(Thousands of kwanzas)	
		31.12.2017	31.12.2016
Deposits at other credit institutions in Angola			
Cheques for collection		1 796 061	1 312 451
Deposits on demand		-	-
		1 796 061	1 312 451
Deposits at other credit institutions abroad			
Cheques for collection		-	-
Deposits on demand		32 959 871	68 534 582
		32 959 871	68 534 582
		34 755 931	69 847 033

And in consolidated terms:

		(Thousands of kwanzas)	
		31.12.2017	31.12.2016
Deposits at other credit institutions in Angola			
Cheques for collection		1 984 443	1 312 451
Deposits on demand		-	-
		1 984 443	1 312 451
Deposits at other credit institutions abroad			
Cheques for collection		-	-
Deposits on demand		32 959 871	68 534 582
		32 959 871	68 534 582
		34 944 313	69 847 033

The amount of deposits at other credit institutions abroad grew substantially in 2017 due to an increase in documentary credits for import transactions, as mentioned in Note 5.

The amount of deposits at other credit institutions in Angola – cheques for collection represents cheques pending clearance at the balance sheet date. They were sent for collection on the first business days following year-end.

NOTE 16 LOANS AND ADVANCES TO CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The composition of this account at 31 December 2017 and 2016, in the consolidated and separate accounts, is as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Loans to credit institutions abroad		
Deposits	-	-
Interbank money market	81 968 105	56 070 540
Very short-term loans	-	-
Operations with resale agreements	-	-
Loans	-	-
Other loans	-	-
	81 968 105	56 070 540
Impairment losses	81 968 105	56 070 540

The amount of loans and advances to credit institutions abroad includes accrued interest receivable calculated at the balance sheet date.

The scheduling of loans and advances to central banks and other credit institutions by residual maturities, as at 31 December 2017 and 2016, is as follows:

	(Thousands of kwanzas)	
Individual	31.12.2017	31.12.2016
Up to 3 months	81 968 105	33 174 581
3 months to one year	-	22 895 959
1 to 5 years	-	-
More than 5 years	-	-
Indefinite duration	-	-
	81 968 105	56 070 540

Loans and advances to central banks and other credit institutions abroad as at 31 December 2017 were earning an average interest rate of 0.43% (31 December 2016: 0.688%). These are the market rates where the Bank operates.

NOTE 17 AVAILABLE FOR SALE FINANCIAL ASSETS

As at 31 December 2017 and 31 December 2016 this caption in the separate accounts, is comprised as follows:

(Thousands of kwanzas)

	Cost ⁽¹⁾	Fair value reserve		Impairment Losses	Balance sheet value
		Positive	Negative		
Bonds and other fixed-income securities					
From public issuers	119 134 167	-	-	-	119 134 167
From other issuers	-	-	-	-	-
Shares	128 542	-	-	(26 417)	102 125
Balance as at December 31, 2017	119 262 709	-	-	(26 417)	119 236 292
Bonds and other fixed-income securities					
From public issuers	133 566 615	46 462	(126 029)	-	133 487 048
From other issuers	-	-	-	-	-
Shares	47 253	-	-	(26 414)	20 839
Balance as at December 31, 2016	133 613 867	46 462	(126 029)	(26 414)	133 507 887

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

And in consolidated terms:

(Thousands of kwanzas)

	Cost ⁽¹⁾	Fair value reserve		Impairment Losses	Balance sheet value
		Positive	Negative		
Bonds and other fixed-income securities					
From public issuers	119 134 167	-	-	-	119 134 167
From other issuers	-	-	-	-	-
Shares	128 542	-	-	(26 417)	102 125
Balance as at December 31, 2017	119 262 709	-	-	(26 417)	119 236 292
Bonds and other fixed-income securities					
From public issuers	133 566 615	46 462	(126 029)	-	133 487 048
From other issuers	-	-	-	-	-
Shares	48 699	-	-	(26 414)	22 286
Balance as at December 31, 2016	133 615 314	46 462	(126 029)	(26 414)	133 509 334

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

The Bank maintains a security in USD called "Fomento Empresarial" at historic cost, as there are no comparable references in the market and also because the bond falls due in August 2018.

The average interest rates and the contracted and denominated currencies of securities are detailed below:

(Thousands of kwanzas)

Nature and type of securities	Currency	Average interest rate	Amortised purchase cost	Earnings receivable	Fair value reserve	Balance sheet value 2017	Balance sheet value 2016
Treasury bonds indexed to USD	USD	4.26%	116 988 035	2 146 132	-	119 134 167	119 037 627
Treasury bonds in USD	AOA		-	-	-	-	14 449 421
Total			116 988 035	2 146 132	-	119 134 167	133 487 048

The securities in the Bank's available for sale portfolio are as follows:

ISIN Code	Description	Type	31/12/2017
AOTNFE100808	Fomento Empresarial	Treasury bond	119 134 167
	BVDA	Shares	-
	EMIS	Shares	102 125

In accordance with the accounting policy described in Note 3.1, the Bank regularly ascertains if there is any objective evidence of impairment in its portfolio of available for sale financial assets, in accordance with the criteria described in Note 3.2.

As described in Note 37, in March 2017 securities were delivered to the BNA as payment in kind of 14,662 million of kwanzas.

Analysis of available for sale financial assets net of impairment by valuation levels in the separate accounts, as at 31 December 2017 and 2016, is as follows:

(Thousands of kwanzas)

	Level 1	Level 2	Level 3	Cost ⁽¹⁾	Impairment	Total
Bonds and other fixed-income securities						
From public issuers	-	(0)	-	119 134 167		119 134 167
From other issuers	-	-	-	-		-
Shares	-	-	-	128 542	(26 417)	102 125
Balance as at December 31, 2017	-	(0)	-	119 262 709	(26 417)	119 236 292
Bonds and other fixed-income securities						
From public issuers	-	14 449 421	-	119 037 627		133 487 048
From other issuers	-	-	-	-		-
Shares	-	-	-	47 253	(26 414)	20 839
Balance as at December 31, 2016	-	14 449 421	-	119 084 880	(26 414)	133 507 887

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

And in consolidated terms:

(Thousands of kwanzas)

	Level 1	Level 2	Level 3	Cost ⁽¹⁾	Impairment	Total
Bonds and other fixed-income securities						
From public issuers	-	(0)	-	119 134 167		119 134 167
From other issuers	-	-	-	-		-
Shares	-	-	-	128 542	(26 417)	102 125
Balance as at December 31, 2017	-	(0)	-	119 262 709	(26 417)	119 236 292
Bonds and other fixed-income securities						
From public issuers	-	14 449 421	-	119 037 627		133 487 048
From other issuers	-	-	-	-		-
Shares	-	-	-	48 699	(26 414)	22 286
Balance as at December 31, 2016	-	14 449 421	-	119 086 327	(26 414)	133 509 334

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

According to Note 2.4 and IFRS 13, financial instruments are classified in accordance with the fair value hierarchy (Level 1, 2 or 3), depending on the information available to assess fair value at each balance sheet date.

Changes in impairment losses in available for sale financial assets are analysed as follows:

(Thousands of kwanzas)

Individual	31.12.2017	31.12.2016
Balance as at December 1, 2016	(26 414)	-
Charge for the year	-	(26 414)
Exchange rate variations	(3)	-
Balance as at December 31, 2016	(26 417)	(26 414)

As at 31 December 2017 and 2016, the schedule of residual maturities for available for sale financial assets in the separate accounts, was as follows:

(Thousands of kwanzas)

	Less than three months	From three months to one year	From one to five years	More than five years	Indefinite duration	Total
Bonds and other fixed-income securities						
From public issuers	-	119 134 167	-	-	-	119 134 167
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	102 125	102 125
Balance as at December 31, 2017	-	119 134 167	-	-	102 125	119 236 292
Bonds and other fixed-income securities						
From public issuers	-	9 334 066	120 803 145	3 349 837	-	133 487 048
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	20 839	20 839
Balance as at December 31, 2016	-	9 334 066	120 803 145	3 349 837	20 839	133 507 887

And in consolidated terms:

(Thousands of kwanzas)

	Less than three months	From three months to one year	From one to five years	More than five years	Indefinite duration	Total
Bonds and other fixed-income securities						
From public issuers	-	119 134 167	-	-	-	119 134 167
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	102 125	102 125
Balance as at December 31, 2017	-	119 134 167	-	-	102 125	119 236 292
Bonds and other fixed-income securities						
From public issuers	-	9 334 066	120 803 145	3 349 837	-	133 487 048
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	22 286	22 286
Balance as at December 31, 2016	-	9 334 066	120 803 145	3 349 837	22 286	133 509 334

NOTE 18 INVESTMENTS HELD TO MATURITY

As at 31 December 2017 and 31 December 2016 this the composition of this caption, in the separate and consolidated accounts follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Bonds and other fixed-income securities		
From public issuers	29 485 581	-
From other issuers	-	-
	29 485 581	-
Impairment losses	-	-
	29 485 581	-

The Bank has in its held to maturity investment portfolio a treasury bill with a maturity of 28 March 2018, with an implicit yield of 23.73%.

The fair value of investments held to maturity is presented in note 35

The Bank reviewed its held to maturity investment portfolio for impairment indicators at 31 December 2016 and 2017. No factors were identified that might impact the recoverable value of these investments from future cash flows.

At 31 December 2017 and 2016 the maturities of available for sale investments was as follows:

	(Thousands of kwanzas)					
	Less than three months	From three months to one year	From one to five years	More than five years	Indefinite duration	Total
Bonds and other fixed-income securities						
From public issuers	29 485 581	-	-	-	-	29 485 581
From other issuers	-	-	-	-	-	-
Balance as at December 31, 2017	29 485 581	-	-	-	-	29 485 581
Bonds and other fixed-income securities						
From public issuers	-	-	-	-	-	-
From other issuers	-	-	-	-	-	-
Balance as at December 31, 2016	-	-	-	-	-	-

NOTE 19 RESULTS OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2017 and 31 December 2016 this account, is comprised as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Financial assets held for trading	1 635	-
Financial liabilities held for trading	(1 157)	-
Results of financial assets and liabilities carried at fair value through profit or loss	-	-
Results of financial assets and liabilities carried at fair value through profit or loss	-	-
	478	-

The amounts recorded in this caption only concern options relating to a bank deposit indexed to the price of Brent, together with an option contracted to manage risk.

NOTE 20

LOANS AND ADVANCES TO CUSTOMERS

As at 31 December 2017 and 31 December 2016 this caption, in the separate accounts, is comprised as follows:

	31.12.2017	31.12.2016
(Thousands of kwanzas)		
Active loans and advances		
To companies		
Current accounts	10 975 568	9 361 329
Loans	57 749 400	63 554 467
Discounts and other securitised credits by effects	-	-
Factoring	-	-
Overdrafts	202 404	18 147
Leasing	2 817 802	3 082 361
Other credits	-	121 549
To private customers	-	-
Mortgages	5 253 019	6 122 646
Consumer and other credits	5 375 058	2 818 476
	82 373 250	85 078 973
Overdue loans and advances		
To companies		
Loans	45 803 252	34 394 210
Current accounts	4 072 006	4 144 043
Overdrafts	11 802 385	4 974 644
Discounts and other securitised credits by effects	-	-
Leasing	3 824 539	2 430 366
Factoring	-	-
Other credits	-	-
To private customers		
Mortgages	1 816 875	1 607 546
Consumer and other credits	2 033 202	1 713 600
	69 352 259	49 264 408
Other securitised credits	48 369 465	47 974 356
	200 094 974	182 317 738
Impairments losses	(21 259 361)	(18 320 515)
	178 835 613	163 997 223

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Active loans and advances		
To companies		
Current accounts	10 975 568	9 361 329
Loans	57 749 400	63 501 087
Discounts and other securitised credits by effects	-	-
Factoring	-	-
Overdrafts	202 404	18 147
Leasing	2 817 802	3 082 361
Other credits	-	121 549
To private customers	-	-
Mortgages	5 253 019	6 122 646
Consumer and other credits	5 375 058	2 818 476
	82 373 250	85 025 593
Overdue loans and advances		
To companies		
Loans	45 803 252	34 394 210
Current accounts	4 018 626	4 144 043
Overdrafts	11 802 385	4 974 644
Discounts and other securitised credits by effects	-	-
Leasing	3 824 539	2 430 366
Factoring	-	-
Other credits	-	-
To private customers		
Mortgages	1 816 875	1 607 546
Consumer and other credits	2 033 202	1 713 600
	69 298 879	49 264 408
Other securitised credits	48 369 465	47 974 356
	200 041 594	182 264 357
Impairments losses	(21 223 270)	(18 318 379)
	178 818 323	163 945 978

The item other securitised credits includes AOA 47,428,300 thousands, of principal and AOA 941,165 thousands of accrued interest regarding the bond issued by the state during the transfer of economic rights over assets (see Note 37), which matures in 2040 and has an annual 5% interest rate.

In accordance with BNA Notice 9/2016, the Bank's twenty largest customers, in terms of direct and indirect loans, total AOA 96,666,378 thousands which corresponds to about 98.86% of the Bank's Regulatory Own Funds.

The scheduling of loans and an advance to customers by maturity, in the separate accounts, at 31 December 2017 and 2016 was as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Up to 3 months	34 701 350	16 170 054
From 3 months to 1 year	13 290 798	15 150 657
From 1 to 5 year	34 560 607	30 394 590
More than 5 years	107 205 628	109 670 926
Indefinite duration	10 336 591	10 931 510
	200 094 974	182 317 738

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Up to 3 months	34 701 350	16 170 054
From 3 months to 1 year	13 290 798	15 150 657
From 1 to 5 year	34 560 607	30 394 590
More than 5 years	107 205 628	109 670 926
Indefinite duration	10 283 211	10 878 130
	200 041 594	182 264 357

Changes in impairment losses shown under assets as a correction of loan amounts were as follows in the separate accounts:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Opening balance	18 320 515	13 521 251
Charge for the year	12 583 423	18 272 703
Charged-off	(90 328)	-
Reversals	(10 347 064)	(15 844 460)
Exchange rate differences	792 816	2 371 021
Closing Balance	21 259 361	18 320 515

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Opening balance	18 318 379	13 521 251
Charge for the year	12 549 467	18 270 568
Charged-off	(90 328)	-
Reversals	(10 347 064)	(15 844 460)
Exchange rate differences	792 816	2 371 021
Closing Balance	21 223 271	18 318 379

During 2017 the Bank did not derecognise any loans through write-offs of assets.

Loans and advances to customers by type of rate in the separate accounts are as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Fixed rate	161 143 139	152 025 299
Variable rate	38 951 835	30 292 439
	200 094 974	182 317 738

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Fixed rate	161 089 758	151 971 919
Variable rate	38 951 835	30 292 439
	200 041 594	182 264 357

Leasing by residual maturities is as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Rents and residual amounts outstanding		
Up to 1 year	1 109 047	744 482
From 1 to 5 years	6 167 858	7 247 742
More than 5 years	-	-
	7 276 905	7 992 224
Interest outstanding		
Up to 1 year	76 969	-
From 1 to 5 years	1 440 885	212 136
More than 5 years	-	-
	1 517 854	212 136
Principal not yet due		
Up to 1 year	949 458	-
From 1 to 5 years	4 525 109	1 397 904
More than 5 years	-	-
	5 474 568	1 397 904
Impairment		
	5 474 568	1 397 904

As at 31 December 2017 and 2016 there were no agreements that were individually higher than 5% of total leasing. There are no leasing agreements with contingent rents.

The details of exposures and impairment by segment and days in arrears are as follows for 2017:

Segment	Exposure 2017						Impairment 2017		
	Total Exposure	Performing loans	Cured	Restructured	Non-performing loans	Restructured	Total Impairment	Performing loans	Non-performing loans
E - Current accounts – companies	15 047 574	9 153 335	-	1 822 233	670 020	3 401 986	1 796 782	1 288 799	507 983
E - Overdrafts – companies	12 004 787	7 100 137	-	-	2 730 304	2 174 346	3 373 396	692 390	2 681 006
E -Loans- companies	98 149 582	27 509 174	-	17 939 423	29 032 645	23 668 340	13 740 595	6 214 261	7 526 335
E - Leasing – companies	3 949 353	2 082 763	-	422 250	1 163 404	280 936	450 399	171 338	279 061
E - Public sector	56 503 415	51 195 816	-	2 927 397	2 380 201	-	-	-	-
P – Employees	4 754 667	4 282 354	-	-	472 313	-	209 085	31 512	177 573
P – M ortgages	2 370 727	1 604 813	-	-	765 914	-	636 814	210 164	426 650
P - Consumer credit	160 759	47 893	-	-	112 865	-	94 923	8 816	86 107
P - Overdrafts - private customers	86 600	2 355	-	-	84 245	-	72 790	364	72 426
P - Loans - private customers	6 821 730	4 406 991	-	-	1 973 335	441 404	876 621	18 017	858 604
P - Leasing - private customers	245 780	245 780	-	-	-	-	7 956	7 956	-
Total	200 094 974	107 631 412	-	23 111 303	39 385 246	29 967 012	21 259 361	8 643 616	12 615 745

And 2016:

Segment	Exposure 2016						Impairment 2016		
	Total Exposure	Performing loans	Cured	Restructured	Non-performing loans	Restructured	Total Impairment	Performing loans	Non-performing loans
E - Current accounts – companies	13 511 858	9 268 859	-	-	4 242 999	-	3 510 624	472 140	3 038 484
E - Overdrafts – companies	5 112 924	16 577	-	-	5 096 347	-	4 182 784	12 183	4 170 601
E -Loans- companies	92 011 498	60 681 100	-	-	31 330 398	-	8 689 031	6 077 928	2 611 103
E - Leasing – companies	3 997 667	3 030 489	-	-	967 178	-	413 069	76 281	336 788
E - Public sector	55 427 518	51 015 106	-	-	4 412 412	-	-	-	-
P – Employees	4 891 014	4 618 541	-	-	272 474	-	150 073	26 390	123 684
P – M ortgages	2 060 512	1 142 943	-	-	917 569	-	574 442	112 529	461 913
P - Consumer credit	283 601	127 890	-	-	155 711	-	134 474	8 680	125 795
P - Overdrafts - private customers	43 547	1 175	-	-	42 372	-	29 750	265	29 485
P - Loans - private customers	4 645 529	2 819 489	-	-	1 826 040	-	629 989	158 119	471 870
P - Leasing - private customers	332 069	331 161	-	-	908	-	6 278	5 958	320
Total	182 317 738	133 053 330	-	-	49 264 408	-	18 320 515	6 950 472	11 370 043

And in consolidated terms:

Segment	Exposure 2017						Impairment 2017		
	Total Exposure	Performing loans	Cured	Restructured	Non-performing loans	Restructured	Total Impairment	Performing loans	Non-performing loans
E - Current accounts – companies	14 994 194	9 153 335	-	1 822 233	616 640	3 401 986	1 760 691	1 252 708	507 983
E - Overdrafts – companies	12 004 787	7 100 137	-	-	2 730 304	2 174 346	3 373 396	692 390	2 681 006
E -Loans- companies	98 149 582	27 509 174	-	17 939 423	29 032 645	23 668 340	13 740 595	6 214 261	7 526 335
E - Leasing – companies	3 949 353	2 082 763	-	422 250	1 163 404	280 936	450 399	171 338	279 061
E - Public sector	56 503 415	51 195 816	-	2 927 397	2 380 201	-	-	-	-
P – Employees	4 754 667	4 282 354	-	-	472 313	-	209 085	31 512	177 573
P – M ortgages	2 370 727	1 604 813	-	-	765 914	-	636 814	210 164	426 650
P - Consumer credit	160 759	47 893	-	-	112 865	-	94 923	8 816	86 107
P - Overdrafts - private customers	86 600	2 355	-	-	84 245	-	72 790	364	72 426
P - Loans - private customers	6 821 730	4 406 991	-	-	1 973 335	441 404	876 621	18 017	858 604
P - Leasing - private customers	245 780	245 780	-	-	-	-	7 956	7 956	-
Total	200 041 594	107 631 412	-	23 111 303	39 331 866	29 967 012	21 223 270	8 607 525	12 615 745

And 2016:

Segment	Exposure 2016						Impairment 2016		
	Total Exposure	Performing loans	Cured	Restructured	Non-performing loans	Restructured	Total Impairment	Performing loans	Non-performing loans
E - Current accounts – companies	13 458 478	9 215 479	-	-	4 242 325	-	3 508 489	472 140	3 038 484
E - Overdrafts – companies	5 112 924	16 577	-	-	5 096 347	-	4 182 784	12 183	4 170 601
E -Loans- companies	92 011 498	60 681 100	-	-	31 330 398	-	8 689 031	6 077 928	2 611 103
E - Leasing – companies	3 997 667	3 030 489	-	-	967 852	-	413 069	76 281	336 788
E - Public sector	55 427 518	51 015 106	-	-	4 412 412	-	-	-	-
P – Employees	4 891 014	4 618 541	-	-	272 474	-	150 073	26 390	123 684
P – M ortgages	2 060 512	1 142 943	-	-	917 569	-	574 442	112 529	461 913
P - Consumer credit	283 601	127 890	-	-	155 711	-	134 474	8 680	125 795
P - Overdrafts - private customers	43 547	1 175	-	-	42 372	-	29 750	265	29 485
P - Loans - private customers	4 645 529	2 819 489	-	-	1 826 040	-	629 989	158 119	471 870
P - Leasing - private customers	332 069	331 161	-	-	908	-	6 278	5 958	320
Total	182 264 357	132 999 950	-	-	49 264 408	-	18 318 379	6 950 472	11 370 043

The details of the loan portfolio by segment and year granted in the separate accounts are as follows:

Year granted		N - 5 and previous	N-4	N-3	N-2	N-1	N	Total
E - Current accounts - companies	Number of operations	12	8	8	7	5	7	47
	Amount	2 818 647	2 645 269	909 337	751 248	5 277 502	2 645 571	15 047 574
	Impairment constituted	42 041	371 244	392 477	118 355	848 781	23 884	1 796 782
E - Overdrafts - companies	Number of operations	83	25	33	27	29	22	219
	Amount	4 660 247	5 368	68 525	13 513	194 892	7 062 242	12 004 787
	Impairment constituted	2 609 476	3 518	44 018	7 985	2 155	706 243	3 373 396
E - Loans - companies	Number of operations	31	7	9	21	24	23	115
	Amount	27 799 061	4 778 664	2 855 530	34 405 729	15 770 164	12 540 434	98 149 582
	Impairment constituted	2 274 747	804 995	125 274	3 644 289	5 361 027	1 530 263	13 740 595
E - Leasing - companies	Number of operations	4	4	16	65	32	28	149
	Amount	94 999	67 262	703 446	557 850	756 700	1 769 097	3 949 353
	Impairment constituted	4 063	29 304	138 240	100 860	61 912	116 020	450 399
E - Public sector	Number of operations	1	-	1	8	14	9	33
	Amount	2	-	1 450 134	315 272	50 564 561	4 173 446	56 503 415
	Impairment constituted	-	-	-	-	-	-	-
P - Employees	Number of operations	6	-	251	137	108	149	651
	Amount	270 882	-	2 477 465	701 683	703 120	601 516	4 754 667
	Impairment constituted	143 860	-	52 495	7 017	2 690	3 023	209 085
P - Mortgages	Number of operations	14	6	6	6	12	5	49
	Amount	1 025 456	169 014	157 452	207 230	309 182	502 393	2 370 727
	Impairment constituted	318 857	75 773	62 217	14 662	140 132	25 172	636 814
P - Consumer credit	Number of operations	39	15	11	18	26	4	113
	Amount	75 212	939	14 346	9 213	50 907	10 141	160 759
	Impairment constituted	65 562	546	4 052	5 168	17 796	1 799	94 923
P - Overdrafts - private customers	Number of operations	100	61	73	106	129	66	535
	Amount	46 914	851	1 943	31 925	3 673	1 293	86 600
	Impairment constituted	43 095	495	1 562	25 004	2 282	352	72 790
P - Loans - private customers	Number of operations	35	3	6	5	2	2	53
	Amount	2 661 008	367	112 985	333 929	3 460 530	252 911	6 821 730
	Impairment constituted	493 884	312	68 930	41 637	265 767	6 091	876 621
P - Leasing - private customers	Number of operations	-	-	1	2	13	6	22
	Amount	-	-	1 738	2 072	220 875	21 096	245 780
	Impairment constituted	-	-	42	693	6 635	586	7 956

And in consolidated terms:

Year granted		N - 5 and previous	N-4	N-3	N-2	N-1	N	Total
E - Current accounts - companies	Number of operations	11	8	8	7	5	7	46
	Amount	2 818 647	2 645 269	909 337	751 248	5 277 502	2 645 571	14 994 194
	Impairment constituted	42 041	371 244	392 477	118 355	848 781	23 884	1 760 691
E - Overdrafts - companies	Number of operations	83	25	33	27	29	22	219
	Amount	4 660 247	5 368	68 525	13 513	194 892	7 062 242	12 004 787
	Impairment constituted	2 609 476	3 518	44 018	7 985	2 155	706 243	3 373 396
E - Loans - companies	Number of operations	31	7	9	21	24	23	115
	Amount	27 799 061	4 778 664	2 855 530	34 405 729	15 770 164	12 540 434	98 149 582
	Impairment constituted	2 274 747	804 995	125 274	3 644 289	5 361 027	1 530 263	13 740 595
E - Leasing - companies	Number of operations	4	4	16	65	32	28	149
	Amount	94 999	67 262	703 446	557 850	756 700	1 769 097	3 949 353
	Impairment constituted	4 063	29 304	138 240	100 860	61 912	116 020	450 399
E - Public sector	Number of operations	1	-	1	8	14	9	33
	Amount	2	-	1 450 134	315 272	50 564 561	4 173 446	56 503 415
	Impairment constituted	-	-	-	-	-	-	-
P - Employees	Number of operations	6	-	251	137	108	149	651
	Amount	270 882	-	2 477 465	701 683	703 120	601 516	4 754 667
	Impairment constituted	143 860	-	52 495	7 017	2 690	3 023	209 085
P - Mortgages	Number of operations	14	6	6	6	12	5	49
	Amount	1 025 456	169 014	157 452	207 230	309 182	502 393	2 370 727
	Impairment constituted	318 857	75 773	62 217	14 662	140 132	25 172	636 814
P - Consumer credit	Number of operations	39	15	11	18	26	4	113
	Amount	75 212	939	14 346	9 213	50 907	10 141	160 759
	Impairment constituted	65 562	546	4 052	5 168	17 796	1 799	94 923
P - Overdrafts - private customers	Number of operations	100	61	73	106	129	66	535
	Amount	46 914	851	1 943	31 925	3 673	1 293	86 600
	Impairment constituted	43 095	495	1 562	25 004	2 282	352	72 790
P - Loans - private customers	Number of operations	35	3	6	5	2	2	53
	Amount	2 661 008	367	112 985	333 929	3 460 530	252 911	6 821 730
	Impairment constituted	493 884	312	68 930	41 637	265 767	6 091	876 621
P - Leasing - private customers	Number of operations	-	-	1	2	13	6	22
	Amount	-	-	1 738	2 072	220 875	21 096	245 780
	Impairment constituted	-	-	42	693	6 635	586	7 956

The details of the amount of gross credit exposure and the amount of related impairment analysed on an individual and collective basis by segment, business sector and geographical location in the separate accounts are as follows for 2017:

2017		Individual Impairment	Collective Impairment	Impairment IBNR	Total
E - Current accounts - companies	Total exposure	14 097 703	949 871	-	15 047 574
	Impairment	1 376 038	420 743	-	1 796 782
E - Overdrafts - companies	Total exposure	11 577 628	427 159	-	12 004 787
	Impairment	2 961 374	412 022	-	3 373 396
E - Loans – companies	Total exposure	91 860 628	6 288 954	-	98 149 582
	Impairment	12 683 625	1 056 970	-	13 740 595
E - Leasing - companies	Total exposure	2 811 498	1 137 855	-	3 949 353
	Impairment	246 383	204 016	-	450 399
E - Public sector	Total exposure	55 360 390	1 143 025	-	56 503 415
	Impairment	-	-	-	-
P – Employees	Total exposure	238 317	4 516 350	-	4 754 667
	Impairment	131 074	78 011	-	209 085
P – Mortgages	Total exposure	402 539	1 968 188	-	2 370 727
	Impairment	143 549	493 265	-	636 814
P - Consumer credit	Total exposure	19 351	141 408	-	160 759
	Impairment	10 643	84 281	-	94 923
P - Overdrafts - private customers	Total exposure	24	86 576	-	86 600
	Impairment	9	72 781	-	72 790
P - Loans - private customers	Total exposure	2 478 911	4 342 819	-	6 821 730
	Impairment	648 890	227 731	-	876 621
P - Leasing - private customers	Total exposure	-	245 780	-	245 780
	Impairment	-	7 956	-	7 956
Total	Total exposure	178 846 988	21 247 986	-	200 094 974
	Impairment	18 201 584	3 057 777	-	21 259 361

And for 2016:

2016		Individual Impairment	Collective Impairment	Impairment IBNR	Total
E - Current accounts - companies	Total exposure	12 607 877	903 981	-	13 511 858
	Impairment	3 323 572	187 053	-	3 510 624
E - Overdrafts - companies	Total exposure	4 596 258	516 666	-	5 112 924
	Impairment	3 692 434	490 350	-	4 182 784
E - Loans – companies	Total exposure	88 532 310	3 479 188	-	92 011 498
	Impairment	8 443 352	245 679	-	8 689 031
E - Leasing - companies	Total exposure	1 839 725	2 157 942	-	3 997 667
	Impairment	212 619	200 450	-	413 069
E - Public sector	Total exposure	55 427 504	14	-	55 427 518
	Impairment	-	-	-	-
P – Employees	Total exposure	238 300	4 334 126	-	4 572 426
	Impairment	119 150	30 924	-	150 073
P – Mortgages	Total exposure	665 416	1 395 096	-	2 060 512
	Impairment	173 829	400 613	-	574 442
P - Consumer credit	Total exposure	21 090	581 100	-	602 190
	Impairment	9 579	124 895	-	134 474
P - Overdrafts - private customers	Total exposure	22	43 525	-	43 547
	Impairment	8	29 742	-	29 750
P - Loans - private customers	Total exposure	3 501 783	1 143 745	-	4 645 529
	Impairment	381 926	248 062	-	629 989
P - Leasing - private customers	Total exposure	-	332 069	-	332 069
	Impairment	-	6 278	-	6 278
Total	Total exposure	167 430 285	14 887 453	-	182 317 738
	Impairment	16 356 470	1 964 045	-	18 320 515

And in consolidated terms, for 2017 and 2016, respectively:

2017		Individual Impairment	Collective Impairment	Impairment IBNR	Total
E - Current accounts - companies	Total exposure	14 044 323	949 871	-	14 994 194
	Impairment	1 339 948	420 743	-	1 760 692
E - Overdrafts - companies	Total exposure	11 577 628	427 159	-	12 004 787
	Impairment	2 961 374	412 022	-	3 373 396
E - Loans – companies	Total exposure	91 860 628	6 288 954	-	98 149 582
	Impairment	12 683 625	1 056 970	-	13 740 595
E - Leasing - companies	Total exposure	2 811 498	1 137 855	-	3 949 353
	Impairment	246 383	204 016	-	450 399
E - Public sector	Total exposure	55 360 390	1 143 025	-	56 503 415
	Impairment	-	-	-	-
P – Employees	Total exposure	238 317	4 516 350	-	4 754 667
	Impairment	131 074	78 011	-	209 085
P – Mortgages	Total exposure	402 539	1 968 188	-	2 370 727
	Impairment	143 549	493 265	-	636 814
P - Consumer credit	Total exposure	19 351	141 408	-	160 759
	Impairment	10 643	84 281	-	94 923
P - Overdrafts - private customers	Total exposure	24	86 576	-	86 600
	Impairment	9	72 781	-	72 790
P - Loans - private customers	Total exposure	2 478 911	4 342 819	-	6 821 730
	Impairment	648 890	227 731	-	876 621
P - Leasing - private customers	Total exposure	-	245 780	-	245 780
	Impairment	-	7 956	-	7 956
Total	Total exposure	178 793 608	21 247 986	-	200 041 594
	Impairment	18 165 494	3 057 776	-	21 223 270

2016		Individual Impairment	Collective Impairment	Impairment IBNR	Total
E - Current accounts - companies	Total exposure	12 554 497	903 981	-	13 458 478
	Impairment	3 321 437	187 053	-	3 508 489
E - Overdrafts - companies	Total exposure	4 596 258	516 666	-	5 112 924
	Impairment	3 692 434	490 350	-	4 182 784
E - Loans – companies	Total exposure	88 532 310	3 479 188	-	92 011 498
	Impairment	8 443 352	245 679	-	8 689 031
E - Leasing - companies	Total exposure	1 839 725	2 157 942	-	3 997 667
	Impairment	212 619	200 450	-	413 069
E - Public sector	Total exposure	55 427 504	14	-	55 427 518
	Impairment	-	-	-	-
P – Employees	Total exposure	238 300	4 334 126	-	4 572 426
	Impairment	119 150	30 924	-	150 073
P – Mortgages	Total exposure	665 416	1 395 096	-	2 060 512
	Impairment	173 829	400 613	-	574 442
P - Consumer credit	Total exposure	21 090	581 100	-	602 190
	Impairment	9 579	124 895	-	134 474
P - Overdrafts - private customers	Total exposure	22	43 525	-	43 547
	Impairment	8	29 742	-	29 750
P - Loans - private customers	Total exposure	3 501 783	1 143 745	-	4 645 528
	Impairment	381 926	248 062	-	629 989
P - Leasing - private customers	Total exposure	-	332 069	-	332 069
	Impairment	-	6 278	-	6 278
Total	Total exposure	167 376 904	14 887 453	-	182 264 357
	Impairment	16 354 334	1 964 045	-	18 318 379

And by business sector, in 2017:

2017		Individual Impairment	Collective Impairment	Impairment IBNR	Total
Real estate, rentals and services to companies	Total exposure	52 887 096	2 513 153	-	55 400 249
	Impairment	9 372 307	417 405	-	9 789 712
Board and lodging	Total exposure	-	1 407 431	-	1 407 431
	Impairment	-	855 298	-	855 298
Wholesale and retail trade	Total exposure	24 282 602	404 990	-	24 687 592
	Impairment	2 742 547	45 561	-	2 788 108
Construction	Total exposure	5 778 393	267 172	-	6 045 564
	Impairment	1 607 106	9 120	-	1 616 226
Consumption	Total exposure	-	1 267 784	-	1 267 784
	Impairment	-	34 306	-	34 306
Education	Total exposure	2 469 379	100 080	-	2 569 459
	Impairment	139 010	2 825	-	141 835
Colocation centre	Total exposure	784 370	5 355 665	-	6 140 035
	Impairment	236 020	563 621	-	799 641
Food, beverage and tobacco industries	Total exposure	189 717	118 607	-	308 324
	Impairment	93 806	78 403	-	172 209
Metal Industries	Total exposure	192 583	-	-	192 583
	Impairment	134 808	-	-	134 808
Manufacturing industries	Total exposure	20 469 761	1 630	-	20 471 390
	Impairment	1 160 199	60	-	1 160 259
Other collective, social and personal services	Total exposure	59 531 262	4 592 301	-	64 123 563
	Impairment	266 814	674 719	-	941 533
Transport, storage and communications	Total exposure	8 791 283	8	-	8 791 291
	Impairment	1 997 310	5	-	1 997 315
Other purposes	Total exposure	3 470 543	5 219 165	-	8 689 708
	Impairment	451 658	376 452	-	828 110
Total	Total exposure	178 846 988	21 247 986	-	200 094 974
	Impairment	18 201 584	3 057 777	-	21 259 361

And for 2016:

2016		Individual Impairment	Collective Impairment	Impairment IBNR	Total
Real estate, rentals and services to companies	Total exposure	51 911 380	812 744	-	52 724 124
	Impairment	10 382 977	479 595	-	10 862 572
Board and lodging	Total exposure	1 495 682	87 021	-	1 582 704
	Impairment	673 064	62 921	-	735 985
Wholesale and retail trade	Total exposure	12 937 414	344 673	-	13 282 087
	Impairment	1 087 567	31 615	-	1 119 182
Construction	Total exposure	4 252 609	561 090	-	4 813 698
	Impairment	1 554 827	15 071	-	1 569 899
Consumption	Total exposure	132 626	1 207 645	-	1 340 271
	Impairment	4 786	43 546	-	48 332
Education	Total exposure	1 961 440	89 184	-	2 050 623
	Impairment	475	2 402	-	2 877
Colocation centre	Total exposure	394 044	6 880 854	-	7 274 898
	Impairment	141 900	241 436	-	383 336
Food, beverage and tobacco industries	Total exposure	2 005 811	-	-	2 005 811
	Impairment	190 213	-	-	190 213
Metal Industries	Total exposure	519 794	-	-	519 794
	Impairment	363 856	-	-	363 856
Manufacturing industries	Total exposure	18 890 091	383 029	-	19 273 120
	Impairment	313 644	-	-	313 644
Other collective, social and personal services	Total exposure	58 863 657	4 773 791	-	63 637 448
	Impairment	194 213	526 994	-	721 207
Transport, storage and communications	Total exposure	8 107 100	-	-	8 107 100
	Impairment	911 141	-	-	911 141
Other purposes	Total exposure	3 899 941	1 806 117	-	5 706 058
	Impairment	537 807	560 464	-	1 098 271
Total	Total exposure	165 371 589	16 946 149	-	182 317 737
	Impairment	16 356 470	1 964 045	-	18 320 515

And in consolidated terms, for 2017 and 2016, respectively:

2017		Individual Impairment	Collective Impairment	Impairment IBNR	Total
Real estate, rentals and services to companies	Total exposure	52 833 716	2 513 153	-	55 346 869
	Impairment	9 336 217	417 405	-	9 753 622
Board and lodging	Total exposure	-	1 407 431	-	1 407 431
	Impairment	-	855 298	-	855 298
Wholesale and retail trade	Total exposure	24 282 602	404 990	-	24 687 592
	Impairment	2 742 547	45 561	-	2 788 108
Construction	Total exposure	5 778 393	267 172	-	6 045 564
	Impairment	1 607 106	9 120	-	1 616 226
Consumption	Total exposure	-	1 267 784	-	1 267 784
	Impairment	-	34 306	-	34 306
Education	Total exposure	2 469 379	100 080	-	2 569 459
	Impairment	139 010	2 825	-	141 835
Colocation centre	Total exposure	784 370	5 355 665	-	6 140 035
	Impairment	236 020	563 621	-	799 641
Food, beverage and tobacco industries	Total exposure	189 717	118 607	-	308 324
	Impairment	93 806	78 403	-	172 209
Metal Industries	Total exposure	192 583	-	-	192 583
	Impairment	134 808	-	-	134 808
Manufacturing industries	Total exposure	20 469 761	1 630	-	20 471 390
	Impairment	1 160 199	60	-	1 160 259
Other collective, social and personal services	Total exposure	59 531 262	4 592 301	-	64 123 563
	Impairment	266 814	674 719	-	941 533
Transport, storage and communications	Total exposure	8 791 283	8	-	8 791 291
	Impairment	1 997 310	5	-	1 997 315
Other purposes	Total exposure	3 470 543	5 219 165	-	8 689 708
	Impairment	451 658	376 452	-	828 110
Total	Total exposure	178 793 608	21 247 986	-	200 041 594
	Impairment	18 165 494	3 057 777	-	21 223 271

2016		Individual Impairment	Collective Impairment	Impairment IBNR	Total
Real estate, rentals and services to companies	Total exposure	51 911 380	812 744	-	52 724 124
	Impairment	10 382 977	479 595	-	10 862 572
Board and lodging	Total exposure	1 495 682	87 021	-	1 582 704
	Impairment	673 064	62 921	-	735 985
Wholesale and retail trade	Total exposure	12 937 414	344 673	-	13 282 087
	Impairment	1 087 567	31 615	-	1 119 182
Construction	Total exposure	4 252 609	561 090	-	4 813 698
	Impairment	1 554 827	15 071	-	1 569 899
Consumption	Total exposure	132 626	1 207 645	-	1 340 271
	Impairment	4 786	43 546	-	48 332
Education	Total exposure	1 961 440	89 184	-	2 050 623
	Impairment	475	2 402	-	2 877
Colocation centre	Total exposure	394 044	6 880 854	-	7 274 898
	Impairment	141 900	241 436	-	383 336
Food, beverage and tobacco industries	Total exposure	2 005 811	-	-	2 005 811
	Impairment	190 213	-	-	190 213
Metal Industries	Total exposure	519 794	-	-	519 794
	Impairment	363 856	-	-	363 856
Manufacturing industries	Total exposure	18 890 091	383 029	-	19 273 120
	Impairment	313 644	-	-	313 644
Other collective, social and personal services	Total exposure	58 810 277	4 773 791	-	63 584 068
	Impairment	192 078	526 994	-	719 072
Transport, storage and communications	Total exposure	8 107 100	-	-	8 107 100
	Impairment	911 141	-	-	911 141
Other purposes	Total exposure	3 899 941	1 806 117	-	5 706 058
	Impairment	537 807	560 464	-	1 098 271
Total	Total exposure	165 318 208	16 946 149	-	182 264 357
	Impairment	16 354 334	1 964 045	-	18 318 379

By geographical location, in separated terms:

2017	Angola	
	Exposure	Impairment
Individual Impairment	178 846 988	18 201 584
Collective Impairment	21 247 986	3 057 777
Impairment IBNR	-	-
Total	200 094 974	21 259 361

2016	Angola	
	Exposure	Impairment
Individual Impairment	165 371 589	16 356 470
Collective Impairment	16 946 149	1 964 045
Impairment IBNR	-	-
Total	182 317 738	18 320 515

And in consolidated terms:

2017	Angola	
	Exposure	Impairment
Individual Impairment	178 793 608	18 165 493
Collective Impairment	21 247 986	3 057 777
Impairment IBNR	-	-
Total	200 041 594	21 223 270

2016	Angola	
	Exposure	Impairment
Individual Impairment	165 318 208	16 354 334
Collective Impairment	16 946 149	1 964 045
Impairment IBNR	-	-
Total	182 264 357	18 318 379

The distribution of our loan portfolio in terms of credit and impairment measured by internal levels of risk, as at 31 December 2017, is presented below for the separate accounts. The degree of coverage of risk G is positively influenced by the value of the associated collateral, essentially in the segment Loans - companies. This segment includes loans of AOA 10,286 million whose economic rights were transferred to GRUPO ENSA with a purchase option for the Bank (Note 37):

2017									
Segment		Low risk		Medium risk			High risk		Total
		A	B	C	D	E	F	G	
E - Current accounts - companies	Exposure	8 404 370	-	159 630	2 243 910	212 648	18 939	4 008 076	15 047 574
	Impairment	1 268 509	-	5 085	15 205	12 759	-	495 223	1 796 782
E - Overdrafts - companies	Exposure	4 871	0	3 215	194 836	153	42	11 801 669	12 004 787
	Impairment	238	0	186	2 236	93	26	3 370 618	3 373 396
E - Loans – companies	Exposure	50 373 753	292 802	1 644 941	-	2 782 800	10 223 723	32 831 563	98 149 582
	Impairment	6 197 612	-	3 173	-	139 628	254 732	7 145 451	13 740 595
E - Leasing – companies	Exposure	2 352 852	-	18 195	-	800 402	-	777 904	3 949 353
	Impairment	162 691	-	1 223	-	47 551	-	238 933	450 399
E - Public sector	Exposure	53 890 505	-	-	-	-	2	2 612 908	56 503 415
	Impairment	-	-	-	-	-	-	-	-
P – Employees	Exposure	4 072 205	-	-	676	16 859	11 147	653 779	4 754 667
	Impairment	23 119	-	-	42	1 438	798	183 688	209 085
P – Mortgages	Exposure	1 480 146	-	2 990	121 677	38 441	39 620	687 854	2 370 727
	Impairment	155 198	-	714	54 252	24 014	18 445	384 190	636 814
P - Consumer credit	Exposure	43 686	-	2 644	-	-	-	114 429	160 759
	Impairment	7 267	-	577	-	-	-	87 079	94 923
P - Overdrafts - private customers	Exposure	1 346	15	843	151	6 812	358	77 075	86 600
	Impairment	37	1	240	86	4 255	224	67 947	72 790
P - Loans - private customers	Exposure	3 946 374	222 969	0	237 645	109 352	-	2 305 389	6 821 730
	Impairment	10 900	2 596	0	4 519	49 451	-	809 154	876 621
P - Leasing - private customers	Exposure	244 335	-	1 446	-	-	-	-	245 780
	Impairment	7 472	-	484	-	-	-	-	7 956
Total	Exposure	124 814 443	515 787	1 833 904	2 798 894	3 967 468	10 293 831	55 870 647	200 094 974
	Impairment	7 833 042	2 597	11 683	76 340	279 190	274 224	12 782 284	21 259 361
Coverage		6.28%	0.50%	0.64%	2.73%	7.04%	2.66%	22.88%	10.62%

And in 2016:

2016									
Segment		Low risk		Medium risk			High risk		Total
		A	B	C	D	E	F	G	
E - Current accounts - companies	Exposure	8 238 852	967 512	241 746	118 933	502 828	-	3 441 312	13 511 183
	Impairment	388 661	12 018	115 752	58 854	43 571	-	2 891 769	3 510 624
E - Overdrafts - companies	Exposure	353 999	11	5 614	69	115	178	4 752 938	5 112 924
	Impairment	352 592	0	2 787	28	67	109	3 827 201	4 182 784
E - Loans – companies	Exposure	49 640 366	4 367 841	8 391 238	2 459 829	87 180	-	27 065 043	92 011 498
	Impairment	5 533 669	286 814	257 445	215 199	10 057	-	2 385 846	8 689 031
E - Leasing – companies	Exposure	2 948 858	-	170 237	3 656	197 767	-	677 824	3 998 342
	Impairment	73 075	-	12 222	817	60 408	-	266 547	413 069
E - Public sector	Exposure	50 848 695	-	1 514 387	-	-	-	3 064 435	55 427 518
	Impairment	-	-	-	-	-	-	-	-
P – Employees	Exposure	4 426 388	54 231	-	34 702	23 252	324	352 117	4 891 014
	Impairment	21 350	335	-	88	142	35	128 124	150 073
P – Mortgages	Exposure	1 048 189	55 049	-	84 189	-	56 594	816 491	2 060 512
	Impairment	97 893	9 226	-	35 995	-	29 688	401 640	574 442
P - Consumer credit	Exposure	98 176	24 636	2 607	2 373	4 145	13 414	138 250	283 601
	Impairment	6 340	286	918	1 119	2 501	2 736	120 574	134 474
P - Overdrafts - private customers	Exposure	757	91	426	73	992	17	41 191	43 547
	Impairment	203	17	121	32	620	10	28 747	29 750
P - Loans - private customers	Exposure	2 645 209	-	99 993	74 287	178 401	-	1 647 639	4 645 529
	Impairment	59 049	-	61 879	37 191	107 471	-	364 399	629 989
P - Leasing - private customers	Exposure	328 353	-	2 809	-	-	-	908	332 069
	Impairment	5 522	-	436	-	-	-	320	6 278
Total	Exposure	120 577 843	5 469 371	10 429 058	2 778 112	994 679	70 526	41 998 149	182 317 737
	Impairment	6 538 352	308 696	451 560	349 323	224 838	32 578	10 415 167	18 320 514
Coverage		5.42%	5.64%	4.33%	12.57%	22.60%	46.19%	24.80%	10.05%

And in consolidated terms, for 2017 and 2016, respectively:

2017									
Segment		Low risk		Medium risk			High risk		Total
		A	B	C	D	E	F	G	
E - Current accounts - companies	Exposure	8 350 989	-	159 630	2 243 910	212 648	18 939	4 008 076	14 994 193
	Impairment	1 232 418	-	5 085	15 205	12 759	-	495 223	1 760 691
E - Overdrafts - companies	Exposure	4 871	0	3 215	194 836	153	42	11 801 669	12 004 787
	Impairment	238	0	186	2 236	93	26	3 370 618	3 373 396
E - Loans – companies	Exposure	50 373 753	292 802	1 644 941	-	2 782 800	10 223 723	32 831 563	98 149 582
	Impairment	6 197 612	-	3 173	-	139 628	254 732	7 145 451	13 740 595
E - Leasing – companies	Exposure	2 352 852	-	18 195	-	800 402	-	777 904	3 949 353
	Impairment	162 691	-	1 223	-	47 551	-	238 933	450 399
E - Public sector	Exposure	53 890 505	-	-	-	-	2	2 612 908	56 503 415
	Impairment	-	-	-	-	-	-	-	-
P – Employees	Exposure	4 072 205	-	-	676	16 859	11 147	653 779	4 754 667
	Impairment	23 119	-	-	42	1 438	798	183 688	209 085
P – Mortgages	Exposure	1 480 146	-	2 990	121 677	38 441	39 620	687 854	2 370 727
	Impairment	155 198	-	714	54 252	24 014	18 445	384 190	636 814
P - Consumer credit	Exposure	43 686	-	2 644	-	-	-	114 429	160 759
	Impairment	7 267	-	577	-	-	-	87 079	94 923
P - Overdrafts - private customers	Exposure	1 346	15	843	151	6 812	358	77 075	86 600
	Impairment	37	1	240	86	4 255	224	67 947	72 790
P - Loans - private customers	Exposure	3 946 374	222 969	0	237 645	109 352	-	2 305 389	6 821 730
	Impairment	10 900	2 596	0	4 519	49 451	-	809 154	876 621
P - Leasing - private customers	Exposure	244 335	-	1 446	-	-	-	-	245 780
	Impairment	7 472	-	484	-	-	-	-	7 956
Total	Exposure	124 761 062	515 787	1 833 904	2 798 894	3 967 468	10 293 831	55 870 647	200 041 593
	Impairment	7 796 951	2 597	11 683	76 340	279 190	274 224	12 782 284	21 223 270
Coverage		6.25%	0.50%	0.64%	2.73%	7.04%	2.66%	22.88%	10.61%

2016									
Segment		Low risk		Medium risk			High risk		Total
		A	B	C	D	E	F	G	
E - Current accounts - companies	Exposure	8 238 852	967 512	241 746	118 933	502 828	-	3 441 312	13 511 183
	Impairment	388 661	12 018	115 752	58 854	43 571	-	2 891 769	3 510 624
E - Overdrafts - companies	Exposure	353 999	11	5 614	69	115	178	4 752 938	5 112 924
	Impairment	352 592	0	2 787	28	67	109	3 827 201	4 182 784
E - Loans – companies	Exposure	49 640 366	4 367 841	8 391 238	2 459 829	87 180	-	27 065 043	92 011 498
	Impairment	5 533 669	286 814	257 445	215 199	10 057	-	2 385 846	8 689 031
E - Leasing – companies	Exposure	2 948 858	-	170 237	3 656	197 767	-	677 824	3 998 342
	Impairment	73 075	-	12 222	817	60 408	-	266 547	413 069
E - Public sector	Exposure	50 848 695	-	1 514 387	-	-	-	3 064 435	55 427 518
	Impairment	-	-	-	-	-	-	-	-
P – Employees	Exposure	4 426 388	54 231	-	34 702	23 252	324	352 117	4 891 014
	Impairment	21 350	335	-	88	142	35	128 124	150 073
P – Mortgages	Exposure	1 048 189	55 049	-	84 189	-	56 594	816 491	2 060 512
	Impairment	97 893	9 226	-	35 995	-	29 688	401 640	574 442
P - Consumer credit	Exposure	98 176	24 636	2 607	2 373	4 145	13 414	138 250	283 601
	Impairment	6 340	286	918	1 119	2 501	2 736	120 574	134 474
P - Overdrafts - private customers	Exposure	757	91	426	73	992	17	41 191	43 547
	Impairment	203	17	121	32	620	10	28 747	29 750
P - Loans - private customers	Exposure	2 645 209	-	99 993	74 287	178 401	-	1 647 639	4 645 529
	Impairment	59 049	-	61 879	37 191	107 471	-	364 399	629 989
P - Leasing - private customers	Exposure	328 353	-	2 809	-	-	-	908	332 069
	Impairment	5 522	-	436	-	-	-	320	6 278
Total	Exposure	120 577 843	5 469 371	10 429 058	2 778 112	994 679	70 526	41 998 149	182 317 737
	Impairment	6 538 352	308 696	451 560	349 323	224 838	32 578	10 415 167	18 320 514
Coverage		5.42%	5.64%	4.33%	12.57%	22.60%	46.19%	24.80%	10.05%

In 2017, coverage in risk level F, which amounts to 2.66%, is because the degrees of risk at the Bank are defined in accordance with Notice nº 11/2014, article 5, "Minimum Risk Level", which corresponds to 150 days overdue, and that contracts that fall under this level are generally analysed jointly, with a DP of 100%, though having low impairment levels. Additionally, analysis of these amounts does not include collateral.

The distribution of the probability of default by segment, and by risk bucket was not updated by the Bank throughout 2017, and their breakdown is as follows:

Segment	Impairment 2016 and 2017							Default
	Regular	Days past due from 30 to 60 days	Days past due from 60 to 90 days	Cured	With evidence	Restructured		
E - Current accounts - companies	9.93%	58.51%	81.44%	30.01%	44.26%	44.26%	100.00%	
E - Overdrafts - companies	15.25%	49.81%	71.19%	32.53%	41.17%	41.17%	100.00%	
E - Loans - companies	5.77%	44.89%	74.75%	20.39%	32.64%	32.64%	100.00%	
E - Leasing - companies	8.84%	51.98%	73.55%	26.05%	36.93%	36.93%	100.00%	
E - Public sector	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
P - Employees	2.79%	62.75%	85.29%	21.06%	37.07%	37.07%	100.00%	
P - Mortgages	3.77%	49.66%	73.44%	19.92%	26.96%	26.96%	100.00%	
P - Consumer credit	8.75%	56.44%	84.22%	13.77%	35.11%	35.11%	100.00%	
P - Overdrafts - private customers	3.87%	45.79%	69.85%	13.50%	29.64%	29.64%	100.00%	
P - Loans - private customers	3.87%	49.49%	80.54%	8.61%	29.05%	29.05%	100.00%	
P - Leasing - private customers	3.84%	49.98%	76.48%	15.20%	30.48%	30.48%	100.00%	

NOTE 21 NON-CURRENT ASSETS HELD FOR SALE

The components of this caption in both the separate and consolidated accounts are:

	31.12.2017	31.12.2016
(Thousands of kwanzas)		
Non-current tangible assets for sale		
Property	5 141 259	414 534
Equipment	14 529	-
Other fixed assets	-	-
	5 155 788	414 534
Impairment Losses	-	-
	5 155 788	414 534

During 2016 the Bank began a process of documenting legal ownership of the real-estate assets; however, the extent and complexity of this procedure did not allow its conclusion by December 31, 2017. This process is still on-going consequently the amounts recorded relate mostly to assets documented or legally in the possession of the Bank. The value of Non-current assets held for sale, still in the process of legal registration as of December 31, 2017 is AOA 3,939,210 thousands.

The heading Non-current assets held for sale almost exclusively comprises properties and similar items that do not form an integral part of the Bank's premises, nor are intended for pursuit of its corporate purpose, their origin representing payments-in-kind in settlement of loan agreements and discontinued premises of the Bank.

Additionally, there are also vehicles recovered within the scope of credit extended in Leasing operations.

As at 31 December 2017 and 2016 this account, is comprised as follows:

	31.12.2017	31.12.2016
(Thousands of kwanzas)		
Opening Balance	414 534	160 125
Received	4 741 254	361 909
Sales	-	(107 500)
Other movements	-	-
Closing Balance	5 155 788	414 534

The increase in 2017 is solely related to payments-in-kind of properties arising from non-performing loans.

NOTA 22 OTHER TANGIBLE ASSETS

As at 31 December 2017 and 2016 this caption in the separate accounts, is comprised of:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Property		
Own use	45 282 275	44 893 582
Works in rented properties	2 465 588	2 442 047
Other	-	-
	47 747 863	47 335 629
Equipment		
IT equipment	2 037 157	1 924 527
Interior facilities	1 610 772	1 577 496
Furnishings and material	1 764 357	1 726 495
Security equipment	1 809 713	1 797 783
Tools and machines	500 161	434 015
Vehicles	1 611 864	1 543 027
Other	-	-
	9 334 023	9 003 343
Works in Progress		
Works in rented properties		
Property	92 807	13 251
Equipment	83 608	20 607
Other	-	-
	176 415	33 858
Other fixed assets		
Other	-	-
	-	-
	57 258 301	56 372 830
Accumulated depreciation		
Charge for the year	(1 902 990)	(1 771 317)
Accumulated charge for the previous years	(10 004 858)	(8 233 541)
	(11 933 768)	(10 004 858)
Impairment	-	-
	45 324 533	46 367 972

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Property		
Own use	45 282 275	44 893 582
Works in rented properties	2 465 588	2 442 047
Other	-	-
	47 747 863	47 335 629
Equipment		
IT equipment	2 037 157	1 924 527
Interior facilities	1 610 772	1 577 496
Furnishings and material	1 965 146	1 761 837
Security equipment	1 809 713	1 797 783
Tools and machines	500 161	434 015
Vehicles	1 611 864	1 543 027
Other	-	-
	9 534 813	9 038 685
Works in Progress		
Works in rented properties		
Property	92 807	13 251
Equipment	83 608	20 607
Other	-	-
	176 415	33 858
Other fixed assets		
Other	-	-
	-	-
	57 459 091	56 408 172
Accumulated depreciation		
Charge for the year	(1 945 994)	(1 776 616)
Accumulated charge for the previous years	(10 026 719)	(8 250 103)
	(11 972 713)	(10 026 719)
Impairment	-	-
	45 486 378	46 381 453

In 2016, the Bank began a process of legalising its property assets. However, the size and complexity of this procedure prevented its completion by 31 December 2017.

The value of non-legalised property as at 31 December 2017 was AOA 41,609,779 thousands (in 2016 AOA 42,491,621 thousands) and represents 35 of 47 properties used in the Bank's business.

During 2017 the Bank conducted a valuation of its real-estate assets, and did not consider any impairment to be necessary.

Changes in Other Tangible Assets in the separate accounts in 2017 and 2016, were as follows:

(Thousands of kwanzas)

	Balance at 01.01.2017	Acquisitions/ Editorial cartoon	Sales/ Write-offs	Transfer and changes in perimeter	Balance at 31.12.2017
Property					
Own use	44 893 582	392 419	-	(3 726)	45 282 275
Works in rented properties	2 442 047	19 326	-	4 215	2 465 588
Other	-	-	-	-	-
	47 335 629	411 745	-	489	47 747 863
Equipment					
Equipment	1 924 527	92 630	-	20 000	2 037 157
Interior facilities	1 577 496	34 637	(1 361)	-	1 610 772
Furnishings and material	1 726 495	37 615	(360)	607	1 764 357
Security equipment	1 797 783	11 930	-	-	1 809 714
Tools and machines	434 015	66 146	-	-	500 161
Vehicles	1 543 027	107 566	(38 729)	-	1 611 864
Other	-	-	-	-	-
	9 003 343	350 524	(40 450)	20 607	9 334 023
Works in progress					
Works in rented properties	-	-	-	-	-
Property	13 251	80 045	-	(489)	92 807
Equipment	20 607	86 945	-	(23 945)	83 608
Other	-	-	-	-	-
	33 858	166 991	-	(24 434)	176 415
Other fixed assets					
Other	-	-	-	-	-
	56 372 830	929 260	(40 450)	(3 337)	57 258 301
Accumulated depreciation					
Charge for the year	(2 145 771)	(801 301)	-	321	(2 946 751)
Accumulated charge for the previous years	(1 446 144)	(238 134)	-	(321)	(1 684 599)
Other	-	-	-	-	-
	(3 591 915)	(1 039 435)	-	-	(4 631 350)
Equipment					
IT equipment	(1 477 043)	(211 317)	-	-	(1 688 360)
Interior facilities	(960 997)	(165 515)	1 361	-	(1 125 151)
Furnishings and material	(882 452)	(175 414)	341	-	(1 057 525)
Security equipment	(1 607 783)	(156 054)	-	-	(1 763 837)
Tools and machines	(362 877)	(44 968)	-	-	(407 845)
Vehicles	(1 121 791)	(174 627)	36 718	-	(1 259 700)
Other	-	-	-	-	-
	(6 412 943)	(927 895)	38 420	-	(7 302 417)
	(10 004 858)	(1 967 330)	38 420	-	(11 933 768)
	46 367 972	(1 038 071)	(2 031)	(3 337)	45 324 533

And in consolidated terms:

(Thousands of kwanzas)

	Balance at 01.01.2017	Acquisitions/ Editorial cartoon	Sales/ Write-offs	Transfer and changes in perimeter	Balance at 31.12.2017
Property					
Own use	44 893 582	392 419	-	(3 726)	45 282 275
Works in rented properties	2 442 047	19 326	-	4 215	2 465 588
Other	-	-	-	-	-
	47 335 629	411 745	-	489	47 747 863
Equipment					
Equipment	1 924 526	92 631	-	20 000	2 037 157
Interior facilities	1 577 496	34 637	(1 361)	-	1 610 772
Furnishings and material	1 761 836	203 064	(361)	607	1 965 146
Security equipment	1 797 784	11 930	-	-	1 809 714
Tools and machines	434 015	66 146	-	-	500 161
Vehicles	1 543 027	107 566	(38 729)	-	1 611 864
Other	-	-	-	-	-
	9 038 684	515 974	(40 451)	20 607	9 534 814
Works in progress					
Works in rented properties	-	-	-	-	-
Property	13 251	80 045	-	(489)	92 807
Equipment	20 607	86 945	-	(23 945)	83 608
Other	-	-	-	-	-
	33 858	166 991	-	(24 434)	176 415
Other fixed assets					
Other	-	-	-	-	-
	-	-	-	-	-
	56 408 172	1 094 709	(40 451)	(3 337)	57 459 091
Accumulated depreciation					
Charge for the year	(2 145 771)	(801 301)	-	321	(2 946 751)
Accumulated charge for the previous years	(1 446 144)	(238 134)	1 984	(321)	(1 682 615)
Other	-	-	-	-	-
	(3 591 915)	(1 039 435)	1 984	-	(4 629 366)
Equipment					
IT equipment	(1 477 043)	(211 317)	-	-	(1 688 360)
Interior facilities	(960 997)	(165 515)	1 361	-	(1 125 151)
Furnishings and material	(904 312)	(194 483)	341	-	(1 098 454)
Security equipment	(1 607 783)	(156 055)	-	-	(1 763 838)
Tools and machines	(362 877)	(44 968)	-	-	(407 845)
Vehicles	(1 121 791)	(174 627)	36 718	-	(1 259 700)
Other	-	-	-	-	-
	(6 434 804)	(946 963)	38 420	-	(7 343 347)
	(10 026 719)	(1 986 398)	40 404	-	(11 972 714)
	46 381 453	(891 689)	(47)	(3 337)	45 486 378

NOTE 23 INTANGIBLE ASSETS

In the separate accounts the breakdown of this caption is as follow:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Intangible assets		
Purchased from third parties	3,177,821	2,758,878
Automatic data processing system	859,547	117,755
Other	4,037,368	2,876,633
Accumulated depreciation		
Automatic data processing system	(272,195)	(219,101)
Other	(1,620,181)	(1,401,080)
	(1,892,376)	(1,620,181)
Accumulated depreciation	2,144,991	1,256,452
Charge for the year		
Accumulated for the previous years		
Differences in consolidation and revaluation (Goodwill)		
Subsidiaries		
Tranquilidade Angola, S.A.	-	206,840
Other	-	-
	-	206,840
Impairment		-
		206,840
	2,144,991	1,463,292

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Intangible assets		
Internally generated	-	-
Automatic data processing system	-	-
Other	-	-
Purchased from third parties	3,204,234	2,785,292
Automatic data processing system	859,547	117,755
Other	4,063,781	2,903,047
Accumulated depreciation		
Automatic data processing system	(272,690)	(221,868)
Other	(1,644,662)	(1,422,794)
	(1,917,351)	(1,644,662)
	2,146,429	1,258,385
Accumulated depreciation		
Charge for the year		
Accumulated for the previous years		
Differences in consolidation and revaluation (Goodwill)		
Subsidiaries		
Tranquilidade Angola, S.A.	-	206,840
Other	-	-
	-	206,840
Impairment		-
		206,840
	2,146,429	1,465,225

The heading Consolidation and Revaluation Differences (Goodwill) is the difference between the acquisition cost and the total fair value of the contingent assets and liabilities.

These intangible assets do not have a finite useful life and so their recoverable value is reviewed annually, regardless of the existence of signs of impairment, as mentioned in the accounting policy described in Note 2.11.

The account Intangible Assets, in 2017, was as follows:

(Thousands of kwanzas)

	Balance at 01.01.2017	Acquisitions/ Editorial cartoon	Sales/ Write-offs	Transfer and changes in perimeter	Balance at 31.12.2017
Intangible assets					
Purchased from third parties					
Automatic data processing system	2 758 878	278 299	-	140 644	3 177 821
Other	117 755	863 834	-	(122 043)	859 546
	2 876 633	1 142 133	-	18 601	4 037 367
Accumulated depreciation					
Automatic data processing system	(1 620 181)	(272 195)	-	-	(1 892 376)
Other	-	-	-	-	-
	(1 620 181)	(272 195)	-	-	(1 892 376)
Differences in consolidation and revaluation (goodwill)	206 840	-	-	(206 840)	0
Impairment	-	-	-	-	-
Balance at 31.2017	1 463 292	869 938	-	(188 239)	2 144 991

And in consolidated terms:

(Thousands of kwanzas)

	Balance at 01.01.2017	Acquisitions/ Editorial cartoon	Sales/ Write-offs	Transfer and changes in perimeter	Balance at 31.12.2017
Intangible assets					
Internally generated					
Automatic data processing system	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Purchased from third parties					
Automatic data processing system	2 785 292	278 297	-	140 644	3 204 234
Other	117 755	863 834	-	(122 043)	859 547
	2 903 047	1 142 132	-	18 601	4 063 780
Accumulated depreciation					
Automatic data processing system	(1 644 662)	(272 690)	-	-	(1 917 351)
Other	-	-	-	-	-
	(1 644 662)	(272 690)	-	-	(1 917 351)
Differences in consolidation and revaluation (Goodwill)	206 840	-	-	(206 840)	0
Impairment	-	-	-	-	-
Balance at 31.2017	1 465 226	869 442	-	(188 239)	2 146 429

NOTE 24 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The financial data on subsidiaries, associates and joint ventures, in the separate accounts, are presented in the table below:

(Thousands of kwanzas)

	31.12.2017								31.12.2016							
	No. of shares	Share capital	Direct shareholding	Face value AOA	Cost of holding	Reserves	Profit/loss assignable to BE	Balance sheet amount	No. of shares	Market share Total	Direct shareholding	Face value AOA	Cost of holding	Reserves	Profit/loss assignable to BE	Balance sheet amount
ECONÓMICO FUNDOS DE INVESTIMENTO - Sociedade Gestora de Organismos de Investimento Colectivo, S.A.	1 000	90 000	63.00%	56 700	56 700	188 433	46 696	908 714	1 000	90 000	63.00%	56 700	56 700	338 898	993 751	1 050 451
ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundos de Pensões, S.A.	1 000	105 000	63.00%	66 150	66 150	-	-37 688	66 150	1 000	105 000	63.00%	66 150	66 150	-	-122 797	66 150
Tranquilidade Angola S.A.	1 050	747 790	21.00%	157 035	363 876	-47 693	162 795	608 361	1 050	747 790	21.00%	157 035	363 876	-150 370	9 392	166 427
					486 726	140 741	171 804	1 583 225					486 726	188 528	880 346	1 283 028
Impairment losses								-66 150								-66 150
								1 517 075								1 216 878

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017								31.12.2016							
	No. of shares	Share capital	Direct shareholding	Face value AOA	Cost of holding	Reserves	Profit/loss assignable to BE	Balance sheet amount	No. of shares	Market share Total	Direct shareholding	Face value AOA	Cost of holding	Reserves	Profit/loss assignable to BE	Balance sheet amount
Tranquilidade Angola S.A.	1 050	747 790	21.00%	157 035	363 876	-47 693	162 795	608 361	1 050	747 790	21.00%	157 035	363 876	-150 370	9 392	166 427
					363 876	-47 693	162 795	608 361					363 876	-150 370	9 392	166 427
Impairment losses								-								-
								608 361								166 427

The amount recorded in impairment losses refers to an investment in subsidiaries, associates and joint ventures were as follow:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Opening balance	(66 150)	(65 100)
Charge for the year	-	-
Reversals	-	-
Foreign Exchange differences	-	(1 050)
Closing balance	(66 150)	(66 150)

The amount recorded in impairment losses refers to the investment in the entity ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundos de Pensões, S.A., in addition, a provision was recorded associated with the Bank's holding in Económico Fundos de Pensões of AOA 94,334 thousand (2016: AOA 56,647 thousand) as a result of its negative equity, as mentioned in Note 28.

NOTE 25 OTHERS ASSETS

The item Other Assets in the separate accounts of 2017 and 2016 is comprised of the following:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Current accounts		
Collateral in operations of documentary credits	-	14,346,554
Administrative public sector	1,735,794	1,240,348
Other debtors	265,162,172	526,344,218
Earnings receivable	882,756	865,347-
Deferred costs	-	32,346
Securities unsettled operations	298,275	(16,210)
Other unsettled operations	18,042,344	17,816,155
Other assets	286,121,340	560,628,755
	(2,440,193)	(2,034,157)
Impairment losses	283,681,147	558,594,598

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Current accounts		
Collateral in operations of documentary credits	-	14,346,554
Administrative public sector	1,735,794	1,240,348
Other debtors	265,327,674	526,344,218
Deferred costs	909,768	880,083
Other unsettled operations	298,275	16,210
Other assets	18,042,344	17,816,155
	286,313,855	560,883,640
	(2,440,193)	(2,034,157)
Impairment losses	283,873,662	558,849,482

The amount of Other debtors essentially refers to the transfer of economic rights over assets that occurred in 2014. This operation amounted to AOA 529,912,972 thousands in capital, accrued interest and other amounts due to the Bank as at 31 December 2017 (2016, AOA 523,822,261 thousands) This amount is split between AOA 254,156,472 thousands, in terms of Share capital and AOA 4,868,059 thousands in Accrued Interest, amounting in 2016, to AOA 454.196.127 thousands and AOA 69,002,321 thousands respectively. During 2017, there were two transactions that significantly altered this amount, the repayment of the Bank's loan from BNA, and the restructuring operation itself. To gain better overall understandings of this operation see Note 37.

The changes in impairment losses relating to other assets in the separate and consolidated accounts were as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Opening Balance	(2 034 157)	(5 645 347)
Charge for the year	(405 900)	(418 422)
Charge-off	-	-
Reversals	-	4 169 163
Transfers	-	512 085
Foreign Exchange differences	(136)	(651 636)
Closing Balance	(2 440 193)	(2 034 157)

NOTE 26

DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

As at 31 December 2017 this caption in the separate and consolidated accounts comprises the following.

	31.12.2017	31.12.2016
(Thousands of kwanzas)		
Deposits from central banks		
Interbank Money market	81 218 787	230 371 815
Deposits	-	-
Repo agreement	-	-
Other deposits	-	-
	81 218 787	230 371 815
Deposits from other credit institutions		
Interbank Money market	1 316 802	23 117
Deposits	-	-
Loans	35 664 396	35 453 940
Repo agreement	-	-
Other deposits	1 694 316	1 736 490
	38 675 514	37 213 547
	119 894 301	267 585 362

In terms of geographic location:

	31.12.2017	31.12.2016
(Thousands of kwanzas)		
In Angola		
Deposits	-	-
Interbank Money market	81 218 787	230 371 815
Very short-term deposits	-	-
Repo agreement	-	-
Other deposits	1 694 316	1 736 490
	82 913 103	232 108 305
Abroad		
Deposits	1 316 802	23 117
Loans	35 664 396	35 453 940
Very short-term deposits	-	-
Agreement	-	-
Other deposits	-	-
	36 981 198	35 477 057
	119 894 301	267 585 362

The scheduling of deposits from central banks and other credit institutions by residual maturities as at 31 December 2017 and 2016 is as follows:

	31.12.2017	31.12.2016
(Thousands of kwanzas)		
Up to three months	37 095 916	185 116 068
Three months to one year	82 798 385	47 015 354
One to three years	-	35 453 940
More than five years	-	-
Indefinite duration	-	-
	119 894 301	267 585 362

On 20 March 2017 the entire debt was repaid to Banco Nacional de Angola through a transfer of assets (Note 37).

The common loan by Novo Banco is covered by securities, with a first-degree pledge on 21,244 Treasury bonds of a par value of USD 10,000, maturing in 2018, issued by the Republic of Angola.

NOTE 27 DEPOSITS FROM CUSTOMERS AND OTHER LOANS

The analysis of this caption in the separate accounts is as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Deposits on demand		
Current accounts	302 914 550	396 715 896
Other Deposits		
Term deposits	348 916 414	273 720 612
Deposits redeemable at notice	-	-
Other	2 638	-
	348 919 052	273 720 612
	651 833 602	670 436 508

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Deposits on demand		
Current accounts	302 095 935	395 886 726
Other Deposits		
Term deposits	347 713 411	272 522 103
Deposits redeemable at notice	-	-
Other	2 638	-
	347 716 049	272 522 103
	649 811 983	668 408 829

The scheduling of deposits from customers and other loans by residual maturities, as at 31 December 2017 and 2016, in the separate accounts, is as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Payable on demand	302 914 550	396 715 896
Payable at term		
Up to three months	126 885 186	172 328 329
Three months to one year	210 790 051	95 382 128
One to five years	10 743 849	5 622 901
More than five years	499 966	387 255
	348 919 053	273 720 612
	651 833 602	670 436 508

And in consolidate terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Payable on demand	302 095 935	395 886 726
Payable at term		
Up to three months	125 682 182	171 129 820
Three months to one year	210 790 051	95 382 128
One to five years	10 743 849	5 622 901
More than five years	499 966	387 255
	347 716 049	272 522 104
	649 811 984	668 408 829

NOTE 28 PROVISIONS

As at December 31, 2017 and 2016, provisions in the separate accounts were as follows:

(Thousands of kwanzas)

	Provisions for guarantees and other commitments	Other provisions for risks and expenses	Total
Balance at 31.2015	428 901	1 217 311	1 646 212
Charge for the year	5 175 808	11 755	5 187 562
Reversals	(2 986 281)	(82 952)	(3 069 233)
Transfers	-	-	-
Foreign exchange differences and other corrections	-	239 480	239 480
Balance at 31.2016	2 618 428	1 385 594	4 004 022
Charge for the year	3 832 977	317 721	4 150 699
Reversals	(3 844 660)	-	(3 844 660)
Charges	-	-	-
Transfers	-	-	-
Foreign exchange differences and other corrections	366 486	(5 502)	360 984
Balance at 31.2017	2 973 231	1 697 813	4 671 044

And in consolidated terms:

(Thousands of kwanzas)

	Provisions for guarantees and other commitments	Other provisions for risks and expenses	Total
Balance at 31.2015	428 901	1 221 215	1 650 116
Charge for the year	5 175 808	16 517	5 192 325
Reversals	(2 986 281)	(82 952)	(3 069 232)
Transfers	-	-	-
Foreign exchange differences and other corrections	-	214 003	214 003
Balance at 31.2016	2 618 428	1 368 783	3 987 211
Charge for the year	3 832 977	280 034	4 113 011
Reversals	(3 844 660)	-	(3 844 660)
Transfers	-	-	-
Foreign exchange differences and other corrections	366 486	(29 920)	336 567
Balance at 31.2017	2 973 231	1 618 898	4 592 128

The balance under other provisions for risks and expenses includes a provision of AOA 94,334 thousands for a holding in Económico Fundo de Pensões S.A., to cover its negative equity's, an increase of AOA 37,687 thousands in the year 2017.

The balance of this item is to cover certain duly identified contingencies arising from the Bank's business activity. They are reviewed on each reporting date in order to reflect the best estimate of the amount of expectable payment.

The main balances in the separate accounts are as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Provisions		
Provisions for issued guarantees	2 973 231	2 618 428
Provisions for investments in subsidiaries	94 334	56 647
Provisions for legal contingencies	165 924	165 903
Provisions for loans and advances to OF	45 016	45 010
Provisions for documentary credits	1 112 505	1 118 035
Provisions for suppliers	280 034	0
	4 671 044	4 004 022

And in consolidated terms:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Provisions		
Provisions for issued guarantees	2 973 231	2 618 428
Provisions for legal contingencies	165 924	165 903
Provisions for loans and advances to OF	45 016	84 845
Provisions for documentary credits	1 112 505	1 118 035
Provisions for suppliers	295 453	0
	4 592 129	3 987 211

NOTE 29 SUBORDINATED LIABILITIES

This account in the separate and consolidated accounts is comprised of the following:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Non-perpetual bonds	71 111 361	71 092 571
Perpetual bonds	-	-
	71 111 361	71 092 571

This loan, contracted with Novo Banco in the amount of AOA 70,494,534 thousands on October 30, 2014, results from the BNA resolution of August 4, 2014 resulting from the conversion of AOA 41,595,000 thousands of the senior interbank loan to a subordinated loan in US dollars with a rate of 5%, with quarterly payments, repayable in 10 years, with the possibility of future conversion into share capital by the end of the repayment period, provided that the holding remains below 19.99%.

The amount of interest payable on December 31, 2017 is AOA 616,827 thousands and in 2016 it was AOA 606,959 thousands.

NOTE 30 CURRENT TAX LIABILITIES AND OTHER LIABILITIES

Current tax liabilities and other liabilities as at December 31, 2017 and 2016, in the separate accounts is as follows:

	(Thousands of kwanzas)	
	31.12.2017	31.12.2016
Current tax liabilities	24 843	22 972
ENSA Group	18 965 648	43 270 760
Tax expenses payable - hold from third parties	235 834	679 089
Suppliers	1 115 355	1 316 971
Social security contributions	46 844	40 077
Other	91 201	11
Operations pending settlement	2 583 951	720 475
Provisions for employee benefit expenses	1 667 460	2 216 510
Other liabilities	24 706 293	48 243 893
	24 731 137	48 266 865

And in consolidated terms:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Current tax liabilities	491 310	432 146
ENSA Group	18 965 648	44 175 484
Tax expenses payable - hold from third parties	277 172	684 707
Suppliers	1 115 355	1 316 971
Social security contributions	53 558	40 077
Dividends	3 862	21 832
Other	91 201	11
Operations pending settlement	2 829 897	
Provisions for employee benefit expenses	1 728 101	2 224 380
Other liabilities	25 064 794	48 463 462
	25 556 103	48 895 608

The amount recorded under sundry creditors corresponds essentially to the Bank's liability to Grupo ENSA, as a result of the transfer of economic rights over assets (see Note 37).

These amounts have changed due to the settlement of amounts to the ENSA Group to the ENSA Group, as well as by the restructuring of the operation (see Note 37).

These amounts refer essentially to loans and advances to customers with a repurchase option, settlements paid on loans transferred and the corresponding accrued interest, which as at 31 December 2017 amounted to AOA 18,965,648 thousands and AOA 43,270,760 thousands in 2016 (see Note 37).

NOTE 31 RESERVES, RETAINED EARNINGS AND OTHER COMPREHENSIVE INCOME

LEGAL RESERVE

This account consists entirely of the legal reserve, which may only be used to cover accumulated losses or to increase share capital.

Angolan legislation requires that legal reserve should be credited annually with at least 10% of the annual net profit until it reaches the amount of the share capital.

FAIR VALUE RESERVES

Fair value reserves represent potential capital gains or losses in the Bank's portfolio of available for sale financial assets, net of impairment recognised in profit/(loss) for the financial year and/or previous years. The amount of this reserve is shown net of deferred tax.

The changes in this account were as follows:

(Thousands of kwanzas)

	Fair value reserves			Other reserves and retained earnings		
	Financial assets available for sale	Deferred tax reserves	Total fair value reserve	Legal reserve and other reserves	Retained earnings	Total other reserves and retained earnings
Balance at 1.2016	104 607	-	104 607	21 908 865	(56 841 963)	(34 933 098)
Changes in fair value	(184 174)	-	(184 174)	-	-	-
Constitution of reserves		-	-	1 994 231	(1 994 231)	-
Transfer to retained earnings		-	-	-	9 316 226	9 316 226
Other operations		-	-	-	464 484	464 484
Balance at 31.2016	(79 567)	-	(79 567)	23 903 096	(49 055 485)	(25 152 389)
Changes in fair value	79 567	-	79 567	-	-	-
Constitution of reserves	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	(4 329 024)	(4 329 024)
Other operations	-	-	-	-	(117 656)	(117 656)
Balance at 31.2017	-	-	-	23 903 096	(53 502 165)	(29 599 069)

And in consolidated terms:

(Thousands of kwanzas)

	Fair value reserves			Other reserves and retained earnings		
	Financial assets available for sale	Deferred tax reserves	Total fair value reserve	Legal reserve and other reserves	Retained earnings	Total other reserves and retained earnings
Balance at 1.2016	104 605	-	104 605	22 067 512	(57 000 610)	(34 933 098)
Changes in fair value	(184 172)	-	(184 172)	-	-	-
Purchases of other equity instruments	-	-	-	-	-	-
Actuarial Deviations	-	-	-	-	-	-
Constitution of reserves	-	-	-	1 994 231	(1 994 231)	-
Pensions - Transitional regime	-	-	-	-	9 316 226	9 316 226
Interest and other equity instruments	-	-	-	-	-	-
Dividends from other equity instruments	-	-	-	-	-	-
Other operations	-	-	-	-	464 484	464 484
Balance at 31.2016	(79 5679)	-	(79 567)	23 903 096	49 055 485	(25 152 389)
Changes in fair value	79 567	-	79 567	-	-	-
Constitution of reserves	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	(4 326 888)	(4 326 888)
Other operations	-	-	-	-	(117 656)	(117 656)
Balance at 31.2017	-	-	-	23 903 096	(53 500 028)	(29 596 932)

In 2016, the account Other changes refer to adjustments made to balances from previous years associated essentially with the value of shareholdings and employees' performance bonuses.

In 2017, the account Other changes refer to adjustments made to balances from previous years associated essentially with the value of shareholdings.

NOTE 32 CAPITAL, ISSUE PREMIUMS AND OWN SHARES

ORDINARY SHARES

As at 31 December 2016, the Bank's share capital of AOA 72,000 million was represented by 72,000 ordinary shares, which were fully subscribed and paid up by different shareholders, as per the list below

	% Capital	
	31.12.2017	31.12.2016
Lektron Capital, S.A.	30.98%	30.98%
Geni, Novas Tecnologias, S.A.	19.90%	19.90%
Sonangol E.P.	16.00%	16.00%
Sonangol Vida, S.A.	16.00%	16.00%
Sonangol Holding, Lda.	7.40%	7.40%
Novo Banco, S.A.	9.72%	9.72%
	100.00%	100.00%

NOTE 33 GUARANTEES AND OTHER COMMITMENTS

The analysis for separate and consolidated accounts is as follows.

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Guarantees provided	79 610 231	100 638 085
Guarantees received	(173 501 469)	(1502 591 632)
Commitments to third parties	1 657 145	11 998 874
Commitments by third parties	(15 515 000)	-
Securities deposited in the central depository	(12 441 350)	(3 930 559)
	81 267 376	112 636 959

The amounts of guarantees and sureties provided and commitments made to third parties are as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Guarantees provided		
Guarantees	11 023 753	11 148 035
Financial assets given as collateral	-	-
Documentary credits	68 586 478	89 490 050
Other	-	-
	79 610 231	100 638 085
Commitments to third parties		
Irrevocable commitments	-	-
Irrevocable lines of credit		
Commitments to third parties	7 723 629	9 709 397
Other	-	-
Revocable commitments		
Revocable lines of credit	(6 066 484)	2 289 477
Others	-	-
	1 657 145	11 998 874

The caption Guarantees relates to banking operations that do not involve the movement of funds by the Bank.

Documentary credits are irrevocable commitments by the Bank, on its customers' account, to pay or order payment of a certain amount to the supplier of a good or service, within an agreed time, requiring the submission of documents proving the despatch of the goods or provision of the service. Irrevocable means that it cannot be cancelled or changed without the express consent of all the involved parties.

Revocable and irrevocable commitments are contractual agreements to grant credit to the Bank's customers (e.g. unused credit lines), which are generally contracted for fixed periods or with other expiry requirements. They normally require payment of a fee. Generally, all the current commitments for granting credit require customers to meet certain requirements when they are contracted.

In spite of the particularities of these commitments, the appreciation of these operations abides by the same basic principles of any other commercial operation, the principle of clients' solvency and the underlying business or operation. The Bank requires these operations to be properly collateralised when necessary. As most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash needs.

Financial instruments recorded as guarantees are subject to the same approval and control procedures as the loan portfolio. When it comes to assessing the appropriateness of the provisions set up, as described in the accounting policy in Note 3.3, maximum credit exposure is represented by the nominal value that might be lost from contingent liabilities and other commitments made by the Bank in event of counterparty default, without considering potential recovery of credits or collaterals.

The Bank provides custody services, asset management, investment management and consultancy services that involve making decisions on the purchase and sale of different types of financial instruments. Goals and yields are established for assets under management for certain services.

Liabilities related to banking services provided:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Deposit and custody of securities	144 870 571	134 169 991
Values received for collection	53 954	152 882
Loan servicing	-	-
Other obligations for provision of services	290 923	(15 662)
	145 215 448	134 307 211

The Bank acts as custodian of customers' assets, as part of its fiduciary activity. Recognition in off-balance-sheet accounts is described in the accounting policy in Note 2.20.

NOTE 34 TRANSACTIONS WITH RELATED PARTIES

A related party is a person or entity related to the entity that is preparing its financial statements.

A related party can be defined as follows:

(a) A person or a close member of his or her family is related to a reporting entity, if she/he has control or joint control of the reporting entity, has a significant influence over the reporting entity or is a key management person of the reporting entity or a parent company of the mentioned reporting entity.

(b) An entity is related to a reporting entity if it meets any of the following conditions:

i) The entity and the reporting entity are members of the same group (which means that the parent companies, subsidiaries and other subsidiaries are related to each other).

ii) An entity is associated with or constitutes a joint venture with the other entity (or is associated with or constitutes a joint venture with a member of a group that belongs to another entity).

iii) Both entities are in joint ventures with the same third party.

iv) An entity represents a joint venture with the third entity and the other entity is associated with the third entity.

v) The entity is a post-employment benefit plan for employees of the reporting entity or of an entity related to the reporting entity. If a reporting entity itself is a plan of this type, the promoting employers are also related to the reporting entity.

vi) The entity is controlled or jointly controlled by a person identified in point a).

vii) A person identified in paragraph (a) (i) holds a significant influence over the entity or is a member of management of the entity (or of the parent of the entity).

The value of the Bank's transactions with related parties as at 31 December 2017 and 2016 and their respective costs and earnings recognised in the period were as follows:

(Thousands of kwanzas)

	31.12.2017					31.12.2016				
	Assets	Liabilities	Guarantees	Earnings	Costs	Assets	Liabilities	Guarantees	Earnings	Costs
Subsidiaries										
Económico Fundos Investimento	-	(2 016 573)	-	(131)	13 960	-	(2 004 981)	-	54	48 730
Económico Fundos Pensões	53 380	(16 510)	-	(52)	-	51 245	(22 698)	-	239	-
	53 380	(2 033 082)	-	(184)	13 960	51 245	(2 027 679)	-	293	48 730
Associates										
Tranquilidade	128 473	(5 377 207)	-	(533)	116 947	-	(4 310 293)	-	508	175 599
	128 473	(5 377 207)	-	(533)	116 947	-	(4 310 293)	-	508	175 599

As at December 31, 2017 and 2016, the total amount of the Bank's assets and liabilities associated with operations with the Group's subsidiaries associates and related parties, in addition to those mentioned above, was as follows:

(Thousands of kwanzas)

31.12.2017	Assets					Total	Guarantees	Liabilities	Earnings	Costs
	Loans and advances to credit institutions	Loans and advances	Securities	Other						
Shareholders										
NOVO BANCO, S.A.	14 150 615				14 150 615		(106 775 758)	119 434	(5 211 768)	
GENI, S.A.R.L	-				-		(12 286 873)	1 098	(399 763)	
LEKTRON CAPITAL, S.A.	-				-		(437 426)	38	-	
Pension Fund										
BESA OPÇÕES DE REFORMA	-				-		(1 017 150)	1 207	(30 459)	
Total	14 150 615	-	-	-	14 150 615	-	(120 517 205)	121 778	(5 641 990)	

(Thousands of kwanzas)

31.12.2016	Assets					Total	Guarantees	Liabilities	Earnings	Costs
	Loans and advances to credit institutions	Loans and advances	Securities	Other						
Shareholders										
NOVO BANCO, S.A.	21 549 045				21 549 045		(106 569 491)	12 726	(5 955 921)	
GENI, S.A.R.L							(36 177)	39	(2 190)	
LEKTRON CAPITAL, S.A.							(437 464)	20	-	
Pension Fund										
BESA OPÇÕES DE REFORMA							(646 135)	755	(20 506)	
Total	21 549 045	-	-	-	21 549 045	-	(107 689 266)	13 539	(5 978 617)	

Costs of remunerations and other benefits for the Bank's key management personnel (short and long term) were as follows:

(Thousands of kwanzas)

	Board of Directors			Other Key management personnel	Total
	Executive Committee	Others members	Total		
31 December 2017					
Remuneration and other short-term benefits	307 117	3 970 298	4 277 415	1 587 991	5 865 406
Variable remuneration	852 457	504 132	1 356 589	283 566	1 640 155
Subtotal	1 159 574	4 474 429	5 634 004	1 871 557	7 505 561
Long-term benefits and other social expenses	221 645	759 970	981 615	396 113	1 377 728
Other remuneration and bonuses for years of service	-	-	-	-	-
Total	1 381 219	5 234 400	6 615 619	2 267 670	8 883 289
31 December 2016					
Remuneration and other short-term benefits	125 654	3 713 731	3 839 385	1 620 293	5 459 678
Variable remuneration	-	32 037	32 037	5 665	37 702
Subtotal	125 654	3 745 768	3 871 422	1 625 958	5 497 380
Long-term benefits and other social expenses	42 863	617 549	660 412	382 785	1 043 197
Other remuneration and bonuses for years of service	-	-	-	-	-
Total	168 517	4 363 316	4 531 834	2 008 743	6 540 577

"Other key management personnel" represents coordinating directors and consultants of the Board of Directors.

All transaction performed with related parties take place at normal market prices on the basis of fair value.

NOTE 35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is based on market prices whenever they are available. Nonetheless, the local financial market is not very dynamic and most financial transactions are OTC. Very few operations take place in the stock exchange (BODIVA). This means that market prices generally do not represent the actual value of assets or securities given the real environment in which the institution operates.

In this context and using market information, the fair value obtained is influenced by the parameters used in the assessment model, which necessarily include some degree of subjectivity and only reflect the value given to the specific financial instruments.

The fair value of the Bank's financial assets and liabilities are as follows:

(Thousands of kwanzas)

	Cost of acquisitions/ amortised cost	Valued at fair value			Total balance sheet value	Fair value
		Market prices	Valuation models with observable market parameters	Valuation models with parameters not observable on the market		
		(Level 1)	(Level 2)	(Level 3)		
31 December 2017						
Cash and deposits at central banks	138,549,166	-	-	-	138,549,166	138,549,166
Cash and deposits at other credit institutions	34,755,931	-	-	-	34,755,931	34,755,931
Loans and advances to						
central banks and other credit institutions	81,968,105	-	-	-	81,968,105	81,968,105
Financial Assets held for trading	-	-	1,635	-	1,635	1,635
Derivatives	-	-	1,635	-	1,635	1,635
Other	-	-	1,635	-	1,635	1,635
Financial assets available for sale	119,236,292	-	-	-	119,236,292	119,236,292
Bonds from public issuers	119,134,167	-	-	-	119,134,167	119,134,167
Shares	102,125	-	-	-	102,125	102,125
Investments held to maturity	29,485,581	-	-	-	29,485,581	29,485,581
Bonds from public issuers	29,485,581	-	-	-	29,485,581	29,485,581
Loans and advances to customers	178,835,613	-	-	-	178,835,613	167,581,098
Other assets	283,681,147	-	-	-	283,681,147	283,681,147
Financial assets	886,511,835	-	1,635	-	866,513,470	855,258,955
Deposits from central banks and other credit institutions	119,894,301	-	-	-	119,894,301	119,894,301
Financial Liabilities held for trading	-	-	1,157	-	1,157	1,157
Deposits and other loans from customers	651,833,602	-	-	-	651,833,602	651,833,602
Subordinated liabilities	71,111,361	-	-	-	71,111,361	71,111,361
Other liabilities	24,704,119	-	-	-	24,704,119	24,704,119
Financial liabilities	867,543,383	-	1,157	-	867,544,540	867,544,540

And in 2016:

(Thousands of kwanzas)

	Cost of acquisitions/ amortised cost	Valued at fair value			Total balance sheet value	Fair value
		Market prices	Valuation models with observable market parameters	Valuation models with parameters not observable on the market		
		(Level 1)	(Level 2)	(Level 3)		
31 December 2016						
Cash and deposits at central banks	72,344,391	-	-	-	72,344,391	72,344,391
Cash and deposits at other credit institutions	69,847,033	-	-	-	69,847,033	69,847,033
Loans and advances to central banks and other credit institutions	56,070,540	-	-	-	56,070,540	56,070,540
Financial assets available for sale	119,058,466	-	14,449,421	-	133,507,887	133,507,887
Bonds from public issuers	119,037,627	-	14,449,421	-	133,487,048	133,487,048
Shares	20,839	-	-	-	20,839	20,839
Loans and advances to customers	163,997,223	-	-	-	163,997,223	151,985,991
Other assets	558,594,598	-	-	-	558,594,598	558,594,598
Financial assets	1,039,912,251	-	14,449,421	-	1,054,361,672	1,042,350,440
Deposits from central banks and other credit institutions	267,585,362	-	-	-	267,585,362	267,585,362
Deposits and other loans from customers	670,436,508	-	-	-	670,436,508	670,436,508
Subordinated liabilities	71,092,571	-	-	-	71,111,361	71,111,361
Other liabilities	48,243,893	-	-	-	48,243,893	48,243,893
Financial liabilities	1,057,358,334	-	-	-	1,057,358,334	1,057,358,334

And in consolidated terms, 2017:

(Thousands of kwanzas)

	Cost of acquisitions/ amortised cost	Valued at fair value			Total balance sheet value	Fair value
		Market prices	Valuation models with observable market parameters	Valuation models with parameters not observable on the market		
		(Level 1)	(Level 2)	(Level 3)		
31 December 2017						
Cash and deposits at central banks	138,549,167	-	-	-	138,549,167	138,549,167
Cash and deposits at other credit institutions	34,944,313	-	-	-	34,944,313	34,944,313
Loans and advances to central banks and other credit institutions	81,968,105	-	-	-	81,968,105	81,968,105
Financial Assets held for trading	-	-	1,635	-	1,635	1,635
Derivatives	-	-	1,635	-	1,635	1,635
Other	-	-	1,635	-	1,635	1,635
Financial assets available for sale	119,236,292	-	-	-	119,236,292	119,236,292
Bonds from public issuers	119,134,167	-	-	-	119,134,167	119,134,167
Shares	102,125	-	-	-	102,125	102,125
Investments held to maturity	29,485,581	-	-	-	29,485,581	29,485,581
Bonds from public issuers	29,485,581	-	-	-	29,485,581	29,485,581
Loans and advances to customers	178,818,324	-	-	-	178,818,324	167,581,098
Other assets	283,873,662	-	-	-	283,873,662	283,873,662
Financial assets	866,875,444	-	1,635	-	866,877,078	855,639,853
Deposits from central banks and other credit institutions	119,894,301	-	-	-	119,894,301	119,894,301
Financial Liabilities held for trading	-	-	1,157	-	1,157	1,157
Deposits and other loans from customers	649,811,984	-	-	-	649,811,984	649,811,984
Subordinated liabilities	71,111,361	-	-	-	71,111,361	71,111,361
Other liabilities	25,064,794	-	-	-	25,064,794	25,064,794
Financial liabilities	86,882,440	-	1,157	-	865,883,597	865,883,597

And in 2016:

(Thousands of kwanzas)

	Cost of acquisitions/ amortised cost	Valued at fair value			Total balance sheet value	Fair value
		Market prices	Valuation models with observable market parameters	Valuation models with parameters not observable on the market		
		(Level 1)	(Level 2)	(Level 3)		
31 December 2016						
Cash and deposits at central banks	72,344,393	-	-	-	72,344,393	72,344,393
Cash and deposits at other credit institutions	69,847,033	-	-	-	69,847,033	69,847,033
Loans and advances to central banks and other credit institutions	56,070,540	-	-	-	56,070,540	56,070,540
Financial assets available for sale	119,059,913	-	14,449,421	-	133,509,334	133,509,334
Bonds from public issuers	119,039,074	-	14,449,421	-	133,488,495	133,488,495
Shares	20,839	-	-	-	20,839	20,839
Loans and advances to customers	163,945,978	-	-	-	163,945,978	151,985,991
Other assets	558,849,483	-	-	-	558,849,483	558,849,483
Financial assets	1,040,117,340	-	14,449,421	-	1,054,566,761	1,042,606,774
Deposits from central banks and other credit institutions	267,585,362	-	-	-	267,585,362	267,585,362
Deposits and other loans from customers	668,408,829	-	-	-	668,408,829	668,408,829
Subordinated liabilities	71,092,571	-	-	-	71,092,571	71,092,571
Other liabilities	48,463,462	-	-	-	48,463,462	48,463,462
Financial liabilities	1,055,550,224	-	-	-	1,055,550,224	1,055,550,224

The bank uses the following fair value hierarchy with three levels in the valuation of financial instruments (assets or liabilities), which reflects the level of judgement, the observation of the data used and the importance of the parameters used in assessing the fair value of the instrument, as set out in IFRS 13:

Level 1: Fair value is determined on the basis of non-adjusted quoted prices observed in transactions in active markets involving financial instruments identical to those being valued. If there is more than one active market for the same financial instrument, the relevant price is the one that prevails in the instrument's main market or the most advantageous market to which there is access.

Level 2: Fair value is ascertained using valuation techniques based on observable data in active markets. They may be direct data (prices, rates, spreads, among other information) 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 whose valuation is obtained from prices published by independent entities with less liquid markets.

Level 3: Fair value is determined on the basis of data that cannot be observed in active markets, using techniques and assumptions that the market participants would use to value the same instruments, including hypotheses as to inherent risks, the valuation technique used, and the inputs used and considered processes for revision of the accuracy of values obtained in this way.

The Bank considers an active market for a given financial instrument on the measurement date, depending on the turnover and liquidity of the operations performed, the relative volatility of the prices quoted and the promptness and availability of the information. The following minimum conditions are required:

- There have been frequent daily trading prices in the last year;
- The above prices change regularly;
- There are executable prices of more than one entity.

A parameter use in the valuation technique is considered information observable in the market if the following conditions are met:

- Its value is determined in an active market;
- There is an active OTC market and it is reasonable to assume that it meets active market conditions, with the exception of that of trading volumes; and,
- The value of the parameter can be obtained by reverse calculation of the prices of the financial instruments and/or derivative where the remaining parameters necessary for the initial valuation are observable in a liquid market or OTC market that complies with the preceding paragraphs.

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

Cash and deposits at central banks, cash and deposits at other credit institutions and loans and advances to central banks and other credit institutions

These assets are very short term, so the balance sheet value is a reasonable estimate of their fair value.

Financial assets held for sale (except derivatives), financial liabilities held for sale (except derivatives), and other assets at fair value through profit or loss

These financial instruments are carried at fair value. Fair value is based on bid prices whenever they are available. If they do not exist, the calculation of fair value is based on the use of numeric models based on techniques for discounting cash flows, to estimate fair value, therefore use the market interest rate curves adjusted by associated factors, predominantly the credit risk and liquidity risks, determined in accordance with market conditions and their maturities.

Market interest rates are calculated on the basis of information provided by financial news agencies [Reuters, Bloomberg, etc.], i.e. those resulting from interest rate swaps. Very short-term rates are obtained from similar sources, hence they refer to the interbank money market. Interest rates for specific maturities of cash flows are determined with appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows such as indexers.

Loans and advances to customers

The fair value of loans and advances to customers is estimated on the basis of the updates of expected cash flows from capital and interest, considering that the instalments are paid on time. Expected future cash flows from similar loan portfolios, such as mortgages, are estimated on a portfolio basis. The discount rates used are the current rates charged for loans with similar characteristics.

Deposits from central banks and other credit institutions

The fair value of these liabilities is estimated on the basis of the updates of expected cash flows from capital and interest, assuming that the instalments are paid on time.

Deposits from customers and other loans

The fair value of these financial instruments to customers is estimated on the basis of the updates of expected cash flows from capital and interest. The discount rate used is which reflects the rates charged for deposits with similar characteristics on the balance sheet date. As interest rates are renewed for periods of less than one year, there are no material differences in their fair value.

Debt securities and subordinated liabilities

Fair value is based on market prices, when available. If they do not exist it is estimated on the basis of expected future cash flows from principal and interest for these instruments. If they do not exist, the calculation of fair value is based on the use of numeric models based on techniques for discounting cash flows, to estimate fair value, use the market interest rate curves adjusted by associated factors, predominantly the credit risk and commercial margin. Commercial margin is only used for issues placed with the Bank's non-institutional customers.

The main parameters used in valuation models in 2017 and 2016, were as follows:

Interest rate curves

Short-term rates shown reflect indicative values charged on the money market. For long term, the rates shown represent the interest rate swap rates for their maturities:

(%)

	31.12.2017			31.12.2016		
	AOA	EUR	USD	AOA	EUR	USD
Overnight	17.77%	n.a.	1.43%	24.91%	n.a.	0.69%
1 month	18.27%	-0.37%	1.56%	17.11%	-0.37%	0.77%
3 months	18.92%	-0.33%	1.69%	18.04%	-0.32%	1.00%
6 months	20.16%	-0.27%	1.84%	17.96%	-0.22%	1.32%
9 months	21.90%	-0.22%	n.a.	19.55%	-0.14%	n.a.
1 year	23.08%	-0.19%	2.11%	20.07%	-0.08%	1.69%

Forex and exchange volatility

Below, we indicate the exchange rates (Banco Nacional de Angola) on the Balance sheet date and at the money for the main pairs of currencies when assessing derivatives:

Foreign Exchange			Volatility (%)				
	31.12.2017	31.12.2016	1 month	3 months	6 months	9 months	1 year
AOA/USD	165 924	165 903	0.00%	0.00%	0.00%	0.00%	0.00%
AOA/EUR	185 400	185 379	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE 36 BUSINESS RISK MANAGEMENT

The Bank is subject to different kinds of risks in the pursuit of its business. Risks management is centralised regarding the specific risk of each business.

The aim of the bank's risk management policy is to constantly maintain an appropriate relationship between its equity and business activity and to assess its risk profile in terms of the risk/return per line of business.

It is particularly important in this respect to monitor and control the main types of risk - strategic, credit, market, liquidity, property, operational and reputational - to which the Bank's business is subject.

MAIN RISK CATEGORIES

Strategic - The key factors of our strategy is to define business growth areas, return targets, liquidity and capital management. The Bank's strategy is defined by the CEO and Executive Committee. Strategic risk means the risk of a current or potential impact on the Bank's earnings, capital, reputation or survival capacity as a result of changes in the environment, adverse strategic decisions, inappropriate

implementation of decisions or inability to respond to social, economic or technological changes.

Credit - The credit risk is associated with the degree of uncertainty of recovering an investment and its return due to incapacity of the debtor (and their guarantor, if any), thereby causing a financial loss to the creditor. The credit risk occurs in debt securities and other receivables.

Market - Other market risk is the potential loss that may occur in a portfolio as a result of changes in interest and exchange rates and/or in the prices of the financial instruments, considering the correlations between them and their volatility. The market risk includes the interest and exchange rate risk and other price risks.

Liquidity - The liquidity risk reflects the Bank's inability to fulfil its obligations associated with financial liabilities on each due date without incurring significant losses arising from a deterioration of conditions of access to financing (financing risk) and/or the sale of its assets at lower prices than their normal prices (market liquidity risk).

Property - The property risk is due to possible impacts in the Bank's profits or capital, due to fluctuations in the market price of property.

Operational - The operational risk is the potential loss resulting in flaws or shortcomings in internal processes, people, systems, or potential losses resulting from external events.

Reputational - Reputation plays a vital role in the sustainability of any bank. Reputational risk management is basically a way of protecting the Bank from potential threats to its reputation and serves to warn about the possibility of a crisis that would have an impact on people's perception or expectations of the Bank.

INTERNAL ORGANISATION

In 2016, Banco Nacional de Angola (National Bank of Angola) issued notices and instructions focusing particularly on the management and reporting of risk by financial institutions. The Bank is in the final phase of implementing them in order to adjust its practices to legislation and submit its reports within the legal time limits.

Under the new regulatory framework, Banco Económico has set up a new risk management system with integrated policies and processes, including procedures, limits, controls and systems that can identify assess and monitor information on the different types of risk.

In this context Banco Económico also set up a risk management office (GGR) in 2017. The GGR coordinates and supervises risk management policies and risk governance practices and creates tools and models for risk management and portfolio analysis. The GGR's remit therefore includes different risk areas such as the Strategic Risk, Reputational Risk, Concentration Risk and Capital Management.

By managing and monitoring the above risks, its purpose is to assist the Executive Committee with risk management policies and practices and take responsibility for coordinating all risk management.

RISK ASSESSMENT

Credit risk

Credit risk models play an essential role in the loan decision process. The decision making process on loan portfolio operations is based on policies that use scoring models for private and business portfolios and ratings for the corporate segment.

Credit decisions depend on risk scores and compliance with rules on financial capacity and applicants' conduct. There are scoring models for the main loan portfolios for private customers, such as mortgages and personal loans, giving attention to the necessary segmentation customers, non-customers and recent customers.

In loans and advances to business customers, we use internal rating models for medium-size and large companies. We distinguish construction and services from the other business sectors, while for sole traders and micro-enterprises we use the business-scoring model.

There follows information on the Bank's exposure to the credit risk in 2017 e 2016 in the separate accounts:

(Thousands of kwanzas)

31.12.2017			
	Gross book value	Impairment	Net book value
On balance sheet			
Cash and deposits at central banks	138,549,166	-	138,549,166
Cash and Deposits at other credit institutions	34,755,931	-	34,755,931
Loans and advances to central banks and credit institutions	81,968,105	-	81,968,105
Financial assets available for sale	119,262,709	(26,417)	119,236,292
Investments held to maturity	29,485,581	-	29,485,581
Financial assets held for trading	1,635	-	1,635
Loans and advances to customers	200,094,974	(21,259,361)	178,835,613
Investments in associates and joint ventures	1,517,075	-	1,517,075
Other assets	283,681,147	-	283,681,147
	889,316,323	(21,285,778)	868,030,545
Off balance sheet			
Guarantees	11,023,753	(834,880)	10,188,873
Documentary credits	68,586,478	(2,138,351)	66,448,127
	79,610,231	(2,973,231)	76,637,000
Total	968,926,554	(24,259,009)	944,667,545

(Thousands of kwanzas)

31.12.2016			
	Gross book value	Impairment	Net book value
On balance sheet			
Cash and deposits at central banks	72,344,391	-	72,344,391
Cash and Deposits at other credit institutions	69,847,033	-	69,847,033
Loans and advances to central banks and credit institutions	56,070,540	-	56,070,540
Financial assets available for sale	133,534,301	(26,414)	133,507,887
Loans and advances to customers	182,317,738	(18,320,515)	163,997,223
Investments in associates and joint ventures	1,216,878	-	1,216,878
Other assets	558,594,598	-	558,594,598
	1,073,925,479	(18,346,929)	1,055,578,550
Off balance sheet			
Guarantees	11,148,035	(924,685)	10,223,350
Documentary credits	89,490,050	(1,693,743)	87,896,307
	100,638,085	(2,618,428)	98,019,657
Total	1,174,563,564	(20,965,357)	1,153,598,207

Other assets relate to receivables from the operation with ENSA GROUP (see Note 37).

And in consolidated terms:

(Thousands of kwanzas)

31.12.2017			
	Gross book value	Impairment	Net book value
On balance sheet			
Cash and deposits at central banks	138 549 167	-	138 549 167
Cash and Deposits at other credit institutions	34 944 313	-	34 944 313
Loans and advances to central banks and credit institutions	81 968 105	-	81 968 105
Financial assets available for sale	119 262 709	(26 417)	119 236 292
Investments held to maturity	29 485 581	-	29 485 581
Financial assets held for trading	1 635	-	1 635
Loans and advances to customers	200 041 594	(21 223 270)	178 818 324
Investments in associates and joint ventures	433 968	-	433 968
Other assets	283 873 662	-	283 873 662
	888 560 734	(21 249 687)	867 311 046
Off balance sheet			
Guarantees	11 023 753	(834 880)	10 188 873
Documentary credits	68 586 478	(2 138 351)	66 448 127
	79 610 231	(2 973 231)	76 637 000
Total	968 170 965	(24 222 918)	943 948 046

(Thousands of kwanzas)

31.12.2016			
	Gross book value	Impairment	Net book value
On balance sheet			
Cash and deposits at central banks	72 344 393	-	72 344 393
Cash and Deposits at other credit institutions	69 847 033	-	69 847 033
Loans and advances to central banks and credit institutions	56 070 540	-	56 070 540
Financial assets available for sale	133 535 748	(26 414)	133 509 334
Loans and advances to customers	-	-	-
Investments in associates and joint ventures	-	-	-
Other assets	182 264 357	(18 318 379)	163 945 978
	166 427	-	166 427
Off balance sheet	558 849 483	-	558 849 483
Guarantees	1 073 077 981	(18 344 793)	1 054 733 188
Documentary credits			
	11 148 035	(924 685)	10 223 350
Total	89 490 050	(1 693 743)	87 796 307
	100 638 085	(2 618 428)	98 019 657
Total	1 173 716 066	(20 963 221)	1 152 752 845

The quality of the credit risk of financial assets as at 31 December 2017 and 2016 were as follows in the separate accounts:

(Thousands of kwanzas)

	Origin of rating	Level of rating	2017		
			Gross exposure	Impairment	Net exposure
Cash and deposits at central banks	External rating	B-	131 293 008	-	131 293 008
		Without rating	7 256 158	-	7 256 158
Cash and deposits at other credit institutions	External rating	A	13 340	-	13 340
		B	5 455 633	-	5 455 633
		B-	20 771 673	-	20 771 673
		BB+	32 066	-	32 066
		BBB-	443 477	-	443 477
		Without rating	8 039 742	-	8 039 742
Loans and advances to central banks and other credit institutions	External rating	B	8 694 982	-	8 694 982
		B-	8 687 472	-	8 687 472
		Without rating	64 585 651	-	64 585 651
Financial assets available for sale	External rating	B-	119 134 167	-	119 134 167
		Without rating	128 542	(26 417)	102 125
Investments held to maturity	External rating	B-	29 485 581	-	29 485 581
Financial assets held for trading	External rating	Without rating	1 635	-	1 635
Loans and advances to customers	External rating	B-	48 369 465	-	48 369 465
	External rating	Low	75 051 520	(8 088 624)	66 962 897
		Medium	9 125 522	(367 213)	8 758 309
		High	67 548 467	(12 803 524)	54 744 943
Investments in associates and joint ventures	External rating	Without rating	1 517 075	-	1 517 075
Other assets	External rating	B-	259 024 532	-	259 024 532
		Without rating	24 656 615	-	24 656 615
Total			889 316 323	-21 285 778	868 030 545

2016:

(Thousands of kwanzas)

	Origin of rating	Level of rating	2016		
			Gross exposure	Impairment	Net exposure
Cash and deposits at central banks	External rating	B-	66 794 875	-	66 794 875
		Without rating	5 549 516	-	5 549 516
Cash and deposits at other credit institutions	External rating	A	8 183	-	8 183
		B	10 425 949	-	10 425 949
		B-	12 545 253	-	12 545 253
		BB+	8 235 634	-	8 235 634
		Without rating	38 632 014	-	38 632 014
Loans and advances to central banks and other credit institutions	External rating	B	11 123 095	-	11 123 095
		B-	44 636 436	-	44 636 436
		Without rating	311 009	-	311 009
Financial assets available for sale	External rating	B-	133 487 048	-	133 487 048
		Without rating	47 253	(26 414)	20 839
Loans and advances to customers	External rating	B-	47 974 356	-	47 974 356
	External rating	Low	77 959 392	(6 847 049)	71 112 343
		Medium	14 316 230	(1 025 721)	13 290 509
		High	42 067 760	(10 447 745)	31 620 015
Investments in associates and joint ventures	External rating	Without rating	1 216 878	-	1 216 878
Other assets	External rating	B-	523 198 448	-	523 198 448
		Without rating	35 396 149	-	35 396 149
Total			1 073 925 478	-18 346 929	1 055 578 550

And in consolidated terms:

(Thousands of kwanzas)

	Origin of rating	Level of rating	2017		
			Gross exposure	Impairment	Net exposure
Cash and deposits at central banks	External rating	B-	131 293 008	-	131 293 008
		Without rating	7 256 159	-	7 256 159
Cash and deposits at other credit institutions	External rating	A	13 340	-	13 340
		B	5 455 633	-	5 455 633
		B-	20 771 673	-	20 771 673
		BB+	32 066	-	32 066
		BBB-	443 477	-	443 477
		Without rating	8 228 124	-	8 228 124
Loans and advances to central banks and other credit institutions	External rating	B	8 694 982	-	8 694 982
		B-	8 687 472	-	8 687 472
		Without rating	64 585 651	-	64 585 651
Financial assets available for sale	External rating	B-	119 134 167	-	119 134 167
		Without rating	128 542	(26 417)	102 125
Investments held to maturity	External rating	B-	29 485 581	-	29 485 581
Financial assets held for trading	External rating	Without rating	1 635	-	1 635
Loans and advances to customers	External rating	B-	48 369 465	-	48 369 465
		Low	74 998 140	(8 052 533)	66 945 607
		Medium	9 125 522	(367 213)	8 758 309
		High	67 548 467	(12 803 524)	54 744 943
Investments in associates and joint ventures	External rating	Without rating	433 968	-	433 968
Other assets	External rating	B-	259 024 532	-	259 024 532
		Without rating	24 849 130	-	24 849 130
Total			888 560 734	-21 249 687	867 311 047

2016:

	Origin of rating	Level of rating	(Thousands of kwanzas)		
			2016		
			Gross exposure	Impairment	Net exposure
Cash and deposits at central banks	External rating	B-	66 794 875	-	66 794 875
		Without rating	5 549 518	-	5 549 518
Cash and deposits at other credit institutions	External rating	A	8 183	-	8 183
		B	10 425 949	-	10 425 949
		B-	12 545 253	-	12 545 253
		BB+	8 235 634	-	8 235 634
		Without rating	38 632 014	-	38 632 014
Loans and advances to central banks and other credit institutions	External rating	B	11 123 095	-	11 123 095
		B-	44 636 436	-	44 636 436
		Without rating	311 009	-	311 009
Financial assets available for sale	External rating	B-	133 488 495	-	133 488 495
		Without rating	47 253	(26 414)	20 839
Loans and advances to customers	External rating	B-	47 974 356	-	47 974 356
	External rating	Low	77 906 011	(6 844 913)	71 061 098
		Medium	14 316 229	(1 025 721)	13 290 508
		High	42 067 760	(10 447 745)	31 620 015
Investments in associates and joint ventures	External rating	Without rating	166 427	-	166 427
Other assets	External rating	B-	523 198 448	-	523 198 448
		Without rating	35 651 035	-	35 651 035
Total			1 073 077 980	-18 344 793	1 054 733 187

The risk levels were assigned using S & P primarily, with the remaining agencies being used when necessary.

Additionally, in internal terms, the rating was calculated based on the bank's internal model.

The division of the business sector of exposure to the credit risk in the separate accounts as at 31 December 2017 and 2016 is shown below:

(Thousands of kwanzas)

2017							
	Loans and advances to costumers		Guarantees provided	Total exposure	Relative weight	Impairment	
	Not yet due	In arrears				Amount	Impairment / total exposure
Companies	120 114 638	65 502 182	79 610 231	265 227 051	94.82%	22 307 986	8.41%
Farming, livestock, hunting, forestry and fishery	274 603	308 182	430 947	1 013 731	0.36%	360 950	35.61%
Manufacturing industries	10 332 203	11 039 372	8 032 402	29 403 976	10.51%	2 766 739	9.41%
Food, beverage and tobacco industries	123 761	189 717	-	313 478	0.11%	172 209	54.94%
Metal industries	-	192 583	-	192 583	0.07%	134 808	70.00%
Construction	3 551 580	3 518 962	6 778 856	13 849 398	4.95%	2 784 556	20.11%
Wholesale and retail trade	23 865 953	1 118 642	55 613 169	80 597 764	28.82%	5 017 550	6.23%
Hospitality and restaurants	1 417 805	45	-	1 417 850	0.51%	855 298	60.32%
Transport, storage and communications	8 820 638	32 052	710 294	9 562 984	3.42%	1 765 566	18.46%
Property and rental activities and services to companies	17 492 302	41 711 149	1 595 879	60 799 330	21.74%	7 136 361	11.74%
Education	103 366	2 717 641	-	2 821 006	1.01%	141 835	5.03%
Health and welfare	-	-	629 743	629 743	0.23%	18 892	3.00%
Other collective, social and personal services	54 132 429	4 673 839	5 818 941	64 625 209	23.10%	1 153 220	1.78%
Private customers	10 628 077	3 850 077	-	14 478 154	5.18%	1 924 607	13.29%
Consumption	1 234 486	37 729	-	1 272 215	0.45%	34 306	2.70%
Housing	7 172 978	1 061 681	-	8 234 659	2.94%	799 641	9.71%
Other purposes	2 220 613	2 750 667	-	4 971 280	1.78%	1 090 659	21.94%
Total	130 742 715	69 352 259	79 610 231	279 705 205		24 232 592	

(Thousands of kwanzas)

2016							
	Loans and advances to costumers		Guarantees provided	Total exposure	Relative weight	Impairment	
	Not yet due	In arrears				Amount	Impairment / total exposure
Companies	124 112 208	45 943 263	100 181 851	270 237 322	95.51%	19 387 522	7.17%
Farming, livestock, hunting, forestry and fishery	-	-	-	-	0.00%	-	0.00%
Manufacturing industries	19 272 567	-	12 201 685	31 474 252	11.12%	801 712	2.55%
Food, beverage and tobacco industries	1 816 094	189 717	-	2 005 811	0.71%	190 213	9.48%
Metal industries	-	519 794	-	519 794	0.18%	363 856	70.00%
Construction	1 882 787	2 930 895	7 256 128	12 069 810	4.27%	3 327 535	27.57%
Wholesale and retail trade	12 201 483	1 080 590	16 329 298	29 611 371	10.47%	2 849 241	9.62%
Hospitality and restaurants	-	1 582 704	-	1 582 704	0.56%	735 985	46.50%
Transport, storage and communications	7 882 294	224 806	-	8 107 100	2.87%	912 853	11.26%
Property and rental activities and services to companies	27 711 735	30 174 319	1 414 198	59 300 251	20.96%	8 345 863	14.07%
Education	332 264	1 718 360	-	2 050 624	0.72%	2 877	0.14%
Health and welfare	-	-	-	-	0.00%	-	0.00%
Other collective, social and personal services	53 012 984	7 522 078	62 980 543	123 515 605	43.65%	1 857 387	1.50%
Private customers	8 941 122	3 321 145	456 233	12 718 500	4.49%	1 551 421	12.20%
Consumption	1 285 112	55 155	-	1 340 267	0.47%	48 332	3.61%
Housing	6 835 542	439 268	-	7 274 810	2.57%	383 336	5.27%
Other purposes	820 468	2 826 722	456 233	4 103 423	1.45%	1 119 753	27.29%
Total	133 053 330	49 264 408	100 638 085	282 955 822		20 938 943	

And in consolidated terms:

(Thousands of kwanzas)

2017							
	Loans and advances to costumers		Guarantees provided	Total exposure	Relative weight	Impairment	
	Not yet due	In arrears				Amount	Impairment / total exposure
Companies	120 061 258	65 502 182	79 610 231	265 173 671	94.82%	22 271 895	8.40%
Farming, livestock, hunting, forestry and fishery	274 603	308 182	430 947	1 013 731	0.36%	360 950	35.61%
Manufacturing industries	10 332 203	11 039 372	8 032 402	29 403 976	10.51%	2 766 739	9.41%
Food, beverage and tobacco industries	123 761	189 717	-	313 478	0.11%	172 209	54.94%
Metal industries	-	192 583	-	192 583	0.07%	134 808	70.00%
Construction	3 551 580	3 518 962	6 778 856	13 849 398	4.95%	2 784 556	20.11%
Wholesale and retail trade	23 865 953	1 118 642	55 613 169	80 597 764	28.82%	5 017 550	6.23%
Hospitality and restaurants	1 417 805	45	-	1 417 850	0.51%	855 298	60.32%
Transport, storage and communications	8 820 638	32 052	710 294	9 562 984	3.42%	1 765 566	18.46%
Property and rental activities and services to companies	17 492 302	41 711 149	1 595 879	60 799 330	21.74%	7 136 361	11.74%
Education	103 366	2 717 641	-	2 821 006	1.01%	141 835	5.03%
Health and welfare	-	-	629 743	629 743	0.23%	18 892	3.00%
Other collective, social and personal services	54 079 049	4 673 839	5 818 941	64 571 828	23.09%	1 117 129	1.73%
Private customers	10 628 077	3 850 077	-	14 478 154	5.18%	1 924 607	13.29%
Consumption	1 234 486	37 729	-	1 272 215	0.45%	34 306	2.70%
Housing	7 172 978	1 061 681	-	8 234 659	2.94%	799 641	9.71%
Other purposes	2 220 613	2 750 667	-	4 971 280	1.78%	1 090 659	21.94%
Total	130 689 335	69 352 259	79 610 231	279 651 825		24 196 502	

(Thousands of kwanzas)

2016							
	Loans and advances to costumers		Guarantees provided	Total exposure	Relative weight	Impairment	
	Not yet due	In arrears				Amount	Impairment / total exposure
Companies	124 058 827	45 943 263	100 181 851	270 183 941	95.50%	19 385 387	7.17%
Farming, livestock, hunting, forestry and fishery	-	-	-	-	0.00%	-	0.00%
Manufacturing industries	19 272 567	-	12 201 685	31 474 252	11.13%	801 712	2.55%
Food, beverage and tobacco industries	1 816 094	189 717	-	2 005 811	0.71%	190 213	9.48%
Metal industries	-	519 794	-	519 794	0.18%	363 856	70.00%
Construction	1 882 787	2 930 895	7 256 128	12 069 810	4.27%	3 327 535	27.57%
Wholesale and retail trade	12 201 483	1 080 590	16 329 298	29 611 371	10.47%	2 849 241	9.62%
Hospitality and restaurants	-	1 582 704	-	1 582 704	0.56%	735 985	46.50%
Transport, storage and communications	7 882 294	224 806	-	8 107 100	2.87%	912 853	11.26%
Property and rental activities and services to companies	27 711 735	30 174 319	1 414 198	59 300 251	20.96%	8 345 863	14.07%
Education	332 264	1 718 360	-	2 050 624	0.72%	2 877	0.14%
Health and welfare	-	-	-	-	0.00%	-	0.00%
Other collective, social and personal services	52 959 603	7 522 078	62 980 543	123 462 224	43.64%	1 855 251	1.50%
Private customers	8 941 122	3 321 145	456 233	12 718 500	4.50%	1 551 421	12.20%
Consumption	1 285 112	55 155	-	1 340 267	0.47%	48 332	3.61%
Housing	6 835 542	439 268	-	7 274 810	2.57%	383 336	5.27%
Other purposes	820 468	2 826 722	456 233	4 103 423	1.45%	1 119 753	27.29%
Total	132 999 949	49 264 408	100 638 085	282 902 441		20 936 807	

Regarding credit risk, the portfolio of securities financial assets is mainly in sovereign bonds of the Republic of Angola.

The geographical concentration of the credit risk in the separate accounts as at 31 December 2017 and 2016:

(Thousands of kwanzas)

	2017				
	Geographical area				
	Angola	Other African Countries	Europe	Other	Total
Assets	751 306 507	32 067	112 720 504	3 971 467	868 030 545
Cash and deposits at central banks	138 549 166	0	0	0	138 549 166
Cash and Deposits at other credit institutions	0	32 066	30 752 399	3 971 466	34 755 931
Loans and advances to central banks and credit institutions	0	0	81 968 105	0	81 968 105
Financial assets available for sale	119 236 292	0	0	0	119 236 292
Investments held to maturity	29 485 581	0	0	0	29 485 581
Financial assets held for trading	1 635	0	0	0	1 635
Loans and advances to customers	178 835 613	0	0	0	178 835 613
Investments in associates and joint ventures	1 517 075	0	0	0	1 517 075
Other assets	283 681 145	1	1	1	283 681 147
Liabilities	760 770 957	0	106 775 758	0	867 546 714
Deposits from central banks and other credit institutions	84 229 905	0	35 664 397	0	119 894 301
Customer deposits and other loans	651 833 602	0	0	0	651 833 602
Financial liabilities held for trading	1 157	0	0	0	1 157
Subordinated liabilities	0	0	71 111 361	0	71 111 361
Other liabilities	24 706 293	0	0	0	24 706 293
Net Exposure	-9 464 450	32 067	5 944 747	3 971 467	483 830

(Thousands of kwanzas)

	2016				
	Geographical area				
	Angola	Other African Countries	Europe	Other	Total
Assets	916 664 110	8 235 634	130 625 613	53 193	1 055 578 550
Cash and deposits at central banks	72 344 391	0	0	0	72 344 391
Cash and Deposits at other credit institutions	1 312 451	8 235 634	60 245 755	53 193	69 847 033
Loans and advances to central banks and credit institutions	37 236	0	56 033 304	0	56 070 540
Financial assets available for sale	133 507 887	0	0	0	133 507 887
Loans and advances to customers	163 997 223	0	0	0	163 997 223
Investments in associates and joint ventures	1 216 878	0	0	0	1 216 878
Other assets	544 248 044	0	14 346 554	0	558 594 598
Liabilities	950 767 606	0	106 590 728	0	1 057 358 334
Deposits from central banks and other credit institutions	232 087 206	0	35 498 157	0	267 585 362
Customer deposits and other loans	670 436 508	0	0	0	670 436 508
Subordinated liabilities	0	0	71 092 571	0	71 092 571
Other liabilities	48 243 893	0	0	0	48 243 893
Net Exposure	-34 103 496	8 235 634	24 034 886	53 193	-1 779 784

And in consolidated terms:

(Thousands of kwanzas)

	2017				
	Geographical area				
	Angola	Other African Countries	Europe	Other	Total
Assets	750 398 627	32 067	112 908 886	3 971 467	867 311 046
Cash and deposits at central banks	138 549 167	0	0	0	138 549 167
Cash and Deposits at other credit institutions	0	32 066	30 940 781	3 971 466	34 944 313
Loans and advances to central banks and credit institutions	0	0	81 968 105	0	81 968 105
Financial assets available for sale	119 236 292	0	0	0	119 236 292
Investments held to maturity	29 485 581	0	0	0	29 485 581
Financial assets held for trading	1 635	0	0	0	1 635
Loans and advances to customers	178 818 324	0	0	0	178 818 324
Investments in associates and joint ventures	433 968	0	0	0	433 968
Other assets	283 873 660	1	1	1	283 873 662
Liabilities	759 107 839	0	106 775 758	0	865 883 597
Deposits from central banks and other credit institutions	84 229 905	0	35 664 397	0	119 894 301
Customer deposits and other loans	649 811 984	0	0	0	649 811 984
Financial liabilities held for trading	1 157	0	0	0	1 157
Subordinated liabilities	0	0	71 111 361	0	71 111 361
Other liabilities	25 064 794	0	0	0	25 064 794
Net Exposure	-8 709 213	32 067	6 133 129	3 971 467	1 427 450

(Thousands of kwanzas)

	2016				
	Geographical area				
	Angola	Other African Countries	Europe	Other	Total
Assets	915 818 748	8 235 634	130 625 613	53 193	1 054 733 188
Cash and deposits at central banks	72 344 393	0	0	0	72 344 393
Cash and Deposits at other credit institutions	1 312 451	8 235 634	60 245 755	53 193	69 847 033
Loans and advances to central banks and credit institutions	37 236	0	56 033 304	0	56 070 540
Financial assets available for sale	133 509 334	0	0	0	133 509 334
Loans and advances to customers	163 945 978	0	0	0	163 945 978
Investments in associates and joint ventures	166 427	0	0	0	166 427
Other assets	544 502 929	0	14 346 554	0	558 849 483
Liabilities	948 959 496	0	106 590 728	0	1 055 550 224
Deposits from central banks and other credit institutions	232 087 205	0	35 498 157	0	267 585 362
Customer deposits and other loans	668 408 829	0	0	0	668 408 829
Subordinated liabilities	0	0	71 092 571	0	71 092 571
Other liabilities	48 463 462	0	0	0	48 463 462
Net Exposure	-33 140 748	8 235 634	24 034 886	53 193	-817 036

Real mortgage guarantees and financial collateral are important in reducing the credit risk as they allow the direct reduction of the value of the position. Personal protection guarantees enable direct replacement of the position at risk.

Direct reduction also applies to credit operations collateralised by financial sureties, such as deposits, Angolan state bonds, and other similar assets.

For real mortgage guarantees, the assets are appraised by independent experts or by an in-house team within the Bank but separate from the commercial department. Reappraisals involve on-site assessments by trained appraisers in accordance with best market practices.

The Bank's policy is to regularly check for any objective evidence of impairment in its loan portfolio, as described in Note 2.3.

MARKET RISK

The Bank's market risk management policy is in line with the best practices. In this context, the Bank abides strictly by BNA risk legislation, including Notice 08/2016 of the 16 of May regarding the interest rate risk in banking books (financial instruments not held in the trading portfolio).

As to the analysis of the market risk, there are regular reports on financial asset portfolios. Where the portfolio itself is concerned, certain risk limits are imposed, including limits to exposure by Issuer /Counterparty and the rating of the credit.

Our investment portfolio is concentrated in Angolan Treasury bonds, and on December 2017 they accounted for AOA 1,961,989,213 (2016: AOA 181,333,047).

Assessment of the interest rate risk from banking book operations is made by an analysis of sensitivity to risk.

Based on the financial characteristics of each contract, expected cash flows are projected in accordance with the rate reset dates and assumptions made as to performance.

The aggregation of expected cash flows for each of the currencies analysed in each of the time intervals allows us to determine the interest rate gaps by the date of reset..

Pursuant to the recommendations of BNA Instruction 06/2016 of the 8 of August regarding the calculation of exposure to the interest rate risk in the balance sheet, the Bank's assets and liabilities were broken down into types of rate (fixed or variable) and by reset (or repricing) dates.

Details of the assets and liabilities grouped into types of rate as at 31 December 2017 and 2016 in the individual accounts:

(Thousands of kwanzas)

	2017				
	Exposed to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	522 214 987	152 370 650	193 443 272	1 635	868 030 545
Cash and deposits at central banks	-	-	138 549 166	-	138 549 166
Cash and Deposits at other credit institutions	-	-	34 755 931	-	34 755 931
Loans and advances to central banks and credit institutions	81 968 105	-	-	-	81 968 105
Financial assets available for sale	-	119 134 167	102 125	-	119 236 292
Investments held to maturity	29 485 581	-	-	-	29 485 581
Financial assets held for trading	-	-	-	1 635	1 635
Loans and advances to customers	145 599 130	33 236 483	-	-	178 835 613
Investments in associates and joint ventures	-	-	1 517 075	-	1 517 075
Other assets	265 162 172	-	18 518 975	-	283 681 147
Liabilities	688 502 792	47 991 054	131 051 711	1 157	867 546 714
Deposits from central banks and other credit institutions	118 199 985	-	1 694 316	-	119 894 301
Customer deposits and other loans	480 225 798	47 991 054	123 616 750	-	651 833 602
Financial liabilities held for trading	-	-	-	1 157	1 157
Subordinated liabilities	71 111 361	-	-	-	71 111 361
Other liabilities	18 965 648	-	5 740 645	-	24 706 293
Total	(166 287 804)	104 379 596	62 391 561	478	483 830

2016:

(Thousands of kwanzas)

	2016				
	Exposed to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	733 955 133	142 959 073	178 664 344	-	1055 578 550
Cash and deposits at central banks	-	-	72 344 391	-	72 344 391
Cash and Deposits at other credit institutions	-	-	69 847 033	-	69 847 033
Loans and advances to central banks and credit institutions	56 070 540	-	-	-	56 070 540
Financial assets available for sale	14 449 421	119 037 627	20 839	-	133 507 887
Loans and advances to customers	140 075 777	23 921 446	-	-	163 997 223
Investments in associates and joint ventures	-	-	1 216 878	-	1 216 878
Other assets	523 359 395	-	35 235 203	-	558 594 598
Liabilities	878 000 835	32 372 724	146 984 775	-	1057 358 334
Deposits from central banks and other credit institutions	265 535 401	-	2 049 961	-	267 585 362
Customer deposits and other loans	498 102 103	32 372 724	139 961 681	-	670 436 508
Subordinated liabilities	71 092 571	-	-	-	71 092 571
Other liabilities	43 270 760	-	4 973 133	-	48 243 893
Total	(144 045 702)	110 586 350	31 679 569	-	(1 779 784)

And in consolidated terms:

(Thousands of kwanzas)

	2017				
	Exposed to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	522 197 698	152 370 650	192 741 063	1 635	867 311 046
Cash and deposits at central banks	-	-	138 549 167	-	138 549 167
Cash and Deposits at other credit institutions	-	-	34 944 313	-	34 944 313
Loans and advances to central banks and credit institutions	81 968 105	-	-	-	81 968 105
Financial assets available for sale	-	119 134 167	102 125	-	119 236 292
Investments held to maturity	29 485 581	-	-	-	29 485 581
Financial assets held for trading	-	-	-	1 635	1 635
Loans and advances to customers	145 581 840	33 236 483	-	-	178 818 324
Investments in associates and joint ventures	-	-	433 968	-	433 968
Other assets	265 162 172	-	18 711 490	-	283 873 662
Liabilities	686 481 174	47 991 054	131 410 211	1 157	865 883 597
Deposits from central banks and other credit institutions	118 199 985	-	1 694 316	-	119 894 301
Customer deposits and other loans	478 204 180	47 991 054	123 616 750	-	649 811 984
Financial liabilities held for trading	-	-	-	1 157	1 157
Subordinated liabilities	71 111 361	-	-	-	71 111 361
Other liabilities	18 965 648	-	6 099 146	-	25 064 794
Total	(164 283 476)	104 379 596	61 330 851	478	1 427 450

2016:

(Thousands of kwanzas)

	2016				
	Exposed to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	733 905 335	142 959 073	177 868 780	-	1054 733 188
Cash and deposits at central banks	-	-	72 344 393	-	72 344 393
Cash and Deposits at other credit institutions	-	-	69 847 033	-	69 847 033
Loans and advances to central banks and credit institutions	56 070 540	-	-	-	56 070 540
Financial assets available for sale	14 450 868	119 037 627	20 839	-	133 509 334
Loans and advances to customers	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-
Other assets	140 024 532	23 921 446	-	-	163 945 978
Liabilities	-	-	166 427	-	166 427
Deposits from central banks and other credit institutions	523 359 395	-	35 490 088	-	558 849 483
Customer deposits and other loans	875 973 156	32 372 724	147 204 344	-	1055 550 224
Subordinated liabilities	265 535 401	-	2 049 961	-	267 585 362
Other liabilities	496 074 424	32 372 724	139 961 681	-	668 408 829
Total	-	-	-	-	-
Subordinated liabilities	71 092 571	-	-	-	71 092 571
Other liabilities	43 270 760	-	5 192 702	-	48 463 462
Total	(142 067 821)	110 586 350	30 664 436	-	(817 036)

Details of financial instruments with exposure to the interest rate risk based on date of maturity or reset as at 31 December 2017 and 2016 in the separate accounts:

(Thousands of kwanzas)

	2017								
	Reset dates / maturity dates								
	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets	222 031 152	214 463 622	10 541 057	1 054 144	10 179 695	11 137 067	338 693 762	6 133 979	814 234 477
Cash and deposits at central banks	138 549 166	0	0	0	0	0	0	0	138 549 166
Cash and Deposits at other credit institutions	34 755 931	0	0	0	0	0	0	0	34 755 931
Loans and advances to central banks and credit institutions	21 347 606	60 533 839	0	0	0	0	0	0	81 881 446
Financial assets available for sale	0	116 988 035	0	0	0	0	0	102 125	117 090 160
Investments held to maturity	0	30 883 262	0	0	0	0	0	0	30 883 262
Financial assets held for trading	0	0	1 635	0	0	0	0	0	1 635
Loans and advances to customers	7 236 612	6 058 486	10 539 422	1 054 144	10 179 695	11 137 067	84 537 289	0	130 742 715
Investments in associates and joint ventures	0	0	0	0	0	0	0	1 517 075	1 517 075
Other assets	20 141 836	0	0	0	0	0	254 156 472	4 514 779	278 813 087
Liabilities	401 228 728	89 530 537	129 248 282	156 681 816	11 172 352	251 758	70 991 376	0	859 104 850
Deposits from central banks and other credit institutions	33 957 064	6 411 125	43 861 716	35 042 012	0	0	0	0	119 271 916
Customer deposits and other loans	342 565 371	83 119 412	85 386 566	121 639 805	11 171 195	251 758	496 843	0	644 630 949
Financial liabilities held for trading	0	0	0	0	1 157	0	0	0	1 157
Subordinated liabilities	0	0	0	0	0	0	70 494 534	0	70 494 534
Other liabilities	24 706 293	0	0	0	0	0	0	0	24 706 293
Net Exposure	-179 197 576	124 933 086	-118 707 224	-155 627 672	-992 658	10 885 308	267 702 385	6 133 979	-44 870 373

(Thousands of kwanzas)

	2016								
	Reset dates / maturity dates								
	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets	154 280 864	142 021 381	45 708 133	82 765 100	196 479 861	200 528 009	95 097 026	36 472 920	953 353 294
Cash and deposits at central banks	72 344 391	0	0	0	0	0	0	0	72 344 391
Cash and Deposits at other credit institutions	69 847 033	0	0	0	0	0	0	0	69 847 033
Loans and advances to central banks and credit institutions	8 318 564	24 823 906	22 769 390	121 444	0	0	0	0	56 033 304
Financial assets available for sale	0	116 972 956	9 124 871	125 659	1 739 676	0	3 282 080	20 839	131 266 081
Loans and advances to customers	3 770 875	224	13 813 873	846 891	8 397 200	14 185 025	91 814 946	0	133 053 330
Investments in associates and joint ventures	0	0	0	0	0	0	0	1 216 878	1 216 878
Other assets	0	0	0	81 671 106	186 342 985	186 342 985	0	35 235 203	489 592 277
Liabilities	622 932 439	119 225 842	102 968 327	90 011 694	42 834 774	211 568	70 870 393	2 635 240	1 051 690 277
Deposits from central banks and other credit institutions	183 698 029	0	46 994 255	0	35 037 577	0	0	0	265 729 860
Customer deposits and other loans	439 234 411	119 225 842	55 974 072	44 403 041	7 797 197	211 568	384 781	0	667 230 913
Subordinated liabilities	0	0	0	0	0	0	70 485 612	0	70 485 612
Other liabilities	0	0	0	45 608 653	0	0	0	2 635 240	48 243 893
Net Exposure	-468 651 576	22 795 539	-57 260 193	-7 246 593	153 645 087	200 316 441	24 226 633	33 837 680	-98 336 983

And in consolidated terms:

(Thousands of kwanzas)

2017									
	Reset dates / maturity dates								Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	
Assets	222 166 154	214 463 622	10 541 057	1 054 144	10 179 695	11 137 067	338 693 762	5 243 387	813 478 888
Cash and deposits at central banks	138 549 167	0	0	0	0	0	0	0	138 549 167
Cash and Deposits at other credit institutions	34 944 313	0	0	0	0	0	0	0	34 944 313
Loans and advances to central banks and credit institutions	21 347 606	60 533 839	0	0	0	0	0	0	81 881 446
Financial assets available for sale	0	116 988 035	0	0	0	0	0	102 125	117 090 160
Investments held to maturity	0	30 883 262	0	0	0	0	0	0	30 883 262
Financial assets held for trading	0	0	1 635	0	0	0	0	0	1 635
Loans and advances to customers	7 183 232	6 058 486	10 539 422	1 054 144	10 179 695	11 137 067	84 537 289	0	130 689 335
Investments in associates and joint ventures	0	0	0	0	0	0	0	433 968	433 968
Other assets	20 141 836	0	0	0	0	0	254 156 472	4 707 293	279 005 602
Liabilities	399 565 610	89 530 537	129 248 282	156 681 816	11 172 352	251 758	70 991 376	0	857 441 732
Deposits from central banks and other credit institutions	33 957 064	6 411 125	43 861 716	35 042 012	0	0	0	0	119 271 916
Customer deposits and other loans	340 543 753	83 119 412	85 386 566	121 639 805	11 171 195	251 758	496 843	0	642 609 331
Financial liabilities held for trading	0	0	0	0	1 157	0	0	0	1 157
Subordinated liabilities	0	0	0	0	0	0	70 494 534	0	70 494 534
Other liabilities	25 064 794	0	0	0	0	0	0	0	25 064 794
Net Exposure	-177 399 456	124 933 086	-118 707 224	-155 627 672	-992 658	10 885 308	267 702 385	5 243 387	-43 962 844

(Thousands of kwanzas)

2016									
	Reset dates / maturity dates								Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	
Assets	154 227 485	142 021 381	45 709 580	82 765 100	196 479 861	200 528 009	95 097 026	35 677 354	952 505 797
Cash and deposits at central banks	72 344 393	0	0	0	0	0	0	0	72 344 393
Cash and Deposits at other credit institutions	69 847 033	0	0	0	0	0	0	0	69 847 033
Loans and advances to central banks and credit institutions	8 318 564	24 823 906	22 769 390	121 444	0	0	0	0	56 033 304
Financial assets available for sale	0	116 972 956	9 126 318	125 659	1 739 676	0	3 282 080	20 839	131 267 528
Loans and advances to customers	3 717 495	224 519	13 813 873	846 891	8 397 200	14 185 025	91 814 946	0	132 999 949
Investments in associates and joint ventures	0	0	0	0	0	0	0	166 427	166 427
Other assets	0	0	0	81 671 106	186 342 985	186 342 985	0	35 490 088	489 847 163
Liabilities	620 904 760	119 225 842	102 968 327	90 011 694	42 834 774	211 568	70 870 393	2 854 809	1 049 882 167
Deposits from central banks and other credit institutions	183 698 029	0	46 994 255	0	35 037 577	0	0	0	265 729 860
Customer deposits and other loans	437 206 732	119 225 842	55 974 072	44 403 041	7 797 197	211 568	384 781	0	665 203 234
Subordinated liabilities	0	0	0	0	0	0	70 485 612	0	70 485 612
Other liabilities	0	0	0	45 608 653	0	0	0	2 854 809	48 463 462
Net Exposure	-466 677 275	22 795 539	-57 258 746	-7 246 593	153 645 087	316 441	24 226 633	32 822 545	-97 376 370

The balance sheet's sensitivity to the interest rate risk is calculated by the difference between the current mismatch of interest rates discounted at market interest rates and the amount discounted from the same cash flows simulating parallel movement of the market interest rate curve.

As at 31 December 2017 and 2016, the analysis of sensitivity of financial instruments to variations in interest rate was as follows:

(Thousands of kwanzas)

2017						
	Variables in the interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets	67 711 876	31 855 938	15 927 969	-15 927 969	-31 855 938	-63 711 876
Loans and advances to central banks and credit institutions	211 064	105 532	52 766	-52 766	-105 532	-211 064
Financial assets available for sale	380 562	190 281	95 140	-96 140	-190 281	-380 562
Investments held to maturity	94 354	47 177	23 588	-23 588	-47 177	-94 354
Loans and advances to customers	16 033 666	8 016 833	4 008 417	-4 008 417	-8 016 833	-16 033 666
Other assets	46 992 231	23 496 115	11 748 058	-11 748 058	-23 496 115	-46 992 231
Liabilities	17 035 603	8 517 802	4 258 901	-4 258 901	-8 517 802	-17 035 603
Deposits from central banks and other credit institutions	873 486	436 743	218 372	-218 372	-436 743	-873 486
Customer deposits and other loans	3 241 329	1 620 664	810 332	-810 332	-1 620 664	-3 241 329
Subordinated liabilities	12 901 023	6 450 512	3 225 256	-3 225 256	-6 450 512	-12 901 023
Other liabilities	19 765	9 883	4 941	-4 941	-9 883	-19 765
Net Impact	46 676 273	23 338 136	11 669 068	-11 669 068	-23 338 136	-46 676 273

(Thousands of kwanzas)

2016						
	Variables in the interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets	41 531 026	20 765 513	10 382 757	-10 382 757	-20 765 513	-41 531 026
Loans and advances to central banks and credit institutions	251 875	125 937	62 969	-62 969	-125 937	-251 875
Financial assets available for sale	905 434	452 717	226 359	-226 359	-452 717	-905 434
Loans and advances to customers	16 780 675	8 390 338	4 195 169	-4 195 169	-8 390 338	-16 780 675
Other assets	23 593 042	11 796 521	5 898 260	-5 898 260	-11 796 521	-23 593 042
Liabilities	18 405 549	9 202 774	4 601 387	-4 601 387	-9 202 774	-18 405 549
Deposits from central banks and other credit institutions	1 773 581	886 791	443 395	-443 395	-886 791	-1 773 581
Customer deposits and other loans	3 082 149	1 541 075	770 537	-770 537	-1 541 075	-3 082 149
Subordinated liabilities	12 897 614	6 448 807	3 224 404	-3 224 404	-6 448 807	-12 897 614
Other liabilities	652 204	326 102	163 051	-163 051	-326 102	-652 204
Net Impact	23 125 478	11 562 739	5 781 369	-5 781 369	-11 562 739	-23 125 478

And in consolidated terms:

(Thousands of kwanzas)

2017						
	Variables in the interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets	63 712 530	31 856 265	15 928 132	-15 928 132	-31 856 265	-63 712 530
Loans and advances to central banks and credit institutions	211 064	105 532	52 766	-52 766	-105 532	-211 064
Financial assets available for sale	381 229	190 615	95 307	-95 307	-190 615	-381 229
Investments held to maturity	94 354	47 177	23 588	-23 588	-47 177	-94 354
Loans and advances to customers	16 033 652	8 016 826	4 008 413	-4 008 413	-8 016 826	-16 033 652
Other assets	46 992 231	23 496 115	11 748 058	-11 748 058	-23 496 115	-46 992 231
Liabilities	17 033 986	8 516 993	4 258 496	-4 258 496	-8 516 993	-17 033 986
Deposits from central banks and other credit institutions	873 486	436 743	218 372	-218 372	-436 743	-873 486
Customer deposits and other loans	3 239 711	1 619 856	809 928	-809 928	-1 619 856	-3 239 711
Subordinated liabilities	12 901 023	6 450 512	3 225 256	-3 225 256	-6 450 512	-12 901 023
Other liabilities	19 765	9 883	4 941	-4 941	-9 883	-19 765
Net Impact	46 678 544	23 339 272	11 669 636	-11 669 636	-23 339 272	-46 678 544

(Thousands of kwanzas)

2016						
	Variables in the interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets	41 530 986	20 765 493	10 382 747	-10 382 747	-20 765 493	-41 530 986
Loans and advances to central banks and credit institutions	251 875	125 937	62 969	-62 969	-125 937	-251 875
Financial assets available for sale	905 436	452 718	226 359	-226 359	-452 718	-905 436
Loans and advances to customers	16 780 634	8 390 317	4 195 159	-4 195 159	-8 390 317	-16 780 634
Other assets	23 593 042	11 796 521	5 898 260	-5 898 260	-11 796 521	-23 593 042
Liabilities	18 403 931	9 201 966	4 600 983	-4 600 983	-9 201 966	-18 403 931
Deposits from central banks and other credit institutions	1 773 581	886 791	443 395	-443 395	-886 791	-1 773 581
Customer deposits and other loans	3 080 532	1 540 266	770 133	-770 133	-1 540 266	-3 080 532
Subordinated liabilities	12 897 614	6 448 807	3 224 404	-3 224 404	-6 448 807	-12 897 614
Other liabilities	652 204	326 102	163 051	-163 051	-326 102	-652 204
Net Impact	23 127 055	11 563 528	5 781 764	-5 781 764	-11 563 528	-23 127 055

Based on the interest rate gaps observed on 31 December 2017, an instantaneous positive parallel variation in interest rates of 200 basis points would cause a (+/-) variation of around AOA 46,676,273 thousands in the economic value expected from the banking book (2016: AOA 23,125,478 thousands) These results are within the limits set by BNA Notice 08/2016 of 16 of May for this specific risk.

Pursuant to Article 6 of Notice 08/2016 of 16 of May, the Bank must inform Banco Nacional de Angola (National Bank of Angola) whenever there is a potential reduction in the economic value of its banking book of 20% or more in its regulatory own funds. The Bank complied with this requirement in 2017.

The Bank's banking book has a considerable component of foreign currency, which makes it essential, in light of the regulations, to conduct an analysis of financial instruments by currency.

Assets and liabilities by currency in the separate accounts as at 31 December 2017 and 2016 were as follows:

(Thousands of kwanzas)

2017					
	Kwanzas	US Dollars	Euros	Other currencies	Total
Cash and deposits at central banks	83 695 781	54 687 169	164 522	1 695	138 549 166
Cash and Deposits at other credit institutions	-587 176	15 731 480	19 501 742	109 885	34 755 931
Loans and advances to central banks and credit institutions	0	58 818 762	23 149 342	0	81 968 105
Financial assets available for sale	41 977	119 194 315	0	0	119 236 292
Investments held to maturity	29 485 581	0	0	0	29 485 581
Financial assets held for trading	1 635	0	0	0	1 635
Loans and advances to customers	149 997 059	29 085 566	-247 012	0	178 835 613
Investments in associates and joint ventures	1 517 075	0	0	0	1 517 075
Other assets	-91 023 424	374 692 177	15 891	-3 496	283 681 147
Assets	173 128 508	652 209 469	42 584 485	108 083	868 030 545
Deposits from central banks and other credit institutions	1 696 557	117 637 295	560 449	0	119 894 301
Customer deposits and other loans	299 575 758	344 567 056	7 677 949	12 838	651 833 602
Financial liabilities held for trading	0	1 157	0	0	1 157
Subordinated liabilities	0	71 111 361	0	0	71 111 361
Other liabilities payable	11 787 840	11 612 771	1 299 699	5 983	24 706 293
Liabilities	313 060 155	544 929 641	9 538 097	18 821	867 546 714
Position per currency	-139 931 647	107 279 828	33 046 387	89 262	483 830

(Thousands of kwanzas)

2016					
	Kwanzas	US Dollars	Euros	Other currencies	Total
Cash and deposits at central banks	17 195 603	54 586 216	560 753	1 819	72 344 391
Cash and Deposits at other credit institutions	171 059	53 899 411	15 751 448	25 116	69 847 033
Loans and advances to central banks and credit institutions	0	44 947 445	11 123 095	0	56 070 540
Financial assets available for sale	9 230 830	124 277 057	0	0	133 507 887
Loans and advances to customers	135 198 300	28 731 675	67 247	0	163 997 223
Investments in associates and joint ventures	1 216 878	0	0	0	1 216 878
Other assets	168 235 089	390 540 965	-182 034	578	558 594 598
Assets	331 247 759	696 982 769	27 320 509	27 513	1 055 578 550
Deposits from central banks and other credit institutions	184 778 017	82 470 894	313 471	22 980	267 585 362
Customer deposits and other loans	279 148 724	384 244 979	7 031 401	11 404	670 436 508
Subordinated liabilities	0	71 092 571	0	0	71 092 571
Other liabilities	18 862 089	28 992 201	386 138	3 465	48 243 893
Liabilities	482 788 830	566 800 644	7 731 010	37 850	1 057 358 334
Position per currency	-151 541 071	130 182 125	19 589 499	-10 337	-1 779 784

And in consolidated terms:

(Thousands of kwanzas)

2017					
	Kwanzas	US Dollars	Euros	Other currencies	Total
Cash and deposits at central banks	83 695 782	54 687 169	164 522	1 695	138 549 167
Cash and Deposits at other credit institutions	-398 794	15 731 480	19 501 742	109 885	34 944 313
Loans and advances to central banks and credit institutions	0	58 818 762	23 149 342	0	81 968 105
Financial assets available for sale	41 977	119 194 315	0	0	119 236 292
Investments held to maturity	29 485 581	0	0	0	29 485 581
Financial assets held for trading	1 635	0	0	0	1 635
Loans and advances to customers	149 979 770	29 085 566	-247 012	0	178 818 324
Investments in associates and joint ventures	433 968	0	0	0	433 968
Other assets	-90 830 910	374 692 177	15 891	-3 496	283 873 662
Assets	172 409 009	652 209 469	42 584 485	108 083	867 311 046
Deposits from central banks and other credit institutions	1 696 557	117 637 295	560 449	0	119 894 301
Customer deposits and other loans	297 554 140	344 567 056	7 677 949	12 838	649 811 984
Financial liabilities held for trading	0	1 157	0	0	1 157
Subordinated liabilities	0	71 111 361	0	0	71 111 361
Other liabilities payable	12 146 340	11 612 771	1 299 699	5 983	25 064 794
Liabilities	311 397 037	544 929 641	9 538 097	18 821	865 883 597
Position per currency	-138 988 028	107 279 828	33 046 387	89 262	1 427 450

(Thousands of kwanzas)

2016					
	Kwanzas	US Dollars	Euros	Other currencies	Total
Cash and deposits at central banks	17 195 605	54 586 216	560 753	1 819	72 344 393
Cash and Deposits at other credit institutions	171 059	53 899 411	15 751 448	25 116	69 847 033
Loans and advances to central banks and credit institutions	0	44 947 445	11 123 095	0	56 070 540
Financial assets available for sale	9 232 277	124 277 057	0	0	133 509 334
Loans and advances to customers	135 147 055	28 731 675	67 247	0	163 945 978
Investments in associates and joint ventures	166 427	0	0	0	166 427
Other assets	168 489 974	390 540 965	-182 034	578	558 849 483
Assets	330 402 397	696 982 769	27 320 509	27 513	1 054 733 188
Deposits from central banks and other credit institutions	184 778 017	82 470 894	313 471	22 980	267 585 362
Customer deposits and other loans	277 121 045	384 244 979	7 031 401	11 404	668 408 829
Subordinated liabilities	0	71 092 571	0	0	71 092 571
Other liabilities	19 081 658	28 992 201	386 138	3 465	48 463 462
Liabilities	480 980 720	566 800 644	7 731 010	37 850	1 055 550 224
Position per currency	-150 578 323	130 182 125	19 589 499	-10 337	-817 036

An analysis of the sensitivity of the book value of the financial instruments to variations in exchange rates as at 31 December 2017 and 2016 in the separate accounts was as follows:

(Thousands of kwanzas)

2017								
	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
United States Dollar	42 911 931	21 455 966	10 727 983	5 363 991	-5 363 991	-10 727 983	-21 455 966	-42 911 931
Euros	13 218 555	6 609 277	3 304 639	1 652 319	-1 652 319	-3 304 639	-6 609 277	-13 218 555
Impact	56 130 486	28 065 243	14 032 622	7 016 311	-7 016 311	-14 032 622	-28 065 243	-56 130 486

(Thousands of kwanzas)

2016								
	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
United States Dollar	51 641 747	25 820 874	12 910 437	6 455 218	-6 455 218	-12 910 437	-25 820 874	-51 641 747
Euros	15 596 896	7 798 448	3 899 224	1 949 612	-1 949 612	-3 899 224	-7 798 448	-15 596 896
Impact	67 238 643	33 619 321	16 809 661	8 404 830	-8 404 830	-16 809 661	-33 619 321	-67 238 643

And in consolidated terms:

(Thousands of kwanzas)

2017								
	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
United States Dollar	42 911 931	21 455 966	10 727 983	5 363 991	-5 363 991	-10 727 983	-21 455 966	-42 911 931
Euros	13 218 555	6 609 277	3 304 639	1 652 319	-1 652 319	-3 304 639	-6 609 277	-13 218 555
Impact	56 130 486	28 065 243	14 032 622	7 016 311	-7 016 311	-14 032 622	-28 065 243	-56 130 486

(Thousands of kwanzas)

2016								
	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
United States Dollar	51 641 747	25 820 874	12 910 437	6 455 218	-6 455 218	-12 910 437	-25 820 874	-51 641 747
Euros	15 596 896	7 798 448	3 899 224	1 949 612	-1 949 612	-3 899 224	-7 798 448	-15 596 896
Impact	67 238 643	33 619 321	16 809 661	8 404 830	-8 404 830	-16 809 661	-33 619 321	-67 238 643

The result of this test shows the expected impact (before taxes) on equity, including non-controlling interests, caused by an appreciation of 40% of the kwanza against the other currencies.

LIQUIDITY RISK

The liquidity risk uses internal metrics established by management, including setting exposure limits.

This control is reinforced by monthly monitoring of sensitivity analyses to align the Bank's risk profile to business requirements and ensure that its obligations are met in case of a liquidity crisis.

The aim of monitoring liquidity levels is to maintain a satisfactory amount of available cash and cash equivalents to meet short-, medium- and long-term cash needs. The liquidity risk is monitored daily, and reports are prepared for control and supervision and to inform decisions by ALCO or the Executive Committee.

The analysis of liquidity is based in particular on future cash flows estimated for different time frames, taking into account the Bank's balance sheet.

The liquidity position on the day of the analysis and the amount of highly liquid assets in the portfolio available for liquidity operations are added to these amounts to determine the accumulated liquidity gap for different time frames. We also monitor liquidity positions from a prudential point of view. They are calculated in accordance with the rules laid down by Banco Nacional de Angola (National bank of Angola) (Instruction 06/2016 of 8 of August).

As at 31 December 2017, the liquidity gap of the Bank's separate balance sheet was as follows:

(Thousands of kwanzas)

2017										
	Residual maturities									Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	
Assets	213,552,110	25,646,951	102,365,326	10,421,831	120,675,146	12,778,431	19,938,051	356,518,721	6,133,978	868,030,545
Cash and deposits at central banks	138,549,166	0	0	0	0	0	0	0	0	138,549,166
Cash and Deposits at other credit institutions	34,755,931	0	0	0	0	0	0	0	0	34,755,931
Loans and advances to central banks and credit institutions	0	21,347,606	60,620,499	0	0	0	0	0	0	81,968,105
Financial assets available for sale	0	0	0	0	119,134,167	0	0	0	102,125	119,236,292
Investments held to maturity	0	0	29,485,581	0	0	0	0	0	0	29,485,581
Financial assets held for trading	0	0	0	1,635	0	0	0	0	0	1,635
Loans and advances to customers	20,105,176	4,299,345	12,259,246	10,420,196	1,540,979	12,778,431	19,938,051	97,494,189	0	178,835,613
Investments in associates and joint ventures	0	0	0	0	0	0	0	0	1,517,075	1,517,075
Other assets	20,141,836	0	0	0	0	0	0	259,024,532	4,514,779	283,681,147
Liabilities	331,224,538	70,545,560	90,900,191	13,067,307	160,903,454	11,434,210	254,126	71,611,327	0	867,546,714
Deposits from central banks and other credit institutions	3,011,117	30,945,946	6,411,125	43,861,716	35,664,397	0	0	0	0	119,894,301
Customer deposits and other loans	303,507,127	39,599,614	84,489,066	86,811,592	125,239,058	11,433,053	254,126	499,966	0	651,833,602
	0	0	0	0	0	1,157	0	0	0	1,157
Subordinated liabilities	0	0	0	0	0	0	0	71,111,361	0	71,111,361
Other liabilities	24,706,293	0	0	0	0	0	0	0	0	24,706,293
Liquidity Gap	-117,672,428	-44,898,609	11,465,135	-120,251,476	-40,228,309	1,344,221	19,683,925	284,907,393	6,133,978	483,830
Accumulated liquidity gap	-117,672,428	-162,571,036	-151,105,902	-271,357,378	-311,585,686	-310,241,466	-290,557,541	-5,650,147	483,830	967,661

(Thousands of kwanzas)

2016										
	Residual maturities									Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	
Assets	155,984,561	10,091,002	25,218,512	32,664,887	105,697,822	354,586,025	228,615,348	106,247,474	36,472,920	1,055,578,550
Cash and deposits at central banks	72,344,391	0	0	0	0	0	0	0	0	72,344,391
Cash and Deposits at other credit institutions	69,847,033	0	0	0	0	0	0	0	0	69,847,033
Loans and advances to central banks and credit institutions	0	8,332,991	24,841,590	22,774,194	121,765	0	0	0	0	56,070,540
Financial assets available for sale	0	0	0	0	0	133,487,048	0	0	20,839	133,507,887
Loans and advances to customers	13,793,137	1,758,011	376,922	9,890,693	904,178	11,755,219	19,271,590	106,247,474	0	163,997,223
Investments in associates and joint ventures	0	0	0	0	0	0	0	0	1,216,878	1,216,878
Other assets	0	0	0	0	104,671,879	209,343,758	209,343,758	0	35,235,203	558,594,598
Liabilities	403,993,572	206,065,638	90,819,129	87,555,235	124,002,522	70,598,077	211,568	71,477,353	2,635,240	1,057,358,333
Deposits from central banks and other credit institutions	2,073,079	183,042,989	0	47,015,354	0	35,453,940	0	0	0	267,585,362
Customer deposits and other loans	401,920,493	23,022,649	90,819,129	40,539,881	78,393,870	35,144,137	211,568	384,781	0	670,436,508
Subordinated liabilities	0	0	0	0	0	0	0	71,092,571	0	71,092,571
Other liabilities	0	0	0	0	45,608,653	0	0	0	2,635,240	48,243,893
Liquidity Gap	-248,009,011	-195,974,636	-65,600,617	-54,890,348	-18,304,701	283,987,948	228,403,780	34,770,121	33,837,680	-1,779,783
Accumulated liquidity gap	-248,009,011	-443,983,647	-509,584,264	-564,474,612	-582,779,313	-298,791,364	-70,387,584	-35,617,463	-1,779,783	-3,559,567

And in consolidated terms:

(Thousands of kwanzas)

2017										
	Residual maturities									Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	
Assets	213 723 203	25 646 951	102 365 326	10 421 831	120 675 146	12 778 431	19 938 051	356 518 721	5 243 386	867 311 046
Cash and deposits at central banks	138 549 167	0	0	0	0	0	0	0	0	138 549 167
Cash and Deposits at other credit institutions	34 944 313	0	0	0	0	0	0	0	0	34 944 313
Loans and advances to central banks and credit institutions	0	21 347 606	60 620 499	0	0	0	0	0	0	81 968 105
Financial assets available for sale	0	0	0	0	119 134 167	0	0	0	102 125	119 236 292
Investments held to maturity	0	0	29 485 581	0	0	0	0	0	0	29 485 581
Financial assets held for trading	0	0	0	1 635	0	0	0	0	0	1 635
Loans and advances to customers	20 087 886	4 299 345	12 259 246	10 420 196	1 540 979	12 778 431	19 938 051	97 494 189	0	178 818 324
Investments in associates and joint ventures	0	0	0	0	0	0	0	0	433 968	433 968
Other assets	20 141 836	0	0	0	0	0	0	259 024 532	4 707 293	283 873 662
Liabilities	329 561 420	70 545 560	90 900 191	130 673 307	160 903 454	11 434 210	254 126	71 611 327	0	865 883 597
Deposits from central banks and other credit institutions	3 011 117	30 945 946	6 411 125	43 861 716	35 664 397	0	0	0	0	119 894 301
Customer deposits and other loans	301 485 509	39 599 614	84 489 066	86 811 592	125 239 058	11 433 053	254 126	499 966	0	649 811 984
	0	0	0	0	0	1 157	0	0	0	1 157
Subordinated liabilities	0	0	0	0	0	0	0	71 111 361	0	71 111 361
Other liabilities	25 064 794	0	0	0	0	0	0	0	0	25 064 794
Liquidity Gap	-115 838 217	-44 898 609	11 465 135	-120 251 476	-40 228 309	1 344 221	19 683 925	284 907 393	5 243 386	1 427 450
Accumulated liquidity gap	-115 838 217	-160 736 826	-149 271 691	-269 523 167	-309 751 476	-308 407 255	-288 723 330	-3 815 936	1 427 450	2 854 899

(Thousands of kwanzas)

2016										
	Residual maturities									Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	
Assets	155 933 318	10 091 002	25 218 512	32 664 887	105 697 822	354 587 472	228 615 348	106 247 474	35 677 354	1 054 733 188
Cash and deposits at central banks	72 344 393	0	0	0	0	0	0	0	0	72 344 393
Cash and Deposits at other credit institutions	69 847 033	0	0	0	0	0	0	0	0	69 847 033
Loans and advances to central banks and credit institutions	0	8 332 991	24 841 590	22 774 194	121 765	0	0	0	0	56 070 540
Financial assets available for sale	0	0	0	0	0	133 488 495	0	0	20 839	133 509 334
Loans and advances to customers	13 741 892	1 758 011	376 922	9 890 693	904 178	11 755 219	19 271 590	106 247 474	0	163 945 978
Investments in associates and joint ventures	0	0	0	0	0	0	0	0	166 427	166 427
Other assets	0	0	0	0	104 671 879	209 343 758	209 343 758	0	35 490 088	558 849 483
Liabilities	401 965 894	206 065 638	90 819 129	87 555 235	124 002 522	70 598 077	211 568	71 477 353	2 854 809	1 055 550 224
Deposits from central banks and other credit institutions	2 073 079	183 042 989	0	47 015 354	0	35 453 940	0	0	0	267 585 362
Customer deposits and other loans	399 892 815	23 022 649	90 819 129	40 539 881	78 393 870	35 144 137	211 568	384 781	0	668 408 829
Subordinated liabilities	0	0	0	0	0	0	0	71 092 571	0	71 092 571
Other liabilities	0	0	0	0	45 608 653	0	0	0	2 854 809	48 463 462
Liquidity Gap	-246 032 576	-195 974 636	-65 600 617	-54 890 348	-18 304 701	283 989 395	228 403 780	34 770 121	32 822 544	-817 036
Accumulated liquidity gap	-246 032 576	-442 007 211	-507 607 829	-562 498 177	-580 802 877	-296 813 482	-68 409 702	-33 639 581	-817 036	-1 634 073

In the operation described in Note 37 regarding the settlement of short-term financing with the BNA, the Bank achieved substantial improvements in its liquidity ratio and the shortfall is therefore expected to be definitively resolved by performance gains following this change in the Bank's financial situation. This improvement has been achieved judging by performance indicators.

As at 31 December 2017 and 2016, the Bank's liquidity ratio calculated in accordance with Instruction 19/2016 of 30th August was 105% (2016: 56%), representing a significant improvement in the management of liquidity risk. This instruction sets a minimum ratio of 100% for exposure in AOA and 150% of exposure in foreign currency which shows the progress achieved.

PROPERTY RISK

The property risk arises from exposure of property (from loan recovery processes or investment properties) and units in real estate funds in our securities portfolio.

These exposures are regularly monitored, and scenarios are analysed to estimate potential impacts of changes in the property market on our portfolios of property investment funds, investment property and properties recovered in lieu of payment.

Our exposure to property and real estate fund units in both the separate and consolidated accounts at 31 December 2017 and 2016 was as follows:

(Thousands of kwanzas)

	31.12.2017	31.12.2016
Properties received in settlement of debts	5 141 259	414 534
Investment properties	-	-
Units in real estate funds	-	-
	5 141 259	414 534

OPERATIONAL RISK

We have an operational risk management system in place that identifies, assesses, monitors, measures, mitigates and reports this type of risk.

The corporate function of the Bank's Operational Risk Department is to manage its operational risk. It is assisted by contacts in different units of the Bank who ensure that this management is appropriately implemented.

RISK REPORTS AND MANAGEMENT

Strategic risk management

The Risk Management Office abides by the

following principles when managing the strategic risk:

- Identify strategic risks to which the Bank is subject and analyse their potential quantitative and qualitative effects in order to determine the degree of tolerance to risk;
- Monitor economic indicators and conduct stress tests;
- Monitor the effectiveness of the Bank's strategic risk management model in order to keep exposure in line with the established degree of tolerance and identify opportunities for improvement in response to market conditions and the premises used in decision making.

Concentration risk management

When managing and mitigating the concentration risk, the Bank abides by the following guiding principles:

- Define and evaluate the concentration risks to which the Bank is subject and any prevention and mitigation measures needed for each;
- Implement appropriate procedures for assessing internal capital needs, considering the results of risk mitigation techniques used in the management of concentration in its portfolios
- Set appropriate limits to exposure to the concentration risk in terms of sources of financing, application of liquidity, amounts off-balance sheet, or other limits in line with the Bank's overall risk strategy and profile;
- Define procedures for regular monitoring of compliance with the limits and measures to be taken in the event of a limits being exceeded;
- Regularly adapt the degree and type of monitoring of the concentration risk to reflect the current nature, scale and degree of diversification of the portfolio.

Reputational risk management

The Risk Management Office abides by the following principles when managing the reputational risk:

- Identify the risk of a negative perception of the Bank on the part of its stakeholders and assess its quantitative and qualitative potential;
- Risk prevention by monitoring relations with customers and transactions recorded in the business reports prepared by the other cabinets and departments;
- Create and use mechanisms for mitigating the impact of reputational risk;
- Record and control the variables that characterise the Bank's reputation in order to maintain exposure at the established level of tolerance and mitigate potential deviations in a timely manner.

Risk Committee

The Risk Management Office is responsible for organising the Risk Committee, whose remit is as follows:

- Reflect the strategy drawn up by the Executive Committee for risk management policies;
- Analyse the results of monitoring indicators for each type of risk;
- Check that risk calculation models are appropriate and up to date;
- Assess the adequacy of own funds by means of stress testing exercises conducted by the GGR;
- Monitor exposure to each type of risk using their monitoring indicators;
- Monitor the appropriateness of the risk management system;
- Analyse the performance of the loan portfolio and non-performing loan portfolio;
- Disclose the most significant loan operations and non-performing loan operations, especially new ones;
- Analyse provisions and impairments;
- Examine the main restructuring operations;
- Approve the overall content of risk manuals and changes to them;
- Submit a regular report to the Executive Committee and Board of Directors on the functioning of risk management systems and recommendations for improvement, and request that a decision be taken.

Business intelligence & portfolio analysis

The Risk Management Office is responsible for the following:

- Creating reporting and risk analysis tools.

Portfolio modelling and methods

The Risk Management Office has the following tasks in portfolio modelling and methods:

- Creating models for different risk measurements so that stress tests can be performed (starting with simple models and where there are none);
- Creating a model for calculating the solvency ratio.

Capital management and solvency ratio

In the course of 2017, there were two methodologies for calculating and reporting regulatory own funds and regulatory solvency ratio for financial institutions. Until September, the BNA regulatory package in force was as follows:

- Notice n° 05/2007 of September 12,
- Instruction n° 03/2011 of June 8,

- Notice n° 2/2015 of January 26,
- Notice n° 10/2014 of December 5.

After September a new regulatory package entered into force to regulate the matter of FPR (Regulatory Own Funds) and RSR (Regulatory Solvency Ratio), which are:

- Notice n° 02/2016 of June 15,
- Instruction n° 12/2016 of August 8,
- Notice n° 14/2016 of August 8,
- Notice n° 16/2016 of August 8.

Angolan financial institutions must maintain a level of own funds compatible with the nature and scale of their operations properly weighted by the related inherent risk. The regulatory minimum solvency ratio is 10%.

Compliance with the minimum level of share capital and FPR, as well as with Notice n° 2/2016, on the RSR of financial institutions, is essential to the operation of the Bank.

Accordingly to the regulations published in 2016, the Regulatory Equity of Bank, consists on:

- 1-** Primary own funds, which consist of (i) paid up share capital, (ii), retained earnings from previous years, (iii) deferred taxation (iv) other reserves authorised by the bank of Angola.
- 2-** Additional own funds, which consist of (i) redeemable preference shares, (ii) generic funds and provisions, (iii) reserves from the sale of own-use property, (iv) subordinated debts and hybrid capital and debt instruments and (v) other values authorised by Banco Nacional de Angola (National Bank of Angola)
- 3-** Deductions – Include: (i) Share capital paid up and owned by other financial institutions,; (ii) Instruments issued and held by other financial institutions; (iii) Redeemable preference shares issued and held by other financial institutions; (iv) Subordinated debt issued and held by other financial institutions; (v) Excesses over the limits set in the Notice on prudential limits for major risks; (vi) Incomplete transactions as of 5 business days after the second payment or from transfer up until completion of the transaction; and (vii) Risks covered by own funds.

BNA Measures		
Tax Base		31/12/17
Regulatory Solvency Ratio (RSR)	(FPR/FPR requirements) x 10% (as a percentage)	15.5%
Regulatory own funds (FPR)	Original own funds + additional own funds (in thousand kwanzas)	97,780,761
FPR requirements	FPR requirement for Market risk and counterparty credit risk (in thousand kwanzas)	49,409,989
	FPR requirement for Market risk and counterparty credit risk in the trading portfolio (in thousand kwanzas)	11,147,008
	FPR requirement for operational risk (in thousand kwanzas)	2,607,650

NOTA 37 SIGNIFICANT INFORMATION

1- TRANSFER OF ECONOMIC RIGHTS OVER ASSETS USED IN OPERATIONS

Banco Económico resulted from the renaming of Banco Espírito Santo of Angola following the restructuring measures decided by the Angolan National Bank on 20 October 2014 and the General Meeting held on 29 October 2014.

On 4 August 2014, the National Bank of Angola (BNA) concluded that Bank Espírito Santo of Angola must take extraordinary restructuring measures. They included a detailed assessment of its loan portfolio to ascertain amounts allocated to losses, assets to be sold and the restructuring and to cancel the Sovereign Guarantee issued on 31 December 2013 by the Republic of Angola in Internal Presidential Ordinance 7/2013 of 31 of December in the amount of USD 5,700 million (AOA 556,400 million) including USD 200 million for other types of assets.

This ordinance concluded that the Sovereign Guarantee had been issued on the premise that Banco Espírito Santo Angola held and managed a loan portfolio and operations pertaining to a number of Angolan businesses consisting of micro, small and large enterprises that engaged in operations of importance to the implementation of the goals in the 2013-2017 National Development Plan and with the purpose of protecting the fundamental interests of the balance of the Angolan financial system. At the same time, the National Bank of Angola appointed two provisional directors to take care of the day-to-day management, jointly with the Board of Directors.

On 20th of October 2014, the National Bank of Angola announced the result of the report on the Bank's net worth drawn up by the two provisional directors and a special purposes report submitted by an independent auditor hired specifically to prepare this report. These reports identified the need to adjust the own funds of Bank Espírito Santo Angola by AOA 488.78 million, as its own funds were then

negative to the extent of AOA 383.886 million.

Also on 20 October 2014, as a result of adjustments to the Bank's own funds the National bank of Angola decided on the following restructuring measures:

- a) Share capital increase by converting part of the senior interbank loan of AOA 360.768 million, followed by a reduction in shareholders' equity by absorption of all accumulated deficits. As a result, the current shareholders' ownership rights were reduced to zero;
- b) Share capital increase of AOA 65,000 million by the shareholders or entities invited by the Bank and accepted by the National Bank of Angola, to be made in cash to restore the Bank's share capital and comply with minimum prudential ratios;
- c) Conversion of AOA 7,000 million of the senior interbank loan into the Bank's share capital, representing a shareholding of 9.9% in the institution, with the conversion dependent on authorisation to be obtained by the holder of the senior interbank loan from the authorities to subscribed the share capital;
- d) Conversion of AOA 41,596 million of the senior interbank loan into an ordinary loan in US dollars at market rates repayable in 18 months, with a guarantee provided by the Bank for 50% of its value on presentation of a lien on public debt securities;
- e) Conversion of AOA 41,595 million of the senior interbank loan into a subordinated loan in US dollars at market rates, repayable in 10 years, with the possibility of future conversion into share capital up to the end of the repayment period, provided that the lender's holding remained below 19.99%. This amount may be increased by AOA 7,000 million if the conversion into share capital set out in line c) above does not take place;
- f) Placing on the market of additional subordinated instruments to the amount of AOA 50,000 million

up to 31 December 2015, in order maintain regulatory ratios.

On 29 October 2014, an extraordinary General Meeting was held, where the provisional directors informed the shareholders of the restructuring measures to be taken and invited them to recapitalise the Bank on these conditions.

As the shareholders showed no interest in capitalising the Bank on these conditions, except for GENI Novas Tecnologias S.A., the following operations were approved:

1- A share capital increase to the amount of AOA 65,000 million was to be performed by the following entities and in the proportions approved by Banco Nacional de Angola:

- a) GENI Novas Tecnologias SA would invest AOA 14,328 million, representing a shareholding of 19.9% of the share capital.
- b) LEKTRON CAPITAL SA would invest AOA 22,304 million, representing a shareholding of 30.978% of the share capital.
- c) SONANGOL EP would invest AOA 11,520 million, representing a shareholding of 16% of the share capital.
- d) SONANGOL SA would invest AOA 11,520 million, representing a shareholding of 16% of the share capital.
- e) SONANGOL HOLDINGS LIMITADA would invest AOA 5,328 million, representing a shareholding of 7.4% of the share capital.

2- Share capital increase of AOA 7,000 million by converting the senior loan securitised by Novo Banco S.A, representing a shareholding of 9.722% of the share capital.

The General Meeting concluded the intervention of the National Bank Of Angola. New corporate bodies were appointed and the Bank's new name, Banco Económico, was approved.

Instead of the issue on the market of additional subordinated instruments of AOA 50,000 million, as previously approved by the National bank of Angola, on 15th of July 2016, there was an operation transferring economic rights to assets held by Banco Económico to GRUPO ENSA Investments and Participants, effective 31 December 2014, as approved by Presidential Decrees 196/15 and 123/16, the details of which are shown below:

- a) Transfer of economic rights to direct loans by signature and other assets of AOA 111,886 million

and USD 1,981 million. The Bank holds an option to repurchase two loan operations in the amount of AOA 10,286 million. The economic rights to loans written off from assets were also transferred as part of the transfer of economic rights, to the gross amount of AOA 88,716,000, totally provided for.

- b) Sale of 49,191 units in the BESA Património Fund, corresponding to 50.2% of all the units, to the amount of AOA 5,975 million.
- c) Transfer of economic rights to 50,000 units in the BESA Valorização Fund, corresponding to 100% of the fund's units to the amount of AOA 54,102 million.
- d) Sale of sundry assets not for own use and fixed assets under construction in the amount of AOA 4,975 million.

The transfer of economic rights to assets came into effect on 31 December 2014 and the Bank derecognised these assets on that date of AOA 380,743 million (AOA 176,939 million and USD 1,981 million), with the exception of direct loans for which the Bank maintains a repurchase option of AOA 10,286 million, against other debtors (see Note 22).

The following timeline was agreed upon for payment of the sale of the assets:

- i. On signing of the contracts, payment of AOA 47,040 million and transfer of public debt securities from the Republic of Angola (see Note 16).
- ii. Five equal annual payments of the balance as from 15 July 2017.

The amount owed is subject to interest of 7%.

2- NOVO BANCO, S.A. LOAN

Total repayment of the principle of the loan of USD 424,860,000 set up as part of the National Bank of Angola restructuring measures was scheduled for 30th of April 2016. Due to the foreign exchange restrictions, Banco Económico agreed with Novo Banco S.A. to change the repayment conditions of the loan. As a result of a contractual addendum dated 29 April 2016, on 30 April 2016 USD 94,667,233.65, on 13 June 2016 f USD 50 million and on 30 September 2016 USD 73 million were paid. The remainder will be paid on 15 August 2018. In the addendum to the contract, Banco Económico increased the guarantees in favour of Novo Banco S.A. with a top-grade lien on 12,300 treasury bonds of the Republic of Angola with a face value of USD 10,000 maturing on 15 August 2018.

3- TRANSFERS OF ECONOMIC RIGHTS AND SALE OF ASSETS TO ENSA GROUP

Instead of the issue on the market of additional subordinated instruments of AOA 50,000 million, as previously approved by the National Bank Of Angola, on 15 July 2016, there was an operation transferring economic interests in a loan portfolio, fund units and sale of assets owned by Banco Económico to ENSA GROUP Investments and Participants effective 31 December 2014, pursuant to Presidential Decrees 196/15 and 123/16, detailed below.

- e) Transfer of economic rights to direct loans by signature and other assets of AOA 111,886 million and USD 1,981 million. The Bank holds an option to repurchase two loans of AOA 10,286 million. The economic rights to loans previously written off were also transferred of AOA 88,716,000 (gross), which had been totally provided.
- f) Sale of 49,191 units in the BESA Património fund, corresponding to 50.2% of all the units of AOA 5,975 million.
- g) Transfer of economic rights to 50,000 units in the BESA Valorização fund, corresponding to 100% of the fund's units to the amount of AOA 54,102 million.
- h) Sale of sundry assets not for own use and fixed assets under construction in the amount of AOA 4,975 million.

As these operations came into legal and economic effect on 31 December 2014, after approval by the National Bank Of Angola on 31 October 2016, the Bank derecognised these assets on that date, to the total amount of AOA 380,743 million (AOA 176,939 million and USD 1,981 million), with the exception of direct loans for which the Bank maintains the repurchase option in the amount of AOA 10,286 million, against other debtors (see Note 22).

The following timeline was agreed upon for payment of the price of these assets:

- iii. On signing of the contracts, payment of AOA 47,040 million to be made with the transfer of public debt securities from the Republic of Angola (recorded in securitised loans - Note 16).
- iv. Five equal annual payments of the balance as of 15 July 2017 (in two parts - AOA 25,980 million and USD 396 million).

The amount owed is subject to interest at a rate of 7%.

The payment agreement between the parties provides for five instalments to be paid in one of

the following ways to be approved by public legal authorities and/or their governing, regulatory or other bodies, by means of the appropriate legal and economic instruments pursuant to current legislation:

- i. by handing over Treasury Bond securities of the Republic of Angola in kwanzas identified in Presidential Decree 196/15 of 8 of October, in Ministry of Finance Executive Decree 656/15 of 24 of November and Presidential Decree 123/16 of 9 of June or a subsequent law for the same purpose on the terms set out in legislation on public debt and its forms of transfer, without prejudice to line iii) below, which takes precedent.
- ii. in cash, without prejudice to line iii) below, which takes precedent.
- iii. The part of the price indexed to the USD in each annual repayment must be paid in Republic of Angola Treasury bonds indexed to the Banco Nacional de Angola AOA/USD exchange rate on the date of each payment by means of a deposit in USD into a bank account at Banco Económico.

If it is impossible for ENSA GROUP to make the payment by the above-mentioned means, it may be made in bonds issued by ENSA for an amount, number, face value, interest rate, form of payment, deadlines and repayment conditions approved by the authorities pursuant to applicable legislation, but under no circumstances shall they be less advantageous to the Banco Económico than those set out in the agreement and contracts of the operations.

The table below summarises the balances of the operations in the Bank's financial statements:

(Thousands of kwanzas)

Items in Financial Statements	31/12/2017	31/12/2016	Note
Profit / Loss	18 546 449	95 434 289	
Financial Margin	18 494 762	32 108 455	
Other Interest Income	19 832 135	33 453 315	4
Other Interest Expense	1 339 373	-1 344 860	4
Foreign exchange related with transfer operation of economic rights over assets	47 686	63 325 834	6
Balance	299 629 065	538 188 344	
Credit	58 655 765	58 260 656	
Repurchase Credit Agreement	10 286 300	10 286 300	19
Other Credit Securities	48 369 465	47 974 356	19
Share capital	47 428 300	47 040 000	19
Interest Accrued	941 165	934 356	19
Other Assets	259 938 948	523 198 448	
Share capital	254 156 472	454 196 127	25
Interest Accrued	4 868 059	69 002 321	25
Receipts / Property Payments	914 417	331 501	
Other Liabilities	-18 965 648	-43 270 760	
Repurchase Credit Agreement	-10 286 300	-10 286 300	31
Settlements paid on loans transferred	-11 246 968	-33 855 581	31
Interest and Other Expenses	-1 428 537	-3 124 135	31
Taxes on Credit Disposals	3 995 257	3 995 257	31

On 20 March 2017, the Banco Económico transferred to the National Bank of Angola in lieu of payment a portfolio of the Republic of Angola Treasury bonds of AOA 14,662 million and amounts receivable from the operation transferring and selling assets from GRUPO ENSA Investments and Participant E.P. of AOA 256,963 million (49% of the total balance of "Other amounts"), to fully pay off the financing granted by the National Bank of Angola to the Banco Económico of AOA 271,625 million (AOA 230,372 million at 31 December 2016 – Note 23).

On 15 July 2017, the plan was to make the first payment of the five annual repayments of principal and interest relating to transfer of economic rights and sale of assets of AOA 179,360 million (AOA 54,360 million and USD 749 million, of which AOA 25,980 million and USD 396 million were principal and AOA 28,380 million and USD 352 million were interest), AOA 76,734 million of which were owed to the National Bank of Angola for the transfer of rights receivable by the Banco Económico described in the preceding paragraph. As set out in an order from the Minister of Finance dated 9th of October 2017, representing the supervisory body of ENSA GROUP, to adjust the payment to the rate of recovery of the loans and other assets in the current economic circumstances and minimise the amounts of public debt to be issued in the future to cover a possible deficit, with the amounts recovered so far considered as partial payment of interest in arrears,

the reformulation of the debt payment agreement was authorised as follows:

- a) A payment of AOA 25,216 million, of which AOA 388 million would be in public debt, in partial settlement of Banco Económico's interest
- b) Capitalisation of the remaining unpaid interest of USD 201 million and AOA 28,380 million
- c) A change to the payment plan for the transfer of assets from 5 to 24 years, as provided for by the state for the issue of public debt for this type of operation, maintaining the interest rate at 7%. The new plan provides for annual payments of principal of USD 90,940,000 and AOA 6,594,949,000 plus interest calculated on the principal owed.

On 19 December 2017, an agreement was signed between the Bank and GENSA, to formalize the above conditions.

NOTE 38 SUBSEQUENT EVENTS

In the preparation of the financial statements as at December 31, 2017, the Bank used for the conversion into national currency of its assets and liabilities denominated in other currencies, the average exchange rates presented in note 2.2.

However, in the period from December 31, 2017 and the date of publication of these statements, there was a significant variation in the average exchange rate on the primary money market. On December 31, 2017, and May 30, 2018, the exchange rates of the Kwanza (AOA) vis-à-vis the foreign currencies used were as follows:

Currency		Exchange rates 31/12/2017	Exchange rates 31/12/2017
BRITISH POUND STERLING	GBP	223,084	315,305
AMERICAN DOLLAR	USD	165,924	237,339
SWISS FRANC	CHF	169,612	239,024
SWEDISH KRONA	SEK	20,128	26,570
NORWEGIAN KRONE	NOK	20,101	28,724
DANISH CROWN	DKK	26,621	36,896
CANADIAN DOLLAR	CAD	131,737	182,309
JAPANESE YEN	JPY	1,469	2,181
EURO	EUR	185,400	274,993
NAMIBIAN DOLLAR	NAD	13,951	18,772
SOUTH AFRICAN RAND	ZAR	13,451	18,809

Thus, had this variation been reflected in the Bank's accounts as at December 31, 2017, the revaluation of foreign-currency denominated assets and liabilities would have had an impact on the Bank's foreign-exchange result as follows:

(Thousands of kwanzas)

Currency	31-12-2017 Ccy	31-12-2017 Old AOA	31-12-2017 Current AOA	Impact on PL AOA
CHF	55	9 354	13 182	3 828
EUR	178 244	33 046 387	49 015 778	15 969 390
GBP	107	23 960	33 865	9 905
JPY	352	517	767	250
NAD	-1	-18	-24	-6
SEK	198	3 986	5 262	1 276
USD	640 066	106 201 957	151 912 661	45 710 704
ZAR	3 826	51 464	71 960	20 496
Total				61 715 843

Thus, the estimated total impact is about AOA 61,715,843, thousands, in terms of revaluation of the Bank's balance sheet in foreign currency.

The second situation with a very significant impact is related to the fair value of the CAPs, existing in a set of series of issues of Term Deposits, whose remuneration is indexed to the variation of the AOS/USD exchange rate, but with an upper limit established.

These are the series of Deposits in question:

Foreign Exchange deposits	Currency	Amount (mAOA)	Foreign Exchange margin (%)	Financial margin (%)	Funding Cost (%)	Effective date	Maturity date	Payment date	Currency hedging (%)	CAP (%)	Advertising slogan (USD/AOA)	CAP (USD/AOA)	Nominal (mUSD)	Rate AOA	Rate USD	VOL	Fair Value mAOA
Series XIX.ESP8	AOA	2 700 000	0.0%	4.9%	4.9%	30/05/17	30/04/18	30/04/18	100%	40%	165,098	231,126	16 355	19,3	1,51	39,94	38 682
Series XIX.ESP9	AOA	300 000	0.0%	2.0%	2.0%	30/08/17	11/04/18	11/04/18	100%	30%	165,098	214,624	1 817	19	2,09	39,94	5 582
Series XIX.ESP10	AOA	500 000	0.0%	5.0%	5.0%	13/10/17	13/04/18	13/04/18	100%	40%	165,098	231,134	3 029	19,1	2,03	39,94	4 951
Series XIX.ESP11	AOA	600 000	0.0%	1.5%	1.5%	17/11/17	16/11/18	16/11/18	100%	50%	165,098	247,646	3 634	22,5	2,89	39,94	36 984
Series XIX.ESP12	AOA	200 000	0.0%	2.0%	2.0%	04/12/17	02/06/18	02/06/18	100%	25%	165,098	206,373	1 211	19,8	2,47	39,94	9 473
Series XIX.ESP13	AOA	2 460 000	0.0%	2.0%	2.0%	15/12/17	15/06/18	15/06/18	100%	35%	165,098	222,882	14 900	19,9	2,49	39,94	83 347
Series XXI.2	AOA	50 000	0.0%	1.0%	1.0%	01/02/17	01/02/18	01/02/18	100%	40%	165,098	231,113	303	18,3	1,91	39,94	9
Series V222	AOA	50 000	0.0%	1.0%	1.0%	09/03/17	07/03/18	07/03/18	100%	40%	165,098	231,116	303	18,6	2,10	39,94	149
Series V222.1	AOA	50 000	0.0%	1.0%	1.0%	07/03/17	07/03/18	07/03/18	100%	40%	165,098	231,116	303	18,6	2,10	39,94	149
Series XXIII.2	AOA	105 000	0.0%	2.0%	2.0%	13/04/17	13/04/18	13/04/18	100%	40%	165,098	231,120	636	19,0	2,03	39,94	1 040
Series XXI.V	AOA	7 580 000	0.0%	5.0%	5.0%	29/06/17	30/01/18	30/01/18	100%	40%	165,098	231,126	45 914	19,1	1,88	39,94	970
Series XXV.1	AOA	3 950 000	0.0%	5.0%	5.0%	28/06/17	28/02/18	28/02/18	100%	40%	165,098	231,127	23 926	18,2	2,05	39,94	8 098
Series XXV.2	AOA	25 000	0.0%	5.0%	5.0%	29/06/17	28/02/18	28/02/18	100%	40%	165,098	231,127	151	18,6	2,05	39,94	51
Series XXV.I	AOA	2 960 000	0.0%	4.3%	4.3%	02/08/17	02/03/18	02/03/18	100%	40%	165,098	231,130	17 929	18,6	2,06	39,94	6 866
Series XXV.I 2	AOA	55 000	0.0%	4.3%	4.3%	03/08/17	02/04/18	02/04/18	100%	40%	165,098	231,130	333	18,9	2,36	39,94	408
Series XXVII.1	AOA	695 000	0.0%	3.4%	3.4%	11/09/17	11/04/18	11/04/18	100%	30%	165,098	214,625	4 210	19	2,09	39,94	12 931
Series XXVII.1 ii	AOA	5 000 000	0.0%	3.4%	3.4%	15/09/17	11/04/18	11/04/18	100%	30%	165,098	214,625	30 285	19	2,09	39,94	93 031
Series XXVII.2	AOA	1 445 000	0.0%	3.0%	3.0%	11/09/17	11/09/18	11/09/18	100%	40%	165,098	231,134	8 752	21,6	2,62	39,94	82 055
Series XXVIII.1	AOA	4 280 000	0.0%	2.0%	2.0%	13/10/17	13/04/18	13/04/18	100%	30%	165,098	214,625	25 924	19,1	2,03	39,94	82 719
Series XXVIII.2	AOA	1 780 000	0.0%	3.0%	3.0%	13/10/17	12/10/18	12/10/18	100%	40%	165,098	231,134	10 782	22,1	2,67	39,94	121 212
Series XXIX	AOA	820 000	0.0%	2.0%	2.0%	27/10/17	27/04/18	27/04/18	100%	30%	165,098	214,626	4 967	19,3	1,60	39,94	20 162
Series XXIX.1	AOA	5 495 000	0.0%	2.0%	2.0%	17/11/17	18/05/18	18/05/18	100%	30%	165,098	214,626	33 283	19,5	1,99	39,94	176 837
Series XXIX.2	AOA	2 840 000	0.0%	3.0%	3.0%	17/11/17	16/11/18	16/11/18	100%	40%	165,098	231,136	17 202	22,5	2,89	39,94	227 708
Series XXIX.3	AOA	133 000	0.0%	1.0%	1.0%	17/11/17	18/05/18	18/05/18	100%	10%	165,098	181,607	806	19,5	1,99	39,94	11 168
Total		44 203	0.0%	3.5%	3.5%								267 744				1 024 583

The potential impact on the valuation of these products is around AOA 1,024,583 thousands.

Additionally, there was a positive impact of AOA 1,350,701, thousands in the Bank's results to 31 May 2018, due to limitation of cost evolution, originated by the CAPs that exist in some of the series of deposits issued.

NOTE 39

ACCOUNTING STANDARDS AND RECENT INTERPRETATIONS

The following standards, interpretations and amendments and revisions have mandatory application for the first time in the exercise started on 1 January 2017.

Amendment to IAS 12 – “Recognition of deferred tax assets for unrealised losses”:

This amendment clarifies the conditions for recognition and measurement of assets arising from tax losses incurred.

Applicable in the exercises started on or after 1 January 2017;

Amendment to IAS 7 – “Disclosures”:

This amendment introduces additional disclosures related to financing activities cash flows.

Applicable in the exercises started on or after 1 January 2017;

The Company had no impact from the application of this amendment on its financial statements.

Improvements to international financial reporting standards - 2007-2009

IFRS 12 – Disclosure of Interests in Other Entities: clarifying the scope of the standard as its application to interest classified as held for sale or held for distribution under IFRS 5.

Applicable for the years beginning on or after January 1, 2017.

The above standards did not produce significant effects on the financial statements of the Bank.

The following standards, interpretations, amendments and revisions have mandatory for future financial years:

IFRS 9 – Financial Instruments (issued in 2009 and amended in 2010, 2013 and 2014).

IFRS 9 was adopted defining the entry into force at the latest from the date of the first financial year beginning on or after 1 January 2018.

IFRS 9 (2009) introduced new requirements for classifying and measuring financial assets.

IFRS 9 (2010) introduced additional requirements related to financial liabilities. IFRS 9 (2013) introduced

the hedging methodology.

IFRS 9 (2014) made amendments limited to classification and measurement in IFRS 9 and new requirements for handling the impairment of financial assets.

The IFRS 9 requirements represent a significant change in the current requirements in IAS 39 with regard to financial assets. The standard contains three measuring categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. A financial asset will be measured at amortised cost if it is held as part of the entity's business model, the purpose of which is to hold the asset in order to obtain contractual cash flows and the terms of its cash flows result in revenue on specific dates related only to the nominal value and the current interest rate. If the debt instrument is held as part of a business model that attracts both contractual cash flows from the instrument and from sales, measurement will be at fair value through OCI, while the interest to be allocated to the profit or loss is maintained.

For an investment equity instrument that is not held for trading, the standard allows an irrevocable choice in the initial recognition of presenting changes in fair value under OCI.

None of this amount recognised in OCI will be classified through profit or loss at any future date. However, dividends generated by these investments are recognised in profit or loss instead of OCI unless they clearly represent a partial recovery of the cost of the investment.

In any other situations, when the financial assets are held as part of a trading business model or when other instruments are not only for the purpose of receiving interest and amortising capital, they are measured at fair value through profit or loss.

This situation also includes investments in equity instruments that the entity does not designate for presentation of the changes in fair value in OCI. They are therefore measured at fair value with the changes recognised in profit or loss.

The standard does not allow embedded derivatives in contracts whose base contract is a financial asset covered by the scope of the standard to be separated.

Instead, the hybrid financial instrument is measured as a whole and, if there are embedded derivatives, they must be measured at fair value through profit or loss.

It eliminates the IAS 39 categories of “held to

maturity", "available for sale" and "receivables and payables". IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value by choice and imposes the separation of the change component of fair value that can be attributed to the entity's credit risk and its recognition in OCI instead of profit or loss.

With the exception of this amendment, in general IFRS 9 transposes the guidelines on classification and measurement set out in IAS 39 for financial liabilities without any substantial amendments. IFRS 9 (2013) introduced new requirements for hedge accounting, which aligns it more closely with risk management.

The requirements also establish a greater approach between principles and hedge accounting, thereby correcting some weak points in the IAS 39 hedging model.

IFRS 9 (2014) sets out a new impairment based on "expected losses", which will replace the current model based on "incurred losses" set out in IAS 39.

As a result, a loss event no longer requires checking before constituting impairment. This new model is designed to speed up recognition of losses through impairment applicable to debt instruments held and whose measurement is at amortised cost or at fair value through OCI.

If the credit risk of a financial asset has not increased significantly since it was first recognised, the financial asset will generate accumulated impairment equal to the loss that is expected to occur in the next 12 months. If the credit risk of a financial asset has increased significantly, the financial asset will generate accumulated impairment equal to the loss that may occur until its maturity, thereby increasing the amount of impairment recognised.

After a loss event has occurred (which is currently called "objective evidence of impairment"), the accumulated impairment is allocated directly to the instrument in question and its accounting treatment will be similar to that set out in IAS 39, including treatment of the interest. IFRS 9 will be applicable on or after 1 January 2018. After first-time preparation of financial statements in accordance with the IAS/IFRS, on 31 December 2016, in subsequent years the Bank plans to begin a process of assessing the potential effects of this standard. However, given the nature of the Bank's business activities, this standard can be expected to have important impacts on the Bank's financial statements.

The Bank is currently implementing this standard, and has made use of a consultant for the purpose.

Since there are already several areas of the Bank involved, inter alia, Risk Management Office, International Financial Department, Accounting and Budgetary Control Department, Organisation and Quality, among others.

IFRS 15 – Revenue from contracts with customers.

On 28 May 2014, the IASB issued IFRS 15 - Revenue from contracts with customers. Its early adoption is allowed.

This standard repeals IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 Revenue - Barter transactions involving advertising services.

IFRS 15 determines a model based on five steps for determining when revenue should be recognised and in what amount. The model specifies that revenue must be recognised when an entity transfers goods or services to a customer, measured by the amount that the entity expects to be entitled to receive.

Depending on compliance with some criteria, revenue is recognised:

- i. At the precise time that control of the goods or services is transferred to customer or
- ii. Throughout the period, as far as it reflects the entity's performance. The Bank is currently assessing the impacts of adoption of this standard.

Amendment to IFRS 15 – Revenue from contracts with customers.

This amendment has introduced several clarifications to the standard in order to eliminate the possibility of divergent interpretations of various topics.

It is effective for annual periods beginning on or after January 1, 2018.

IFRIC 22 – Foreign currency transactions and advance consideration.

IFRIC 22 was issued on 8 December 2016. Its application is mandatory for periods beginning on or after 1 January 2018.

Amendments to IFRS 2 – Share-based payments.

These amendments introduce several clarifications in relation to:

- (i) the registration of share-based payments

- transactions that are settled in cash;
- (ii) the registration of modifications in share-based payments transactions (from settled in cash to settled with equity instruments);
- (iii) the classification of transactions with offset settlement characteristics.

They are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 – Insurance Contracts.

These amendments provide guidance on the application of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be replaced with the coming into force of IFRS 17.

It is effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 – Investment properties.

These amendments clarify the change of classification from or to investment property should only be made where there is evidence of a change in the use of the asset.

It is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leasing

The IASB issued IFRS 16 - Leasing on 13 January 2016. Application is mandatory in periods beginning on or after 1 January 2019.

Early adoption is allowed provided that IFRS 15 is also adopted. This standard repeals IAS 17 – Leasing.

IFRS 16 withdraws the classification of leasing as operational or financial (for the lessee), and all leasing is now treated as financial. Short-term leasing (less than 12 months) and leasing of low-value assets (e.g. personal computers) are exempt from the standard's requirements.

Amendments to IFRS 17 – Insurance Contracts.

This standard establishes, for insurance contracts within their scope of application, the principles for their recognition, measurement, presentation and disclosure.

This standard replaces IFRS 4 – Insurance Contracts. It is effective for annual periods beginning on or after January 1, 2021.

Improvements of international financial reporting standards (2014-2016 cycle): these improvements involve the clarification of some aspects related with:

IFRS 1 – First-time Adoption of International Financial Reporting Standards: eliminates some short-term exemptions;

IAS 28 – Investments in associates and joint ventures: introduces clarification on the fair-value measurement through profit or loss of investments in associates or joint ventures held by venture capital companies or investment funds.

The improvements of IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018.

Improvements of international financial reporting standards (2015-2017 cycle): these improvements involve the clarification of some aspects related with:

IFRS 3 – Business combinations: requires re-measurement of interest previously held when an entity obtains control over a subsidiary over which it previously had joint control;

IFRS 11 – Joint ventures: clarifies that there should be no measurement of previously held interest when an entity obtains joint control over a joint venture;

IAS 12 – Income taxes: clarifies that all tax consequences of dividends must be recorded in profit or loss;

IAS 23 – Borrowing costs: clarifies that part of the loan directly related to the acquisition/ construction of an asset, owed after the corresponding assets are ready for the intended use, is, for the purpose of determining the capitalisation rate, considered to be a part of the entity's generic borrowings.

These improvements are effective for annual periods beginning on or after January 1, 2019.

IFRIC 22 – Foreign currency transactions and advances.

This interpretation establishes the initial recognition of the advance or of the deferred income as the date of the transaction for the purpose of determining the exchange rate of or the recognition of the revenue.

It is effective for annual periods beginning on or after January 1, 2018.

Amendment to IAS 28 – Long-term investments in associates and joint ventures.

This amendment clarifies that IFRS 9 should be applied (including the respective requirements related to impairment) to investments in associates

and joint ventures when the equity method is not applied to the measurement thereof.

It is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 – Uncertainties in the treatment of income tax.

This interpretation provides guidance on the determination of taxable income, the tax bases, the tax losses to be carried forward, the tax credits to be used and the tax rates in scenarios of uncertainty as to the treatment in the matter of income tax.

It is effective for annual periods beginning on or after January 1, 2019.

Amendment to IFRS 9 – Characteristics of prepayments with negative compensation:

This amendment allows financial assets with contractual terms that provide, in their redemption, payment of a considerable amount by the creditor, may be measured at amortised cost or at fair value through reserves (depending on the business model), provided that:

- i. upon initial recognition of the asset, the fair value of the component of the early amortisation is negligible; and
- ii. the possibility of negative compensation in the early amortisation is the sole reason for the asset in question not to be considered an instrument that includes only payments of principal and interest.

It is effective for annual periods beginning on or after January 1, 2021.



BancoEconómico
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08.

INDEPENDENT AUDITOR REPORT

(Translation of a report originally issued in Portuguese. In case of doubt, the Portuguese version prevails.)

Independent Auditor's Report

Dear Board of Directors and Shareholders,
Of Banco Económico, S.A.

Introduction

1. We have audited the accompanying financial statements of Banco Económico ("the Bank"), which comprise the Balance Sheet as of December 31, 2017 that presents a total of 20,655,858 mAOA and Total Equity of 18,413,256 mAOA, including net income for the year of 6,012,325 mAOA, the Income Statement, the Comprehensive Income Statement, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended and the corresponding Notes to the financial statements.

Responsibilities of management for the financial statements

2. The Board of Directors is responsible for the proper preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and to ensure a level of internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

3. Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Chartered Accountants of Angola (Ordem dos Contabilistas e Peritos Contabilistas de Angola). Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures of the financial statements. The audit procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

6. The Bank reconciliations related to the balance sheet account "Cash and cash equivalents with other credit institutions", at December 31, 2017, present unrealized movements of 2,400,801 mAOA, with potential overvaluation of the related accounting balance. Consequently, we are not able to conclude on the effects on the financial statements of any adjustments that may result from the correction of these movements.
7. The analysis of collective impairment losses for the loan portfolio, which covered 14% of the total loan portfolio excluding securitized credit of 48,369,465 mAOA, identified an absence of historical internal information and the Bank used information provided by an external consultant to calculate the Probability of Default (PD's) and the Loss Given Default (LGD's) (assumptions presented in note 3.3). We did not obtain sufficient information to support the calculation parameters used and we noted that the process of calculating the impairment losses has a high level of manual involvement in the data transformation and consequently high operational risk. In this context, we are not able to conclude as to the reasonableness of the collective impairment losses for loan portfolio of 3,057,777 mAOA.
8. The balance sheet accounts "Non-current assets held for sale" and "Other tangible assets", include real estate of 3,939,210 mAOA (2016: 52.625 mAOA) and 41,609,779 mAOA (2016: 42,298,891 mAOA), respectively, for which the

process of legal documentation is ongoing (Notes 21 and 22). Based on the information obtained, we are not able to assess the impact of this matter on the Bank's financial statements.

9. The balance sheet account "Other liabilities" at December 31, 2017, includes a debit balance of 3,995,257 mAOA, related to stamp duty that was incorrectly paid by the Bank, on the loan contracts whose economic rights were transferred to GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA"). The Bank requested the reimbursement of the incorrectly paid taxes to the Tax Authority ("AGT") and has not yet received a response. Additionally, we have not obtained documentary evidence that GRUPO ENSA will agree to reimburse the Bank if a favorable decision from AGT is not forthcoming. Consequently, we are not able to conclude as to the recoverability of these amounts.
10. The Angolan Association of Banks ("ABANC") and the National Bank of Angola ("BNA") have issued an interpretation that not all the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") have been met for the Angolan economy to be considered hyperinflationary for the year ended at December 31, 2017 and, consequently, the Bank's Board of Directors decided not to apply the provisions of that Standard to its financial statements as of that date. As at December 31, 2017, the cumulative inflation rate in the last three years is close to or above 100%, depending on the index used, and it is expected to continue to cumulatively exceed 100% in 2018, which is an objective measure that leads us to consider, together with other criteria in IAS 29, that the functional currency of the Bank's financial statements at December 31, 2017 is that of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements at that date, on that basis and in accordance with the provisions of that Standard, which also requires the restatement of the financial statements for the previous year presented for comparative purposes. We have not obtained sufficient information to enable us to accurately quantify the effects of this situation on the Bank's financial statements as at December 31, 2017, which we consider to be significant.

Opinion

11. In our opinion, except for the possible effects of the matters described in paragraphs 6 to 9 and except for the effects of the matter described in paragraph 10 of section "Basis for qualified opinion", the financial statements referred to in paragraph 1 above give a true and fair view, in all material respects, of the financial position of the Banco Económico, S.A. as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Emphasis of matter

12. Without modifying the opinion expressed in the previous paragraph, we draw the reader's attention to the following matters:

As described in note 37, on July 15, 2016 agreements with GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA") were concluded to transfer economic rights over assets, namely loans portfolio, and participation units of investment funds, as well as the sale of other assets held by the Bank, in accordance with Presidential Decree nº196/15 and nº123/16 which had a retroactive effect to December 31, 2014.

On March 20, 2017, the Bank proceeded with a payment in lieu to reimburse money market operations of 271,625 million AOA provided by BNA. The balances related to operations with GRUPO ENSA are disclosed in paragraph 3 of Note 37 and represent in the balance sheet statement 5% of total Assets (2016: 53%) and 2% of Total Liabilities (2016: 4%). In terms of income statement 6% of the account "Interests and similar income" relates to these operations (19,838,135 million Kwanzas), which have not yet been settled since the next maturity date is December 31, 2018.

On December 19, 2017, an amendment to the Payment Agreement between GRUPO ENSA and the Bank was entered into, which consisted of capitalizing a significant part of the accrued interest and rewriting the schedule for reimbursement of the amount outstanding (254,156 million AOA on December 31, 2017) which has been rescheduled from annual installments of 5 years to annual installments of 4 years. The regular payment of those installments is conditional on the recoverability of the loans portfolio whose economic rights were transferred and the recoverable value of the assets sold to GRUPO ENSA, both uncertain, or the eventual issuance of Treasury Bonds of the Republic of Angola, subject to the prior approval by the Minister of Finance, as provided for in the Operation's Payment Agreement.

Other Matters

13. As of December 31, 2017, the minimum requirements established by the BNA for the constitution and maintenance of mandatory foreign currency reserves, in accordance with Instruction No. 6/2017 of December 1 were not met. As mentioned in Note 14, the Bank is implementing measures to comply with the existing rules, otherwise failure to comply will result in a penalty fee on the extent of shortfall, until compliance is achieved, in accordance with paragraph 18 of the above instruction.



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Luanda, June 18, 2018 e

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Ernst & Young Angola, Lda. e

Represented by: e

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Daniel Guerreiro e ~~XXXXXXXXXXXX~~ e e Ana Salceda e

Chartered Accountant n.º 20130107 e e e Partner e

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(Translation of a report originally issued in Portuguese. In case of doubt, the Portuguese version prevails.)

Independent Auditor's Report

Dear Board of Directors and Shareholders,
Of Banco Económico, S.A.

Introduction

1. We have audited the accompanying consolidated financial statements of Banco Económico ("the Bank"), which comprise the consolidated balance sheet as of December 31, 2017 that presents a total of 20,099,641 mAOA and a total equity of 49,132,607 mAOA, including net income for the year of 6,008,847 mAOA, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the corresponding notes to the financial statements.

Responsibilities of management for the financial statements

2. The Board of Directors is responsible for the proper preparation and presentation these financial statements in accordance with the International Financial Reporting Standards and to ensure a level of internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

3. Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Chartered Accountants of Angola (Ordem dos Contabilistas e Peritos Contabilistas de Angola). Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures of the consolidated financial statements. The audit procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

6. The Bank reconciliations related to the balance sheet account "Cash and cash equivalents with other credit institutions", at December 31, 2017, present unrealized movements of 2,400,801 mAOA, with potential overvaluation of the related accounting balance. Consequently, we are not able to conclude on the effects on consolidated the financial statements of any adjustments that may result from the correction of these movements.
7. The analysis of collective impairment losses for the loan portfolio, which covered 14% of the total loan portfolio of 2016: 11.1% excluding securitized credit in the amount of 48,369,465 mAOA (2016: 14,887,453 mAOA) identified an absence of historical internal information and the Bank used information provided by an external consultant to calculate the Probability of Default (PD's) and the Loss Given Default (LGD's) (assumptions presented in note 3.3). In addition we did not obtain sufficient information to support the calculation parameters used and we noted that the process of calculating the impairment losses has a high level of manual involvement in the data transformation and consequently high operational risk. In this context, we are not able to conclude as to the reasonableness of the collective impairment losses for loan portfolio of 3,057,777 mAOA (2016: 1,964,045 mAOA).

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8. The balance sheet accounts "Non-current assets held for sale" and "Other tangible assets", include real estate of 3,939,210 mAOA (2016: 52.625 mAOA) and 41,609,779 mAOA (2016: 42,298,891 mAOA), respectively, for which the process of legal documentation is ongoing (Notes 21 and 22). Based on the information obtained, we are not able to assess the impact of this matter on the Bank's financial statements.
 9. The balance sheet account "Other liabilities" at December 31, 2017, includes a debit balance of 3,995,257 mAOA (2016: 3,995,257 mAOA), related to stamp duty that was incorrectly paid by the Bank, on the loan contracts whose economic rights were transferred to GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA"). The Bank requested the reimbursement of the incorrectly paid taxes to the Tax Authority ("AGT") and has not yet received a response. Additionally, we have not obtained documentary evidence that GRUPO ENSA will agree to reimburse the Bank if a favorable decision from AGT is not forthcoming. Consequently, we are not able to conclude as to the recoverability of these amounts.
 10. The Angolan Association of Banks ("ABANC") and the National Bank of Angola ("BNA") have issued an interpretation that not all the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") have been met for the Angolan economy to be considered hyperinflationary for the year ended at December 31, 2017 and, consequently, the Bank's Board of Directors decided not to apply the provisions of that Standard to its financial statements as of that date. As at December 31, 2017, the cumulative inflation rate in the last three years is close to or above 100%, depending on the index used, and it is expected to continue to cumulatively exceed 100% in 2018, which is an objective measure that leads us to consider, together with other criteria in IAS 29, that the functional currency of the Bank's financial statements at December 31, 2017 is that of a hyperinflationary economy. In these circumstances, the Bank should have presented its consolidated financial statements at that date, on that basis in accordance with the provisions of that Standard, which also requires the restatement of the consolidated financial statements for the previous year presented for comparative purposes. We have not obtained sufficient information to enable us to accurately quantify the effects of this situation on the Consolidated Bank's financial statements as at December 31, 2017, which we consider to be significant.

Qualified Opinion

11. In our opinion, except for the possible effects of the matters described in paragraphs 6 to 9 and except for the effects of the matter described in paragraph 10 of section "Basis for qualified opinion", the consolidated financial statements referred to in paragraph 1 above give a true and fair view, in all material respects, of the consolidated financial position of the Banco Económico, S.A. and its subsidiaries as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Emphasis of matter

12. Without modifying the opinion expressed in the previous paragraph, we draw the reader's attention to the following matters: e

As described in note 37, on July 15, 2016 agreements with GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA") were concluded to transfer economic rights over assets, namely loans portfolio, and participation units of investment funds, as well as the sale of other assets held by the Bank, in accordance with Presidential Decree nº196/15 and nº123/16 which had a retroactive effects to December 31, 2014.

On March 20, 2017, the Bank proceeded with a payment in lieu to reimburse the money market operations of 256,963 million AOA provided by BNA. The balances related to operations with GRUPO ENSA are disclosed in paragraph 3 of Note 37 and represent in the consolidated balance sheet statement 5% of total Assets (2016: 53%) and 2% of Total Liabilities (2016: 4%). In terms of income statement, 36% of the account "Interests and similar income" relates to these operations (19,838,135 million Kwanzas), which have not yet been settled since the next maturity date is December 31, 2018.

On December 19, 2017, an amendment to the Payment Agreement between GRUPO ENSA and the Bank was entered into, which consisted of capitalizing a significant part of the accrued interest and rewriting the schedule for reimbursement of the amount outstanding (254,156 million AOA on December 31, 2017) which has been rescheduled from annual installments of 5 years to annual installments of 4 years. The regular payment of those installments is conditional on the recoverability of the loans portfolio whose economic rights were transferred and the recoverable value of the assets sold to GRUPO ENSA, both uncertain, or the eventual issuance of Treasury Bonds of the Republic of Angola, subject to the prior approval by the Minister of Finance, as provided for in the Operation's Payment Agreement.

Other Matters

13. As of December 31, 2017, the minimum requirements established by the BNA for the constitution and maintenance of mandatory foreign currency reserves, in accordance with Instruction No. 6/2017 of December 1 were not met. As

mentioned in Note 14, the Bank is implementing measures to comply with the existing rules, otherwise failure to comply will result in the collection of a penalty fee on the extent of the shortfall, until compliance is achieved, in accordance with paragraph 18 of the above Instruction.

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Luanda, July 31, 2018 e

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Ernst & Young Angola, Lda. e

Represented by: e

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Daniel Guerreiro e ~~XXXXXXXXXXXXXXXXXXXX~~ e e Ana Salceda e

Chartered Accountant n.º 20130107 e e ~~XXXXXXXXXXXX~~ Partner e

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Banco Económico
Somos futuro



09.

FISCAL COUNCIL REPORT

RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE A PRESTAÇÃO DE CONTAS INDIVIDUAIS E CONSOLIDADAS

Aos Accionistas do

Banco Económico S.A.

1. Nos termos da Lei e dos estatutos, apresentamos o relatório sobre a actividade fiscalizadora por nós desenvolvida bem como o Parecer sobre o relatório de Gestão e os documentos de prestação de contas apresentados pelo Conselho de Administração do Banco Económico S.A. ("Banco") relativo ao exercício findo em 31 de Dezembro de 2017.
2. Acompanhamos o processo de fecho de contas do exercício e obtivemos do Conselho de Administração e do Auditor Independente (Ernst & Young Angola Lda) as informações e os esclarecimentos solicitados necessários à emissão do nosso Parecer.
3. Analisamos com a profundidade que se impõe, o Relatório e Contas do qual destacamos a Nota 37 – Factos relevantes e Eventos subsequentes nos seus parágrafos 1 – Operação de transmissão de direitos económicos sobre activos, 2 – Empréstimo Novo Banco e 3 – Operações de transmissão de direitos económicos e de venda de Activos ao grupo ENSA na qual destacamos a alteração do plano de pagamentos da operação de transmissão de Activos de 5 para 24 anos, facto que se revela fundamental (i) à apreciação das demonstrações financeiras e respectivos anexos do Banco em 31.12.2017 assim como (II) à apreciação objectiva das condições de continuidade harmoniosa das operações da Instituição.
4. Considerando as circunstâncias excepcionais relacionadas com o saneamento financeiro do Banco, analisamos com a maior profundidade possível o conteúdo dos relatórios do Auditor Independente nomeadamente as Ênfases que reproduzem as várias fases da operação e as consequências presentes e futuras sobre a estrutura e o equilíbrio financeiro do Banco.
5. Tomámos conhecimento das Reservas e Ênfases sobre as Demonstrações financeiras do exercício, contidas no Relatório do Auditor Independente. e obtivemos todos os esclarecimentos e justificações para tais expressões. Concordamos com o conteúdo dos relatórios do Auditor Independente, tanto do relatório de Auditoria como o relacionado com a preparação e divulgação das demonstrações financeiras individuais e consolidadas.



6. Analisamos o Balanço patrimonial em 31 de Dezembro de 2017, a demonstração de resultados, a demonstração de mutações nos fundos próprios e a demonstração de fluxos de caixa relativas ao exercício finda naquela data, no que se refere às contas individuais e às consolidadas do Banco.
7. Tomámos conhecimento das políticas contabilísticas e aplicação normativa das mesmas à actividade desenvolvida pelo Banco e suas subsidiárias e entendemos que as mesmas são aquelas geralmente aceites.
8. Face ao exposto, e tendo em consideração o trabalho realizado, somos de Parecer que a Assembleia Geral
 - (i) Aprove o relatório de gestão e os documentos de prestação de contas individuais e consolidadas relativos ao exercício findo em 31 de Dezembro de 2017, tal como apresentados pelo Conselho de Administração do Banco, e
 - (ii) Aprove a proposta de aplicação de resultados constante do relatório de gestão preparado pelo Conselho de Administração do Banco
9. Gostaríamos de expressar o nosso reconhecimento ao Conselho de Administração, e muito especialmente ao Auditor Independente, Ernst & Young Angola Lda, pela disponibilidade pessoal e qualidade das informações transmitidas.

Luanda, 18 de Junho de 2018

O Conselho Fiscal


Mazars, Auditores & Consultores, Lda.

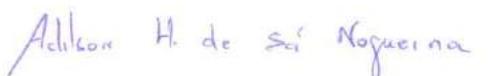
Mazars Angola – Auditores e Consultores S.A

Representada por Dr Carlos Freitas

Presidente


Dr Mário Bruno da Conceição Ferreira Lourenço

Vogal


Dr Adilson Humberto de Sá Nogueira

Vogal

